

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2016  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report  
For the transition period from to

Commission file number 001-33098

**Kabushiki Kaisha Mizuho Financial Group**

(Exact name of Registrant as specified in its charter)

**Mizuho Financial Group, Inc.**

(Translation of Registrant's name into English)

**Japan**

(Jurisdiction of incorporation or organization)

1-5-5 Otemachi

Chiyoda-ku, Tokyo 100-8176

Japan

(Address of principal executive offices)

Masahiro Kosugi, +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

American depositary shares, each of which represents two shares of common stock

The New York Stock Exchange\*  
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, 2016, the following shares of capital stock were issued: (1) 25,030,525,657 shares of common stock (including 6,939,703 shares of common stock held by the registrant as treasury stock), (2) 914,752,000 shares of eleventh series class XI preferred stock (including 815,828,400 shares of eleventh series class XI preferred stock held by the registrant as treasury stock).

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note—checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

\* Not for trading, but only in connection with the registration and listing of the ADSs.

**MIZUHO FINANCIAL GROUP, INC.**

**ANNUAL REPORT ON FORM 20-F**

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this annual report, the terms “Mizuho Financial Group,” the “Group,” “we,” “us” and “our” generally refer to Mizuho Financial Group, Inc. and its consolidated subsidiaries, but from time to time as appropriate to the context, those terms refer to Mizuho Financial Group, Inc. as an individual legal entity. 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.

On July 1, 2013, a merger between the former Mizuho Bank, Ltd. and the former Mizuho Corporate Bank, Ltd. came into effect with the former Mizuho Corporate Bank as the surviving entity, which was renamed Mizuho Bank upon the merger. In this annual report, “Mizuho Bank” refers to the post-merger entity, while the “former Mizuho Bank” and the “former Mizuho Corporate Bank” refer to pre-merger Mizuho Bank and pre-merger Mizuho Corporate Bank, respectively.

In this annual report, “our principal banking subsidiaries” refer to Mizuho Bank and Mizuho Trust & Banking Co., Ltd. (or with respect to references as of a date, or for periods ending, before July 1, 2013, to the former Mizuho Bank, the former Mizuho Corporate Bank and Mizuho Trust & Banking).

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 the lawful currency of Japan.

In this annual report, yen figures and percentages have been rounded to the figures shown. However, in some cases, figures presented in tables have been adjusted to match the sum of the figures with the total amount, and such figures may also be referred to in the related text. In addition, yen figures and percentages in “Item 3.A. Key Information—Selected Financial Data—Japanese GAAP Selected Consolidated Financial Information” and others that are specified have been truncated to the figures shown.

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 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, current expectations and targets 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 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. 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:

- increase in allowance for loan losses and incurrence of significant credit-related costs;
- declines in the value of our securities portfolio, including as a result of the declines in stock markets and the impact of the dislocation in the global financial markets;
- changes in interest rates;
- foreign exchange rate fluctuations;
- decrease in the market liquidity of our assets;
- revised assumptions or other changes related to our pension plans;
- a decline in our deferred tax assets;
- the effect of financial transactions entered into for hedging and other similar purposes;
- failure to maintain required capital adequacy ratio levels;
- downgrades in our credit ratings;
- our ability to avoid reputational harm;
- our ability to implement our Medium-term Business Plan and other strategic initiatives and measures effectively;
- the effectiveness of our operation, legal and other risk management policies;
- the effect of changes in general economic conditions in Japan and elsewhere; and
- amendments and other changes to the laws and regulations that are applicable to us.

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.

## **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, 2012, 2013, 2014, 2015 and 2016 which have been derived from the audited consolidated financial statements of Mizuho Financial Group prepared in accordance with U.S. GAAP.

The second table below sets forth selected consolidated financial data of Mizuho Financial Group as of and for the fiscal years ended March 31, 2012, 2013, 2014, 2015 and 2016 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, 2014, 2015 and 2016 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.

## U.S. GAAP Selected Consolidated Financial Information

	As of and for the fiscal years ended March 31,				
	2012	2013	2014	2015	2016
	(in millions of yen, except per share data, share number information and percentages)				
<b>Statement of income data:</b>					
Interest and dividend income . . .	¥ 1,437,086	¥ 1,423,375	¥ 1,422,799	¥ 1,457,659	¥ 1,500,171
Interest expense . . . . .	415,959	412,851	401,565	411,982	495,407
Net interest income . . . . .	1,021,127	1,010,524	1,021,234	1,045,677	1,004,764
Provision (credit) for loan losses . . . . .	(23,044)	139,947	(126,230)	(60,223)	34,560
Net interest income after provision (credit) for loan losses . . . . .	1,044,171	870,577	1,147,464	1,105,900	970,204
Noninterest income . . . . .	1,090,135	1,439,419	1,082,834	1,801,215	1,883,894
Noninterest expenses . . . . .	1,471,471	1,424,816	1,503,955	1,639,462	1,657,493
Income before income tax expense . . . . .	662,835	885,180	726,343	1,267,653	1,196,605
Income tax expense . . . . .	13,878	4,024	226,108	437,420	346,542
Net income . . . . .	648,957	881,156	500,235	830,233	850,063
Less: Net income (loss) attributable to noncontrolling interests . . . . .	(7,432)	5,744	1,751	27,185	(429)
Net income attributable to MHFG shareholders . . . . .	¥ 656,389	¥ 875,412	¥ 498,484	¥ 803,048	¥ 850,492
Net income attributable to common shareholders . . . . .	¥ 647,717	¥ 867,191	¥ 491,739	¥ 798,138	¥ 848,062
<b>Amounts per share:</b>					
Basic earnings per common share—net income attributable to common shareholders . . . . .	¥ 28.07	¥ 36.05	¥ 20.33	¥ 32.75	¥ 34.19
Diluted earnings per common share—net income attributable to common shareholders . . . . .	¥ 26.78	¥ 34.47	¥ 19.64	¥ 31.64	¥ 33.50
Number of shares used to calculate basic earnings per common share (in thousands) . . . . .	23,073,544	24,053,282	24,189,670	24,368,116	24,806,161
Number of shares used to calculate diluted earnings per common share (in thousands) . . . . .	24,469,539	25,365,229	25,371,252	25,381,047	25,387,033
Cash dividends per share declared during the fiscal year <sup>(1)</sup> :					
Common stock . . . . .	¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.50	¥ 7.50
	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.07
Eleventh series class XI preferred stock <sup>(2)</sup> . . . . .	¥ 20.00	¥ 20.00	¥ 20.00	¥ 20.00	¥ 20.00
	\$ 0.24	\$ 0.21	\$ 0.19	\$ 0.17	\$ 0.18
Thirteenth series class XIII preferred stock <sup>(3)</sup> . . . . .	¥ 30.00	¥ 30.00	¥ 30.00	—	—
	\$ 0.36	\$ 0.32	\$ 0.29	—	—

	As of and for the fiscal years ended March 31,				
	2012	2013	2014	2015	2016
	(in millions of yen, except per share data, share number information and percentages)				
<b>Balance sheet data:</b>					
Total assets	¥166,361,633	¥178,746,994	¥175,699,346	¥190,119,734	¥193,815,546
Loans, net of allowance	65,306,370	69,060,526	72,858,777	77,528,017	77,104,122
Total liabilities	161,714,609	172,889,899	169,077,975	181,929,890	185,632,355
Deposits	91,234,380	100,221,556	102,610,154	114,206,441	117,937,722
Long-term debt	8,461,818	8,802,223	9,853,941	14,582,241	14,770,922
Common stock	5,427,992	5,460,821	5,489,295	5,590,396	5,703,144
Total MHFG shareholders' equity	4,470,766	5,728,120	6,378,470	7,930,338	8,014,551
<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	0.39%	0.50%	0.27%	0.42%	0.43%
Net income attributable to common shareholders as a percentage of average MHFG shareholders' equity	15.56%	18.76%	9.64%	13.86%	13.33%
Dividends per common share as a percentage of basic earnings per common share	21.38%	16.64%	31.97%	22.90%	21.94%
Average MHFG shareholders' equity as a percentage of total average assets	2.53%	2.67%	2.84%	3.04%	3.23%
Net interest income as a percentage of total average interest-earning assets	0.71%	0.66%	0.64%	0.63%	0.58%

Notes:

- (1) Yen amounts are expressed in U.S. dollars at the rate of ¥82.41 = \$1.00, ¥94.16 = \$1.00, ¥102.98 = \$1.00, ¥119.96 = \$1.00 and ¥112.42 = \$1.00 for the fiscal years ended March 31, 2012, 2013, 2014, 2015 and 2016, 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) On July 1, 2016, we acquired ¥75.1 billion of eleventh series class XI preferred stock, in respect of which a request for acquisition was not made by June 30, 2016, and delivered shares of our common stock, pursuant to Article 20, Paragraph 1 of our articles of incorporation and a provision in the terms and conditions of the preferred stock concerning mandatory acquisition in exchange for common stock. On July 13, 2016, we cancelled all of our treasury shares of eleventh series class XI preferred stock.
- (3) On July 11, 2013, we acquired and subsequently cancelled all of the thirteenth series class XIII preferred stock. Accordingly, cash dividend payments related to the thirteenth series class XIII preferred stock for the fiscal year ended March 31, 2014 were not be made during the fiscal year ended March 31, 2015 and thereafter.



## Japanese GAAP Selected Consolidated Financial Information

	As of and for the fiscal years ended March 31,				
	2012	2013	2014	2015	2016
	(in millions of yen, except per share data and percentages)				
<b>Statement of income data:</b>					
Interest income . . . . .	¥ 1,423,564	¥ 1,421,609	¥ 1,417,569	¥ 1,468,976	¥ 1,426,256
Interest expense . . . . .	335,223	345,710	309,266	339,543	422,574
Net interest income . . . . .	1,088,340	1,075,898	1,108,303	1,129,433	1,003,682
Fiduciary income . . . . .	49,014	48,506	52,014	52,641	53,458
Net fee and commission income . . .	458,933	507,378	560,768	593,360	607,551
Net trading income . . . . .	150,317	215,033	187,421	262,963	310,507
Net other operating income . . . . .	256,468	324,899	126,774	209,340	246,415
General and administrative expenses . . . . .	1,283,847	1,244,647	1,258,227	1,351,611	1,349,593
Other income . . . . .	263,024	198,063	344,275	301,652	365,036
Other expenses . . . . .	265,803	407,299	135,962	207,147	228,807
Income before income taxes <sup>(1)</sup> . . . .	716,449	717,832	985,366	990,632	1,008,252
Income taxes:					
Current <sup>(2)</sup> . . . . .	55,332	50,400	137,010	260,268	213,289
Deferred . . . . .	97,494	7,461	77,960	44,723	69,260
Profit <sup>(1)</sup> . . . . .	563,621	659,970	770,396	685,640	725,702
Profit attributable to non-controlling interests <sup>(1)</sup> . . . . .	79,102	99,454	81,980	73,705	54,759
Profit attributable to owners of parent <sup>(1)</sup> . . . . .	¥ 484,519	¥ 560,516	¥ 688,415	¥ 611,935	¥ 670,943
<b>Net income per share:</b>					
Basic . . . . .	¥ 20.62	¥ 22.96	¥ 28.18	¥ 24.91	¥ 26.94
Diluted . . . . .	19.75	22.05	27.12	24.10	26.42
<b>Balance sheet data:</b>					
Total assets . . . . .	¥165,360,501	¥177,411,062	¥175,822,885	¥189,684,749	¥193,458,580
Loans and bills discounted <sup>(3)</sup> . . . . .	63,800,509	67,536,882	69,301,405	73,415,170	73,708,884
Securities . . . . .	51,392,878	53,472,399	43,997,517	43,278,733	39,505,971
Deposits <sup>(4)</sup> . . . . .	90,636,656	99,568,737	101,811,282	113,452,451	117,456,604
Net assets . . . . .	6,869,295	7,736,230	8,304,549	9,800,538	9,353,244
<b>Risk-adjusted capital data (Basel II)<sup>(5)</sup>:</b>					
Tier 1 capital . . . . .	¥ 6,398,953	n.a.	n.a.	n.a.	n.a.
Total risk-based capital . . . . .	7,775,093	n.a.	n.a.	n.a.	n.a.
Risk-weighted assets . . . . .	50,144,934	n.a.	n.a.	n.a.	n.a.
Tier 1 capital ratio . . . . .	12.76%	n.a.	n.a.	n.a.	n.a.
Capital adequacy ratio . . . . .	15.50	n.a.	n.a.	n.a.	n.a.

As of and for the fiscal years ended March 31,					
2012	2013	2014	2015	2016	

(in millions of yen, except per share data and percentages)

**Risk-adjusted capital data**

(Basel III)<sup>(5)</sup>:

Common Equity Tier 1 capital . . .	n.a.	¥ 4,802,418	¥ 5,304,412	¥ 6,153,141	¥ 6,566,488
Tier 1 capital . . . . .	n.a.	6,486,068	6,844,746	7,500,349	7,905,093
Total capital . . . . .	n.a.	8,344,554	8,655,990	9,508,471	9,638,641
Risk-weighted assets . . . . .	n.a.	58,790,617	60,274,087	65,191,951	62,531,174
Common Equity Tier 1 capital ratio . . . . .	n.a.	8.16%	8.80%	9.43%	10.50%
Tier 1 capital ratio . . . . .	n.a.	11.03	11.35	11.50	12.64
Total capital ratio . . . . .	n.a.	14.19	14.36	14.58	15.41

Notes:

- (1) We have applied “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013) and others and presentation of Net Income and others has been changed and presentation of Minority Interests has been changed to Non-controlling Interests from this fiscal year ended March 31, 2016.
- (2) Includes refund of income taxes.
- (3) Bills discounted refer 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.
- (4) Includes negotiable certificates of deposit.
- (5) Risk-adjusted capital data are calculated on a Basel II basis until the fiscal year ended March 31, 2012, and on a Basel III basis from the fiscal year ended March 31, 2013. We adopted the advanced internal ratings-based approach (the “AIRB approach”) for the calculation of risk-weighted assets associated with credit risk from the fiscal year ended March 31, 2009. We also adopted the advanced measurement approach (the “AMA”) for the calculation of operational risk from the fiscal year ended March 31, 2010. 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, land revaluation, business combinations, pension liabilities, consolidation of variable interest entities, deferred taxes and foreign currency translation. See “Item 5. Operating and Financial Review and Prospects—Reconciliation with Japanese GAAP.”

### 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 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.

<u>Fiscal years ended (ending) March 31,</u>	<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Period end</u>
			(yen per dollar)	
2012 .....	¥ 85.26	¥ 75.72	¥ 78.86	¥ 82.41
2013 .....	96.16	77.41	83.26	94.16
2014 .....	105.25	92.96	100.46	102.98
2015 .....	121.50	101.26	110.78	119.96
2016 .....	125.58	111.30	120.13	112.42
2017 (through July 8) .....	112.06	100.65	105.27	100.65
<u>Calendar year 2016</u>				
January .....	¥121.05	¥116.38	—	—
February .....	121.06	111.36	—	—
March .....	113.94	111.30	—	—
April .....	112.06	106.90	—	—
May .....	110.75	106.34	—	—
June .....	109.55	101.66	—	—
July (through July 8) .....	102.55	100.65	—	—

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 July 8, 2016 was ¥100.65 = \$1.00.

### 3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

### 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 be required to increase allowance for loan losses and/or incur significant credit-related and other costs in the future due to problem loans.**

We are the primary bank lender for a large number of our corporate customers, and the amount of our loans and other claims to each of our major customers is significant. In addition, while we have made efforts to diversify our credit exposure along industry lines, the proportion of credit exposure to customers in the construction and real estate, banks and other financial institutions, and wholesale and retail industries is relatively high. We manage our credit portfolio by regularly monitoring the credit profile of each of our customers, the progress made on restructuring plans and credit exposure concentrations in particular industries or corporate groups, and we also utilize credit derivatives for hedging and credit risk mitigation purposes. We provide an allowance for loan losses taking into consideration the borrower's situation, the value of relevant collateral and guarantee, which we periodically re-evaluate, and economic trends based on our self-assessment standards as well as applicable charge-off and allowance standards. However, depending on trends in the domestic and global economic environment, the business environment in particular industries and other factors, the amount of our problem loans and other claims could increase significantly, including as a result of the deterioration in the credit profile of customers for which we are the primary bank lender, other major customers or customers belonging to industries to which we have significant credit exposure, and the value of collateral and guarantees could decline. There can be no assurance that credit-related and other costs, including provision for loan losses and charge-offs of loans, will not increase in the future as a result of the foregoing or otherwise.

#### **Our equity investment portfolio exposes us to market risks that could adversely affect our financial condition and results of operations.**

We hold substantial investments in marketable equity securities, mainly common stock of Japanese listed companies. We have established the "Policy Regarding Cross-holding of Shares of Other Listed Companies" and, in light of the potential material adverse impact on our financial position associated with stock market volatility risk, we have decided to hold the shares of other companies as cross-shareholdings only when these holdings are meaningful, and we have accordingly sold a portion of such investments. In addition, in order to lower the risk of stock market volatility, we have been applying partial hedges as we deem necessary. 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. In addition, net unrealized gains and losses on such investments, based on Japanese GAAP, are taken into account when calculating the amount of capital for purposes of the calculation of our capital adequacy ratios, and as a result, a decline in the value of such investments would negatively affect such ratios. Accordingly, our financial condition and results of operations could be materially and adversely affected.

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

We hold a significant amount of bonds, consisting mostly of Japanese government bonds, and other instruments primarily for the purpose of investment. As a result of such holdings, an increase in interest rates, primarily yen interest rates, could lead to unrealized losses of bonds or losses from sales of bonds. In addition, due mainly 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 significant changes in interest rates, including as a result of a change in Japanese monetary policy, increased sovereign risk due to deterioration of public finances and market trends, our financial condition and results of operations could be materially and adversely affected.

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

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

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

The market liquidity of the various marketable assets that we hold may decrease significantly due to turmoil in financial markets and other factors, and the value of such assets could decline as a result. If factors such as turmoil in global financial markets or the deterioration of economic or financial conditions cause the market liquidity of our assets to decrease significantly, our financial condition and results of operations could be materially and adversely affected.

**Our pension-related costs could increase as a result of revised assumptions or changes in our pension plans.**

Our pension-related costs and projected benefit obligations are calculated based on assumptions regarding projected returns on pension plan assets and various actuarial assumptions relating to the plans. If actual results differ from our assumptions or we revise our assumptions in the future, due to changes in the stock markets, interest rate environment or otherwise, our pension-related costs and projected benefit obligations could increase. In addition, any future changes to our pension plans could also lead to increases in our pension-related costs and projected benefit obligations. As a result, our financial condition and results of operations could be materially and adversely affected.

**A decrease in deferred tax assets, net of valuation allowance, due to a change in our estimation of future taxable income or change in Japanese tax policy could adversely affect our financial condition and results of operations.**

We recorded deferred tax assets, net of valuation allowance, based on a reasonable estimation of future taxable income in accordance with applicable accounting standards. Our financial condition and results of operations could be materially and adversely affected if our deferred tax assets decrease due to a change in our estimation of future taxable income, a change in tax rate as a result of tax system revisions or other factors. Because we consider the sale of available-for-sale securities to be a qualifying tax-planning strategy, turmoil in financial markets such as significant declines in stock prices could lead to a decrease in our estimated future taxable income.

**Financial transactions entered into for hedging and other similar purposes could adversely affect our financial condition and results of operations.**

The accounting and valuation methods applied to credit and equity derivatives and other financial transactions that we enter into for hedging and credit risk mitigation purposes are not always consistent with the accounting and valuation methods applied to the assets that are being hedged. Consequently, in some cases, due to changes in the market or otherwise, losses related to such financial transactions during a given period may adversely affect net income, while the corresponding increases in the value of the hedged assets do not have an effect on net income for such period. As a result, our financial condition and results of operations could be materially and adversely affected during the period.

**Failure to maintain capital adequacy ratios above minimum required levels, as a result of the materialization of risks or regulatory changes, could result in restrictions on our business activities.**

We endeavor to maintain sufficient levels of capital adequacy ratios, which are calculated pursuant to standards set forth by Japan's Financial Services Agency and based on Japanese GAAP, taking into account our plans for investments in risk-weighted assets, the efficiency of our capital structure and other factors. However, our capital adequacy ratios could decline in the future, including as a result of the materialization of any of the risks enumerated in these "Risk Factors" and changes to the methods we use to calculate capital adequacy ratios. Also, there are regulatory adjustments such as goodwill and other intangibles, deferred tax assets, investments in the capital of banking, financial and insurance entities etc., that are deducted from our regulatory capital under certain conditions. Our or our banking subsidiaries' regulatory capital and capital adequacy ratios could decline due to such regulations.

In addition, if the framework set by the Basel Committee on Banking Supervision, upon which the Financial Services Agency's rules concerning banks' capital adequacy ratios are based, is changed or if the Financial Services Agency otherwise changes its banking regulations, we might not be able to meet the minimum regulatory requirements for capital adequacy ratios. For example, in December 2010, the Basel Committee on Banking Supervision issued its Basel III rules text, which presents the details of global regulatory standards on bank capital adequacy and liquidity. In March 2012, the Financial Services Agency published revisions to its capital adequacy guidelines which generally reflect rules in the Basel III text and became effective as of March 31, 2013. Furthermore, we have been named one of the global systemically important banks ("G-SIBs"), and will be subject to additional capital requirements. The group of G-SIBs will be updated annually and published by the Financial Stability Board ("FSB") each November. The FSB published the final standard requiring G-SIBs to maintain total loss-absorbing capacity ("TLAC") in November 2015. In addition, the Financial Service Agency published a policy to develop a framework in connection with such requirements in Japan in April 2016. Accordingly, we may become subject to such regulations beginning in 2019.

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, the submission of an improvement plan that would strengthen our capital base, a restriction on the outflow of capital, a reduction of our total assets or a suspension of a portion of our business operations. In addition, some of our banking subsidiaries are subject to capital adequacy regulations in foreign jurisdictions such as the United States, and our business could be adversely affected if their capital adequacy ratios fall below specified levels.

**Downgrades in our credit ratings could have negative effects on our funding costs and business operations.**

Credit ratings are assigned to Mizuho Financial Group, our banking subsidiaries and a number of our other subsidiaries by major domestic and international credit rating agencies. The credit ratings are based on information furnished by us or obtained by the credit rating agencies from independent sources and are also influenced by credit ratings of Japanese government bonds and general views regarding the Japanese financial system as a whole. The credit ratings are subject to revision, suspension or withdrawal by the credit rating agencies at any time. A downgrade in our credit ratings could result in, among other things, the following:

- increased funding costs and other difficulties in raising funds;
- the need to provide additional collateral in connection with financial market transactions; and
- the termination or cancellation of existing agreements.

As a result, our business, financial condition and results of operations could be materially and adversely affected.

For example, the additional collateral requirement in connection with our derivative contracts, absent other changes, assuming a downgrade occurred on March 31, 2016, would have been approximately ¥20.3 billion for a one-notch downgrade and approximately ¥23.8 billion for a two-notch downgrade.

**Our business will be adversely affected if we encounter difficulties in raising funds.**

We rely principally on deposits and bonds 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, in the case mainly of foreign currencies, 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.

**Our Medium-term Business Plan and other strategic initiatives and measures may not result in the anticipated outcome.**

We have been implementing strategic initiatives and measures in various areas. In May 2016, we announced our new Medium-term Business Plan for the three fiscal years ending March 31, 2019, in which we established a number of key targets that we aim to achieve by the end of the fiscal year ending March 31, 2019.

However, we may not be successful in implementing such initiatives and measures, or even if we are successful in implementing them, the implementation of such initiatives and measures may not have their anticipated effects. In addition, we may not be able to meet the key targets announced in the Medium-term Business Plan due to these or other factors, including, but not limited to, differences in the actual economic environment compared to our assumptions underlying the Medium-term Business Plan, as well as the risks enumerated in these “Risk Factors.”

For further information of our Medium-term Business Plan, see “Item 4. Business Overview—General—Progressive Development of “One Mizuho”—The Path to a Financial Services Consulting Group.”

**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, trust, securities 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 various business and equity 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.

Future violations of laws and regulations could result in regulatory action and harm our reputation, and our business, financial condition and results of operations could be materially and adversely affected.

**Employee errors and misconduct could subject us to losses and reputational harm.**

Because we process a large number of transactions in a broad range of businesses, we are subject to the risk of various operational errors and misconduct, including those caused by employees. Our measures to reduce employee errors, including establishment of operational procedures, regular reviews regarding compliance with these procedures, employee training and automation of our operations, may not be effective in preventing all employee errors and misconduct. Significant operational errors and misconduct in the future could result in losses, regulatory actions or harm to our reputation. As a result, our business, financial condition and results of operations could be materially and adversely affected.

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

We depend significantly on information technology systems with respect to almost all aspects of our business operations. Our information technology systems network, including those relating to bank accounting and cash settlement systems, interconnects our branches and other offices, our customers and various clearing and settlement systems located worldwide. Our efforts to sustain stable daily operations and development of contingency plans for unexpected events, including the implementation of backup and redundancy measures, as well as recently implemented measures to protect customers and our group from the rising threat of cyber attacks, illegal money transfers, targeted attacks and other risks may not be effective in preventing significant disruptions to our information technology systems caused by, among other things, human error, accidents, cyber attacks, 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 information leaks, malfunctions or 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 that we require of our outside contractors and those designed to meet the strict requirements of the Personal Information Protection Law of Japan, may not be effective in preventing all such problems. Leakage of important information in the future could result in liabilities and regulatory actions and may also lead to significant harm to our reputation. As a result, our business, financial condition and results of operations could be materially and adversely affected.

**Our business would be harmed if we are unable to attract and retain skilled employees.**

Many of our employees possess skills and expertise that are important to maintain our competitiveness and to operate our business efficiently. We may not be successful in attracting and retaining sufficient skilled employees through our hiring efforts and training programs aimed to maintain and enhance the skills and expertise of our employees, in which event our competitiveness and efficiency could be significantly impaired. As a result, our business, financial condition and results of operations could be materially and adversely affected.

**Our failure to establish, maintain and apply adequate internal controls over financial reporting could negatively impact investor confidence in the reliability of our financial statements.**

As a New York Stock Exchange-listed company and an SEC registrant, we have developed disclosure controls and procedures and internal control over financial reporting pursuant to the requirements of the



Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC promulgated pursuant thereto. Our management reports on, and our independent registered public accounting firm attests to, the effectiveness of our internal controls over financial reporting, as required, in our annual report on Form 20-F. In addition, our management is required to report on our internal control over financial reporting, and our independent registered public accounting firm is required to provide its opinion concerning the report of our management, in accordance with the Financial Instruments and Exchange Act of Japan. To the extent any issues are identified through the foregoing processes, there can be no assurance that we will be able to address them in a timely manner or at all. Furthermore, even if our management concludes that our internal control over financial reporting are effective, our independent registered public accounting firm may still be unable to issue a report that concludes that our internal control over financial reporting are effective. In either case, we may lose investor confidence in the reliability of our financial statements.

**We are subject to risk of litigation and other legal proceedings.**

As a financial institution engaging in banking and other financial businesses in and outside of Japan, we are subject to the risk of litigation for damages and other legal proceedings in the ordinary course of our business. Adverse developments related to future legal proceedings could have a material adverse effect on our financial condition and results of operations.

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

We devote significant resources to strengthening our risk management policies and procedures. Despite this, and particularly in light of the rapid evolution of our operations, our policies and procedures designed to identify, 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 or have other adverse effects.**

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 currently includes Iran, 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 and maintenance of correspondent banking accounts. In addition, we maintain a representative office in Iran. 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.

The laws and regulations applicable to dealings involving the Designated Countries are subject to further strengthening or changes. If the U.S. government considers that our compliance measures are inadequate, we may be subject to regulatory action which could materially and adversely affect our business. In addition, we may become unable to retain or acquire customers or investors in our securities, or our reputation may suffer, potentially having adverse effects on our business or the price of our securities.

**We may be subject to risks related to dividend distributions.**

As a holding company, we rely on dividend payments from our banking and other subsidiaries for almost all of our income. As a result of restrictions, such as those on distributable amounts under Japan’s Companies Act, or otherwise, our banking and other subsidiaries may decide not to pay dividends to us. In addition, we may experience difficulty in making, or become unable to make, dividend payments to our shareholders and dividend or interest payments on capital securities issued by our group due to the deterioration of our results of operations and financial condition and/or the restrictions under the Companies Act or due to the strengthening of bank capital regulations. For more information on restrictions to dividend payments under the Companies Act, see “Item 10.B. Additional Information—Memorandum and Articles of Association.”

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

We conduct a wide variety of 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. We are currently facing extreme changes in the economic environment such as the negative interest rate policy of the Bank of Japan, rising interest rates in the United States, the United Kingdom’s referendum to leave the European Union and overall declines and related volatility in the value of natural resources. Significant changes in general economic conditions or financial markets due to the effect of changes in a country’s fiscal policy, political turmoil and manifestations of geopolitical risks could materially and adversely affect our financial condition and results of operations.

**Amendments and other changes to the laws and regulations that are applicable to us could have an adverse effect on us.**

We are subject to general laws, regulations and accounting rules applicable to our business activities in and outside of Japan. We are also subject to various laws and regulations applicable to financial institutions such as the Banking Act, including capital adequacy requirements, in and outside of Japan. If the laws and regulations that are applicable to us are amended or otherwise changed, such as 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 Basel Committee on Banking Supervision is currently discussing a review of the standardized approach, internal ratings-based approach and capital floors in calculating the capital adequacy ratio. There is a risk that our capital adequacy ratio will decrease if the review results in an increase in the amount of the denominator related to our capital adequacy ratio calculation.

Moreover, future applications of or changes in other financial regulations that are continually under discussion, including liquidity standards such as the Net Stable Funding Ratio (NSFR) and leverage ratio regulations, could result in restrictions in our ability to conduct our businesses as well as the need to incur additional information technology development expenses.

**Intensification of competition in the market for financial services in Japan could have an adverse effect on us.**

We offer comprehensive financial services globally, centered on Banking, Trust Banking and Securities and are subject to intense competition both domestically and internationally with large financial institutions, non-bank financial institutions and others. In addition, as a result of technological advances called “FinTech,” an increasing number of companies have recently been crossing industry lines and entering the field of finance, and it is possible that the competitive environment surrounding us may further intensify. Moreover, due to the reforms to financial regulations made in recent years, it may become difficult to differentiate strategies between us and our competitors, resulting in the intensification of competition in specific businesses.

If we are unable to respond effectively to current or future competition, our business, financial condition and results of operations could be adversely affected. In addition, intensifying competition and other factors could lead to reorganization within the financial services industry, and this could have an adverse effect on our competitive position or otherwise adversely affect the price of our securities.

**Our business could be significantly disrupted due to natural disasters, accidents or other causes.**

Our headquarters, branch offices, information technology centers, computer network connections and other facilities are subject to the risk of damage from natural disasters such as earthquakes and typhoons as well as from acts of terrorism and other criminal acts. In addition, our business could be materially disrupted as a result of an epidemic such as new or reemerging influenza infections. 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. Additionally, massive natural disasters such as the March 2011 Great East Japan Earthquake may have various adverse effects, including a deterioration in economic conditions, declines in the business performance of many of our corporate customers and declines in stock prices. As a result, our financial condition and results of operations could be materially and adversely affected due to an increase in the amount of problem loans and credit-related costs as well as an increase in unrealized losses on, or losses from sales of, equity securities and financial products.

**Negative rumors about us could have an adverse effect on us.**

Our business depends on maintaining the trust of depositors and other customers and market participants. Negative rumors about us, spread through media coverage, communications between market participants, Internet postings or otherwise, could lead to our customers and market participants believing factually incorrect information about us and harm our reputation. In the event we are unable to dispel such rumors or otherwise restore our reputation, our business, financial condition, results of operations and the price of our securities could be materially and adversely affected.

***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 Companies Act 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 Companies Act, 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, executive officers or senior management, 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, executive officers and senior management 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.

## **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 Co., Ltd. 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, the former Mizuho Corporate Bank, and a banking subsidiary serving primarily retail and small and medium-sized enterprise customers, the former 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, the former Mizuho Corporate Bank, the former Mizuho Bank and Mizuho Trust & Banking each transferred loans, equity securities and other claims outstanding relating to approximately 950 companies to new subsidiaries that they formed. In October 2005, based on the significant reduction in the balance of impaired loans held by these new subsidiaries, which we call the "revitalization subsidiaries," we deemed the corporate revitalization project to be complete, and each of the revitalization subsidiaries was merged into its respective banking subsidiary parent.

In the fiscal year ended March 31, 2006, we realigned our entire business operations into a Global Corporate Group, Global Retail Group and Global Asset and Wealth Management Group. In October 2005, in connection with this realignment, we established Mizuho Private Wealth Management Co., Ltd., a private banking subsidiary, and converted Mizuho Holdings on October 1, 2005 from an intermediate holding company into Mizuho Financial Strategy Co., Ltd., an advisory company that provides advisory services to financial institutions.

In May 2009, Mizuho Securities and Shinko Securities Co., Ltd. conducted their merger, with the aim of improving our service-providing capabilities to our clients and to offer competitive cutting-edge financial services on a global basis.

In September 2011, Mizuho Trust & Banking became a wholly-owned subsidiary of Mizuho Financial Group, Mizuho Securities became an unlisted subsidiary of the former Mizuho Corporate Bank and Mizuho Investors Securities became a wholly-owned subsidiary of the former Mizuho Bank, through their respective stock-for-stock exchanges. The purpose of these stock-for-stock exchanges is to further enhance the "group collective capabilities" by integrating group-wide business operations and optimizing management resources such as workforce and branch network.

In January 2013, Mizuho Securities and Mizuho Investors Securities Co., Ltd. merged in order to provide integrated securities services as the full-line securities company of the Mizuho group. Mizuho Securities aims to further strengthen collaboration among banking, trust banking and securities businesses of the group, expand the company's customer base to enhance the domestic retail business, and rationalize and streamline management infrastructure.

In April 2013, we turned Mizuho Securities, a consolidated subsidiary of Mizuho Financial Group, into a directly-held subsidiary of Mizuho Financial Group, whereby we moved to a new group capital structure, placing banking, trust banking, securities and other major group companies under the direct control of the holding company.

In July 2013, the former Mizuho Bank and the former Mizuho Corporate Bank merged, and the former Mizuho Corporate Bank, the surviving company, changed its trade name to Mizuho Bank, Ltd. The purpose of the merger is to become able to provide directly and promptly diverse and functional financial services to both the former Mizuho Bank and the former Mizuho Corporate Bank customers, utilizing the current “strengths” and “advantages” of the former Mizuho Bank and the former Mizuho Corporate Bank, and to continue to improve customer services by further enhancing group collaboration among the banking, trust and securities functions and, at the same time, to realize further enhancement of the consolidation of group-wide business operations and optimization of management resources, such as workforce and branch network, by strengthening group governance and improving group management efficiency.

In September 2015, with a view to strengthening asset management businesses, we and The Dai-ichi Life Insurance Company, Limited reached basic agreement on integrating the asset management functions of both groups, namely, DIAM Co., Ltd., the asset management function of Mizuho Trust & Banking, Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. In July 2016, DIAM, Mizuho Trust & Banking, Mizuho Asset Management and Shinko Asset Management entered into an integration agreement. We and The Dai-ichi Life Insurance Company will hold 51% and 49% voting rights in the new company, respectively. The effective date of integration will be October 1, 2016, subject to certain conditions precedent. The new company’s name will be “Asset Management One,” and it is expected to become a consolidated subsidiary of ours.

In July 2016, with consideration of the rule of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) regarding the operations of foreign banking organizations with U.S. operations, we established a bank holding company and have our primary U.S.-based banking, securities and institutional custody services (trust banking) entities together under the holding company, with the aim to proactively strengthen corporate governance and expand our profit base through the consistent implementation of our collaborative corporate and investment banking, securities and institutional custody services strategy in the United States in line with the global operation of our new in-house company system.

## **Other Information**

Our registered address is 1-5-5, Otemachi, Chiyoda-ku, Tokyo 100-8176, Japan, and our telephone number is +81-3-5224-1111.

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

### **General**

We engage in banking, trust banking, securities and other businesses related to financial services.

We had formulated and promoted the medium-term business plan, “One MIZUHO New Frontier Plan—Stepping up to the Next Challenge—,” for the three year period from fiscal year 2013. As the final year of the plan, we positioned the fiscal year ended March 31, 2016 as the year in which we would do our utmost to establish competitive advantages, and together strived to further promote the evolution of the integrated strategy between “banking, trust banking and securities functions,” namely the One MIZUHO strategy, and enhance our corporate governance.

As part of this approach, in the fiscal year ended March 31, 2016, we selected four key focus areas—“transactions with corporations and their owners,” “transactions with large corporations,” “transactions with non-Japanese blue chip companies, and “asset management”—and endeavored to achieve growth in earning capabilities.

In asset management, we and Dai-ichi Life Insurance Company, Limited have, for the purpose of strengthening the asset management business, been proceeding with detailed preparation such as decisions on the integration of the asset management functions of the two groups in October 2016 and naming the new company “Asset Management One.” “Asset Management One” will aim at providing customers with solutions of the highest standard, while fulfilling its fiduciary duties.

Moreover, the environment surrounding new financial services has been changing recently, such as the development of what is commonly referred to as “FinTech,” which involves the integration of finance and information and communication technology (ICT), and under such circumstances, we upgraded our call centers by introducing an artificial intelligence-based computer system and began providing internet-based asset management services by making efforts to develop advanced products and services that lead to the creation of new business and the improvement of customer accessibility.

With respect to the corporate governance system, we, as a Company with Three Committees, established a system that will allow us to sufficiently fulfill our obligations to our shareholders. In addition, in June 2015, we, as a listed company, promptly filed with the Tokyo Stock Exchange the “Report on Corporate Governance” describing our responses to the new “Corporate Governance Codes” requirement. Accordingly, we are in compliance with all of the principles.

In addition, in an effort to further enhance its risk governance, we, as a financial group among the Global Systemically Important Financial Institutions (G-SIFIs), clarified our role and responsibilities in its business operations in preparation for the implementation of the principles in April 2016, in accordance with the “three lines of defense” set forth in the revised “Corporate governance principles for banks,” published in July 2015 by the Basel Committee on Banking Supervision.

With respect to legal compliance, in conjunction with further enhancing its framework for the severance of transactions with anti-social elements, we intensified various efforts, including our countermeasures against money laundering and terrorist financing.

### ***Progressive Development of “One MIZUHO”—The Path to a Financial Services Consulting Group***

We have launched our new three-year medium-term business plan, the “Progressive Development of “One MIZUHO”—The Path to a Financial Services Consulting Group,” formulated for the three years beginning fiscal year ending March 31, 2017.

This plan aims to establish a business model that can respond to changes in the new business environment in respect of the global economy, such as changes to the situation where emerging economies had been bolstering the economies of developed countries and the prolonged weakness in resource prices, and even “game changers” such as the rapid development of innovation in financing, in addition to an uncertain regulatory environment.

Specifically, in addition to strictly observing the “customer-focused” perspective that we promoted in the previous medium-term business plan, we will pursue “operational excellence” as part of a project to promote greater improvements and efficiency in a harsh economic environment.

The new medium-term business plan has as its two foundations the “customer-focused” perspective and the “operational excellence” approach, and it aims to further develop the “One MIZUHO” strategy adopted in the previous medium-term business plan, by establishing a new business model that we call a “financial services consulting group.” As our vision to be realized in the new medium-term business plan, we have developed five basic policies, and to add more detail to these basic policies, we have also developed ten basic strategies consisting of business strategies, financial strategies and strategies for management foundations.

### ***Our Objectives Under the Medium-Term Business Plan***

By establishing a customer-focused business platform, we will form deeper relationships with our customers via our financial intermediary functions and our ability to take highly measured risks, and build a future in economies and communities as the most trusted financial partner in providing solutions for our customers. In the interest of building the new business model described herein, we have established the following objectives in the medium-term business plan.

A Financial Services Consulting Group—The most trusted partner in solving problems and supporting the sustainable growth of customers and communities

#### *Five Basic Policies*

- Introduction of the in-house company system
- Selecting and focusing on certain areas of business
- Establishment of a resilient financial base
- Proactive involvement in financial innovation
- Embedding a corporate culture that encourages the active participation of our workforce to support a stronger Mizuho

#### *Ten Basic Strategies*

##### *Business strategies*

- Strengthening our non-interest business model on a global basis
- Responding to the shift from savings to investment
- Strengthening our research & consulting functions
- Responding to FinTech
- Promoting the “Area One MIZUHO” strategy (i.e., the implementation of the One MIZUHO strategy in each geographical area by collaboration of banking, trust banking and securities functions. The business offices independently design and implement their respective strategies)

##### *Financial strategies*

- Controlling the balance sheet and reforming the cost structure
- Disposing of cross-shareholdings

##### *Management foundations*

- Completing implementation of the next generation IT system
- Fundamental reforms of HR management
- Continued initiatives towards embedding a corporate culture to support the creation of a stronger organization

#### *Operational Excellence*

We will pursue an “operational excellence” approach, with the aim of improving our “operations,” which provides the ability to put the One MIZUHO strategy into action, differentiate our strategy under the “customer-



focused” perspective to secure our sustained competitive advantages and increase added value for customer service. We will thoroughly review the existing operational processes in order to “increase operational efficiency” and “create customer value by enhancing the sophistication of operations.”

#### *Introduction of the In-House Company System*

On April 1, 2016, we introduced an in-house company system based on customer segments in order to strictly observe the “customer-focused” perspective. The aim of this system is to utilize our strengths and competitive advantage as a holding company, which integrates the banking, trust banking and securities functions, to promptly provide the highest-quality financial services that closely match customer needs.

Thus far, under the business unit system, we have developed targeted strategies across our group companies, which are tailored to the characteristics of our respective customers. Under the in-house company system, we will further pursue such goal. The new system helps us to proceed with the process from planning to implementation of the strategies robustly and swiftly so that we can develop consistent strategies according to the characteristics of our customers.

More specifically, we established the following five in-house companies to thoroughly strengthen the “customer-focused” perspective:

- the Retail & Business Banking Company;
- the Corporate & Institutional Company;
- the Global Corporate Company;
- the Global Markets Company; and
- the Asset Management Company.

With respect to the functions related to products and research, we newly established two separate units in order to “further enhance expertise” and “utilize capabilities across all in-house companies.” With respect to the functions related to research, we consolidated our research and consulting functions into “One Think-tank,” and we established the new Research & Consulting Unit to create a team of experts dedicated to addressing the various challenges that our customers may face.

Furthermore, we will streamline head office operations and implement prompt decision-making processes in order to further enhance our front-line business and sales capabilities. At the same time, we will work to increase our earnings capacity and reform the risk-return structure, in accordance with our risk appetite framework (the basic policy regarding our risk taking activity).

For the fiscal year ending March 31, 2017, keeping in mind the increasing uncertainty regarding changes in the economic environment, together with the introduction and formation of an in-house company system that promotes a “customer-focused” perspective and the establishment of “operational excellence,” we have steadily promoted ten basic strategies in order to become a “financial services consulting group.”

#### *Establishing a U.S. Bank Holding Company*

We established a U.S. bank holding company—Mizuho Americas LLC—which is wholly owned by Mizuho Bank, and our primary U.S. subsidiaries were reorganized under the umbrella of the holding company in July 2016. Based on the Federal Reserve Board’s proposed rule that came into effect on July 1, 2016 regarding the operations of foreign banking organizations with U.S. operations, we established the bank holding company and brought its primary U.S.-based banking, securities and institutional custody services (trust banking) entities together under the holding company. We believe this structure will allow us to proactively strengthen corporate governance and implement our collaborative corporate and investment banking, securities and institutional custody services strategy in the United States, in line with our new in-house company system.

### *Upgrading Risk Appetite Framework*

We have introduced a risk appetite framework, in light of enhancement of corporate value through the integrated group-wide operation of business strategies, financial strategies and risk controls. We determine our management resource allocation and profit plans based on discussions regarding the types and the level of risk that is required to be taken in realizing our strategy, monitor the operation status and take other necessary measures, thereby aiming to balance our risk-return.

We also established the “Action Guideline for Risk” for the purpose of realization of the values and principles that must be shared in confronting risk. We will continuously strive to nurture a sound risk culture through actions to raise the awareness of all officers and employees regarding the “Action Guideline for Risk” to ensure effectiveness of our risk appetite framework.

### *Completing Implementation of the Next Generation IT System*

As it is the most important and largest systems project, we are taking all possible measures to complete the next-generation IT systems in a safe and steady manner.

### *Disposing of Cross-Shareholdings*

As stated in the Corporate Governance Report, “as a basic policy, unless we consider these holdings to be meaningful,” we “will not hold” listed shares for strategic reasons. We will continue to strive to dispose of cross-shareholdings in order to decrease the potential impact on our financial position due to fluctuations in stock prices, and to be able to fully perform financial intermediary functions even under periods of stress.

### *Fundamental Reforms of HR Management*

In order to enhance employee engagement (a relationship under which an organization and its employees contribute to each other’s growth) and strengthen the competitive advantage from the perspective of human resources, we will take initiatives to fundamentally reform human resources management. We will establish the principles of our human resource strategy, human resource system and human resource management, enhance the willingness of all employees to improve their capabilities and to contribute to the organization, and enable employees to work actively over the long term by sustainably developing and fully utilizing their abilities, for the purpose of differentiation in respect of human resources.

### *Fulfillment of Fiduciary Duties*

We have established our policies for fulfilling our fiduciary duties with respect to the asset management-related business, in order to continue to be our customers’ most trusted financial services group as their long-term partner. We will further strengthen our efforts to fulfill our fiduciary duties at each of the group companies through measures in line with such policies, including provision of appropriate products and services that are in its customers’ best interests.

### *Continued Initiatives Towards Embedding a Corporate Culture to Support the Creation of a Stronger Organization*

We will continue to take initiatives to establish a strong corporate culture. Specifically, we will further strengthen continued actions related to each initiative, such as (i) initiatives toward the realization of the “Vision of Individual Offices,” which defines the visions to be aimed for by each division and branch, and (ii) convening “General Managers Off-site Meetings” for general managers of head office divisions and marketing offices in Japan and overseas to discuss the corporate culture.

### *Establishment of Strong Mizuho Brand*

We aim to establish a strong Mizuho brand by positioning the new medium-term business plan as the action plan for the establishment of the Mizuho brand and by achieving our goal of becoming a “financial services consulting group” with the aim of being the most trusted partner in solving problems and supporting the sustainable growth of customers and communities. We will strive to achieve the goals of the medium-term business plan, and at the same time, will continue to implement measures to further improve the value of the Mizuho brand by means such as undertaking effective brand communication activities.

## **Group Operations**

### ***Group Management Structure***

We introduced our new in-house company system that is divided by customer segments. The previous ten units were reorganized into the following five in-house companies and two units to determine and execute strategies and initiatives group-wide.

### *Retail & Business Banking Company*

In the asset management business area, we have expanded our line of products and provided advice for asset management by utilizing NISA (a Japanese version of Individual Savings Account that provides individual customers with tax exemption for income related to certain investments up to a maximum amount) in order to meet customer needs, while also fulfilling our fiduciary duties. In addition, Mizuho Bank engages in brokerage services of Mizuho Securities’ financial products.

Furthermore, in order to support the smooth succession of our customers’ assets, we provide services such as inheritance distribution service and testamentary-trust that utilize trust function, and we have also expanded our line of products such as family trusts and annual fund giving trusts.

With respect to the loan business, we have expanded our line of housing loan and card loan products and offer various products and services in response to each customer’s life stage, including release of products utilizing value of housing assets of the customer.

We also provide products/services with officers and directors of our corporate clients, such as opening account for payrolls, providing housing loans, management of retirement payments, etc.

In addition, we have expanded our branch network throughout Japan (Mizuho Bank: 462, Mizuho Trust & Banking: 55, Mizuho Securities: 272, each as of March 31, 2016) and our ATM network (approximately 6,700 locations as of March 31, 2016, including ATMs shared with AEON Bank). We also have 165 of Mizuho Securities “Planet Booths,” which are located in the branches and offices of Mizuho Bank and 18 of Mizuho Trust & Banking “Trust Lounges” (which are located in the branches and offices of Mizuho Bank) as of March 31, 2016.

In addition, we strengthen our marketing skills by enhancing our internet banking function as well as call center marketing with sophisticated technologies.

Further we undertake the business related to lottery tickets, such as the sales of lottery tickets issued by prefectures and government-ordinance-designated cities.

For small and medium-sized enterprises and middle market firms, the Retail & Business Banking Company will provide solutions with respect to both types of needs: management issues such as business development; and personal issues of customers who are business owners, etc., such as asset inheritance and management, etc.

Starting from consulting services based on a customer-focused approach, we offer multilayered solutions in response to the various development stages of our customers' businesses through the combined strength of our banking, trust, securities, asset management and research & consulting functions.

Specifically, with an aim to provide financial services together with sophisticated advisory services that are appropriate in light of the customers' business strategies, we respond to customers' needs through offering optimal solutions for businesses such as offering syndicated loans targeted at small and medium-sized enterprises and middle market firms, advisory services related to overseas expansions, mergers and acquisitions-related services and business matching services, in addition to developing the financial products brokerage business and strengthening the initiatives to enhance the customer base for trustee business for defined contribution pension plans.

Furthermore, due to the aging population of directors of Japanese businesses, business succession and asset inheritance has become a matter of urgency. Using our succession and property know-how, we offer positive solutions for optimal and smooth succession for customers with respect to both types of needs arising from personal and corporate capital management policy and organizational restructuring, and measures for smooth inheritance by successors of business ownership and corporate stock.

Moreover, we plan to expand our future customer base by making full use of our existing customer base to discover innovative companies that show future promise for the integrated group and by strengthening financing for growth.

In this manner, we aim to grow with our customers into a "financial services consulting company."

#### *Corporate & Institutional Company*

The Corporate & Institutional Company engages in relationship management for our customers that are large corporations, financial institutions and public sector businesses in Japan.

For large corporate customers, based on our solid customer relationships and utilizing our global industry knowledge, we offer group-wide financial solutions that are tailor made for each customer, such as syndicate loans, bonds and M&A, etc., on a global basis to meet our customers' needs in fund-raising, investment, management and financial strategies.

Mizuho Bank and Mizuho Securities introduced the dual-hat structure in several offices in Japan. Mizuho Bank and Mizuho Securities collaborate to provide our customers solutions based on their capital management, business strategy and financial strategy on a global basis.

Mizuho Bank and Mizuho Trust & Banking together provide solutions in relation to real estate (regarding which we have a leading track record in the industry in Japan), pension, securitization of assets, securities management, stock transfer agent, consulting, etc., to our customers' diversified needs for investment and asset reduction.

Further, we are proactively providing risk money to develop next-generation industries and growth industries.

For our customers that are financial institutions, we offer advisory services and solutions, such as advice on financial strategy and proposals on various investment products, by concentrating our various financial expertise from each group company to meet the increasingly sophisticated and varied needs of customers.

For public sector customers, as a leading bank rich in experience and with a history of achieving results, we provide optimal financial services group-wide that include funding support as a trustee and underwriter of public bonds and services as a designated financial institution.

In the field of the revitalization of regional areas in Japan, which forms a part of the government's Japan Revitalization Strategy, we engage in activities such as encouraging the transformation of the agricultural, forestry and fishing industries into growth sectors, and launching PPP and PFI projects in airports and other public facilities, in collaboration with regional financial institutions, national and regional government entities and their affiliates.

Throughout these endeavors, we aim to be our customers' most trusted partner.

#### *Global Corporate Company*

The Global Corporate Company works with non-Japanese companies and Japanese companies operating outside Japan.

For our Japanese corporate customers, we provide unified support both in and outside Japan to help them expand their overseas operations. We offer highly specialized services that use our advanced financial technologies and expertise. Particularly in the Asia region, we support Japanese corporate customers developing new markets by offering advisory and other services.

We are also expanding business with non-Japanese corporate customers, including U.S. and European global companies developing business in Asia as well as Asian multinational enterprises expanding within Asia, through our global network. With respect to our non-Japanese corporate customers, we are proceeding with our strategy of focusing on blue-chip customers. We have acquired the North American wholesale asset portfolio from the Royal Bank of Scotland (RBS) as an initiative to accelerate this strategy. With over 100 people joining from RBS, we are further enhancing the integration of our banking and securities functions and expanding our blue-chip customer base in the Americas. Our presence has grown as evidenced by our involvement in major M&A deals that led to industry realignments and our rising position in US debt capital market league tables.

Meanwhile, we are supporting these moves by expanding our overseas office network and strengthening our business support framework for our customers outside Japan. We opened the Yangon Branch and the Thilawa Front Office in Myanmar, the Ahmedabad Branch in India, the San Francisco Representative Office in the United States and the Vienna Branch in Austria. In Mexico, we received approval from the financial authority to establish a local bank and are making preparations to start its operation within 2016.

We are also working with government-affiliated institutions and financial institutions of various countries, forming business alliances as necessary, to provide up-to-date local information and other entry support to our customers interested in starting business in new markets. We are enhancing our service framework to address the diverse needs of customers, who also need post-entry support.

As we see major changes in the global economy and the regulatory framework, we aim to achieve sustainable growth by improving our business portfolio, promoting cross-selling and strengthening our business and management base.

#### *Global Markets Company*

In addition to asset liability management and investment business with respect to interest rates, equities and credit, etc., the Global Markets Company will provide sales and trading services to a wide range of customers, from individuals to institutional investors, by offering a comprehensive range of market related products, such as interest rates, foreign exchange, equities and commodities.

With respect to the sales and trading business, through a management structure based on customer segments, we offer detailed products and services to meet the diverse needs of our customers and support their global business by integrating our banking, trust and securities functions and utilizing our global network.

Specifically, we are strengthening our contact with customers at branches for our customers that are small and medium-sized enterprises and middle market firms, and we are providing ideas that reflect market perspectives for transactions involving large corporations and financial institutions. For investors such as hedge funds and asset managers, we use our comprehensive strength in banking and securities to provide products that meet our customers' needs.

In addition, with respect to asset liability management and investment business, we combine our early detection of trends and diversification of our investments to manage market fluctuations so that our portfolio is more sound and stable.

The Global Markets Company aims at becoming a leading global player in Asia by utilizing its capacity to offer a wide range of products based on the collaboration among the banking, trust banking and securities functions.

#### *Asset Management Company*

While fulfilling fiduciary duties, the Asset Management Company develops products and provides services that correspond to the needs of a broad customer base ranging from individuals to institutional investors. In addition to preparing for the establishment of the integrated asset management company "Asset Management One," we will:

- provide individual customers with products that help them build up their assets;
- increase our capacity to provide and select products that match the diversified needs of customers, such as pension funds; and
- strengthen our efforts to offer comprehensive services such as providing defined contribution and benefit pension services simultaneously to meet client needs.

We entered into an alliance with Matthews International Capital Management, an independent, privately owned firm and the largest dedicated Asia investment specialist in the United States, through which Matthews International Capital Management became our equity-method affiliate. Through this alliance, we aim to expand our global asset management platform from the perspective of enhancement of our ability to respond to customer needs.

In the alternative investment business, we provide our customers with the most relevant products by collaborating with our group companies, including Mizuho Alternative Investments, LLC in the United States, Mizuho Global Alternative Investments, Ltd. in Tokyo, which selects and introduces hedge funds, etc., and Eurekahedge Pte, LTD. in Singapore, which is our subsidiary providing hedge fund research and data services.

In addition, we develop global financial products by collaborating with BlackRock, Inc. and arrange and offer products related to private equity and infrastructure funds by collaborating with Partner Group AG.

The Asset Management Company aims to contribute to the revitalization of domestic monetary assets through the foregoing approaches.

#### *Global Products Unit*

The Global Products Unit will cooperate with each of the in-house companies to provide solutions, such as advice on business and financial strategies, financing support, domestic and foreign exchange and settlement, to customers by making full use of our expertise.

The Investment Banking Business provides sophisticated financial solutions mainly in the business areas of mergers and acquisitions, real estate, asset finance, project finance and corporate finance.

In the mergers and acquisitions business, with an aim to increase the corporate value of our customers, we offer sophisticated mergers and acquisitions solutions mainly in relation to support for mergers and acquisitions strategies, such as cross-border mergers and acquisitions, business succession and going private transactions.

In the real estate business, by taking full advantage of our knowledge and skills of real estate-related projects developed through the various deals we have arranged over the years, we offer solutions such as various financing methods that utilize their real estate and real estate-related investment strategies.

In the asset finance business, by arranging customers' asset securitization, we satisfy their demands such as diversification of fund-raising sources and improvement of financial indices through removing assets from their balance sheet.

In the project finance business, we provide various financial products and services such as project finance deals that enable the procurement of long-term capital for natural resource development abroad, the building of electric power generation projects and the construction of public infrastructure, renewable energy-related funding and arrangement of PFI/PPP deals for financing transportation and other types of public infrastructure.

In the corporate finance business, we proactively provide a wide variety of fund-raising-related solutions in the syndicated loan market, debt capital markets and equity capital markets.

The Transaction Business provides solutions related to domestic exchange settlement, foreign exchange, cash management, trade finance, yen correspondence settlement and yen securities custody, global custody, asset management and stock transfer agent services.

Mainly for our corporate customers, we offer various financial services and products such as internet banking, cash management solutions, Renminbi-denominated services and trade finance on a global basis.

For financial institutions and institutional investors, we promote custody, global custody and yen correspondence settlement, asset management and stock transfer agent services.

In addition, we are further expanding our range of services through cooperation with our group companies.

The Global Products Unit aims to support our goal of becoming a "financial services consulting group" from the perspective of products through the foregoing approaches.

#### *Research & Consulting Unit*

The Research and Consulting Unit was established by integrating our research and consulting functions to support our aim of becoming a "financial services consulting group."

The Unit, called "One Think-tank," is made up of Mizuho Bank's Industry Research Department, Mizuho Trust Bank's Consulting Department, Mizuho Securities' Research and Consulting Unit, Mizuho Information & Research Institute Inc., Mizuho Research Institute Ltd. and Mizuho-DL Financial Technology Co., Ltd.

In addition to research and analysis on a wide range of topics ranging from macroeconomics to industry trends, the research function offers policies based on such research and analysis.

The consulting function covers a wide range of topics ranging from general to specific, such as management strategy & business strategy, business management & financial strategy, human resources, pensions & pension asset management, initial public offerings & capital policy, business & asset succession, information technology & systems, environment & energy, telecommunications technology and financial engineering, etc. Using the strengths of the research and consulting functions, the unit provides solutions to address customers' various actual and potential challenges.

The unit aims to be an ensemble of experts dedicated to providing customers with solutions to the issue they may be dealing with.

## **Competition**

We engage in banking, trust banking, securities and other businesses related to financial services and face strong competition in all of those areas of businesses partly due to deregulation of the Japanese financial industry.

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 Finance Corporation, Japan Post Bank, Development Bank of Japan and Japan Bank for International Cooperation.
- 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 financial services providers that utilize "FinTech."

In global markets, we face competition with other commercial banks and other financial institutions, particularly major global banks and the leading local 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 (the following numbers are based on information published by the Financial Services Agency, available as of June 30, 2016): (i) ordinary banks, of which there were 125, not including foreign commercial banks with banking operations in Japan; and (ii) trust banks, of which there were 16, 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 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 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.



Based on information published by the Financial Services Agency, available as of June 30, 2016, there were 53 foreign banks operating banking businesses in Japan. These banks are subject to a statutory framework similar to the regulations applicable to Japanese domestic banks. Their principal sources of funds come from their overseas head offices or other branches.

A number of government financial institutions, organized in order to supplement the activities of the private banking institutions, have been in the process of business and organizational restructuring in recent years. In October 2008, some of the government financial institutions were consolidated to form Japan Finance Corporation, which mainly provides financing for small and medium-sized enterprises and those engaged in agriculture, forestry and fishery, and also provides export financing for Japanese corporations. In October 2008, Development Bank of Japan, which mainly engages in corporate financing, and Shoko Chukin Bank, which mainly engages in financing for small and medium-sized enterprises, were transformed into joint stock corporations. Japan Housing Finance Agency supports housing loans of private institutions through the securitization of such loans.

In April 2012, Japan Bank for International Cooperation, which provides policy-based finance with a mission to contribute to the sound development of Japan and the international economy and society, was spun off from Japan Finance Corporation and was established as a joint stock company wholly owned by the Japanese government.

Another distinctive element of the Japanese banking system is the role of the postal savings system. Postal savings deposits are gathered through the network of governmental post offices scattered throughout Japan, and their balance of deposits totaled over 200 trillion yen in the past. In recent years, the governmental postal business has been in the process of organizational restructuring. In 2003, the 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 government-owned joint stock corporation holding four operating companies including Japan Post Bank, which currently operates as an ordinary bank. In November 2015, the shares of three main companies of the Japan Post group were listed on the Tokyo Stock Exchange, with Japan Post Holdings disposing of approximately 11% of its ownership in the two subsidiaries, while the Japanese government disposed of approximately 11% of its ownership in Japan Post Holdings. Japan Post Holdings plans to initially dispose of its two subsidiaries shares gradually down to approximately 50% ownership.

In the Japanese securities market, a large number of registered entities are engaged in securities businesses, such as sales and underwriting of securities, investment advisory and investment management services. As deregulation of the securities market progressed, several of the country's banking groups have entered into this market through their subsidiaries. In addition, foreign financial institutions have been active in this market.

## **Supervision and Regulation**

### ***Japan***

Pursuant to the Banking Act (*Ginkou Hou*) (Act 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 Act, 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 failure to meet the minimum capital adequacy ratio of banks, their subsidiaries and companies having special relationships prescribed by the cabinet order. See "Capital Adequacy" below. 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.

In addition, under the capital distribution constraints system introduced in March 2016, the Financial Services Agency, acting on behalf of the Prime Minister, may order a bank to submit and carry out a capital distribution constraints plan. See "Capital Adequacy" below. The capital distribution constraints plan is required to be considered reasonable to restore the capital buffer and include restrictions on capital distributions, such as dividends, share buybacks and bonuses payments, up to a certain amount as determined depending on the level of the capital buffer.

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 rediscount 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 Act 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 Act of Japan (*Kinyu Shouhin Torihiki Hou*) (Act No. 25 of 1948, as amended).

#### *Examination and Reporting Applicable to Shareholders*

Under the Banking Act, a person who intends to hold 20% (in certain exceptional cases, 15%) or more of the voting rights of a bank is required to obtain prior approval of the Commissioner of the Financial Services Agency. In addition, the Financial Services Agency may request reports or submission of materials from, or inspect, any principal shareholder who holds 20% (in certain exceptional cases, 15%) or more of the voting rights of a bank, if necessary in order to secure the sound and appropriate operation of the business of such bank. Under limited circumstances, the Financial Services Agency may order such principal shareholder to take such measures as the Financial Services Agency deems necessary.

Furthermore, under the Banking Act, 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 Act (*Yokin Hoken Hou*) (Act No. 34 of 1971, as amended), depositors are protected through the Deposit Insurance Corporation in cases where financial institutions fail to meet their obligations. The Deposit Insurance Corporation is supervised by the Prime Minister and the Minister of Finance. Subject to limited exceptions, the Prime Minister's authority is entrusted to the Commissioner of the Financial Services Agency.

The Deposit Insurance Corporation receives annual insurance premiums from insured banks. The effective premium rate from April 2010, which is the weighted average of the rates for deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment and settlement purposes, and for other deposits, was 0.084%. However, for the fiscal years ended March 31, 2013, 2014 and 2015, because there were no insured bank failures, the effective premium rate of 0.07% was applied retroactively from the beginning of such fiscal years, and the amount paid in excess of such rates was respectively reimbursed to insured banks without interest. The effective premium rate from April 1, 2015 was changed to 0.042%.

The insurance money may be paid out in case of a suspension of deposit 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 Bank), regional 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 Act, 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 and dispose of the assets of the bank 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 to assist another financial institution with succeeding the failed bank's business 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 subordinated bonds, lending of subordinated loans, or loss sharing.

Where the Prime Minister recognizes that the failure of a bank which falls into any of (i) through (iii) below may cause an extremely grave problem in maintaining the financial order in Japan or the region where such bank is operating ("systemic risk"), without taking any of the measures described in (i) through (iii) below, the Prime Minister may confirm (nintei) to take any of the following measures, after the deliberation at the Financial Crisis Management Meeting: (i) if the bank does not fall into either of the banks described in (ii) or (iii), the Deposit Insurance Corporation may subscribe for shares or subordinated bonds of, or lend subordinated loans to the bank, or subscribe for shares of the bank holding company of the bank, in order to enhance capital adequacy of the bank (item 1 measures (dai ichigo sochi)); (ii) if the bank is likely to suspend or has suspended repayment of deposits or is unable to fully perform its obligations with its assets, financial aid exceeding the pay-off cost may be available to such bank (item 2 measures (dai nigo sochi)); and (iii) if the bank is likely to suspend or has suspended repayment of deposits and is unable to fully perform its obligations with its assets, and the systemic risk cannot be avoided by the measure mentioned in (ii) above, the Deposit Insurance Corporation may acquire all of the bank's shares (item 3 measures (dai sango sochi)). The expenses for implementation of the above measures will be borne by the bank industry, with an exception under which the Government of Japan may provide partial subsidies for such expenses.

New orderly and effective resolution regimes for financial institutions have been discussed internationally and "Key Attributes of Effective Resolution Regimes for Financial Institutions" was published by the Financial Stability Board in November 2011 and endorsed by the G20 leaders at the Cannes summit held in November 2011. Reflecting this global trend, pursuant to certain amendments to the Deposit Insurance Act that were promulgated in June 2013 and became effective on March 6, 2014, a new resolution regime was introduced in Japan.

Under the new resolution regime stipulated in the amendments to the Deposit Insurance Act and implementing ordinances thereunder, which became effective on March 6, 2014, financial institutions, including banks, insurance companies and securities companies and their holding companies, are subject to the regime.

Further, under the new resolution regime, among other things, where the Prime Minister recognizes that the failure of a financial institution which falls into either (a) or (b) below may cause significant disruption in the financial markets or other financial systems in Japan without taking any of the measures described in (a) (specified item 1 measures)(tokutei dai ichigo sochi) stipulated in Article 126-2, Paragraph 1, Item 1 of the Deposit Insurance Act or the measures described in (b) (specified item 2 measures)(tokutei dai nigo sochi) stipulated in Article 126-2, Paragraph 1, Item 2 of the Deposit Insurance Act, the Prime Minister may confirm (specified confirmation)(tokutei nintei) to take any of the following measures, after the deliberation at the Financial Crisis Management Meeting; (a) if the financial institution does not fall into a financial institution which is unable to fully perform its obligations with its assets, the Deposit Insurance Corporation shall supervise the operation of the business of and the management and disposal of assets of that financial institution (tokubetsu kanshi), and may provide it with loans or guarantees necessary to avoid the risk of significant disruption in the financial systems in Japan (shikin no kashitsuke tou), or subscribe for shares or subordinated bonds of, or lend subordinated loans to the financial institutions (tokutei kabushiki tou no hikiuke tou), in each case to be taken as necessary taking into consideration of the financial conditions of the financial institution; and (b) if the financial institution is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the Deposit Insurance Corporation shall supervise that financial institution (tokubetsu kanshi), and may provide financial aid necessary to assist merger, business transfer, corporate split or other reorganization in respect to such failed financial institution (tokutei shikin enjo). The expenses for implementation of the measures under this regime will be borne by the financial industry, with an exception under which the Government of Japan may provide partial subsidies for such expenses. If a measure

set out in (b) above is determined to be taken with respect to a financial institution, the Prime Minister may order that the financial institution's operation and assets be under the special control (tokutei kanri) of the Deposit Insurance Corporation. The business or liabilities of the financial institution subject to the special supervision (tokubetsu kanshi) or special control (tokutei kanri) by the Deposit Insurance Corporation as set forth above 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, or repayment of the liabilities of, such financial institutions, and the bridge bank will seek to transfer the bank's business or liabilities to another financial institution or dissolve the bank. The financial aid provided by the Deposit Insurance Corporation to assist merger, business transfer, corporate split or other reorganization in respect to the financial institution set out in (b) above 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 subordinated bonds, lending of subordinated loan, or loss sharing.

If the Deposit Insurance Corporation has provided such financial assistance, the Prime Minister may designate the movable assets and claims of the failed financial institution as not subject to attachment under Article 126-16 of the Deposit Insurance Act, and such merger, business transfer, corporate split or other reorganization may be conducted outside of the court-administrated insolvency proceedings. If the financial institution subject to the special supervision or the special control by the Deposit Insurance Corporation as set forth above is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the financial institution may transfer all or a material portion of its business or all or a portion of shares of its subsidiaries or implement corporate split or certain other corporate actions with court permission in lieu of any shareholder resolutions under Article 126-13 of the Deposit Insurance Act, which permission may be granted by the court in accordance with the Deposit Insurance Act if (i) the financial institution is under special supervision by, or under special control of, the Deposit Insurance Corporation pursuant to the Deposit Insurance Act, and (ii) the financial institution is, or is likely to be, unable to fully perform its obligations with its assets, or the financial institution has suspended, or is likely to suspend, repayment of its obligations. In addition, the Deposit Insurance Corporation must request other financial institution creditors of the failed financial institution to refrain from exercising their rights against the failed financial institution until measures necessary to avoid the risk of significant disruption to the financial system in Japan have been taken, if it is recognized that such exercise of their rights is likely to make it difficult to conduct an orderly resolution of the failed financial institution.

According to the announcement made by the Financial Services Agency in March 2014, (i) Additional Tier 1 instruments and Tier 2 instruments under Basel III issued by a bank must be written down or converted into common shares when the Prime Minister confirms that item 2 measures (dai nigo sochi), item 3 measures (dai sango sochi) or specified item 2 measures (tokutei dai nigo sochi) need to be applied to the bank and (ii) Additional Tier 1 instruments and Tier 2 instruments under Basel III issued by a bank holding company must be written down or converted into common shares when the Prime Minister confirms that specified item 2 measures (tokutei dai nigo sochi) need to be applied to the bank holding company.

#### *Recovery and Resolution Plan*

In November 2015, the Financial Stability Board published the latest list of G-SIBs. The list is annually updated by the Financial Stability Board each November, and the list as of November 2015 includes us. A recovery and resolution plan must be put in place for each G-SIB, and be regularly reviewed and updated. In Japan, under the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc., as part of crisis management, financial institutions identified as G-SIBs must prepare and submit a recovery plan, which includes the triggers to implement the recovery plan and an analysis of recovery options, to the Financial Services Agency, and the Financial Services Agency must prepare a resolution plan for each G-SIB.

#### *Capital Injection by the Government*

The Strengthening Financial Functions Act (*Kinyu Kinou no Kyouka no tame no Tokubetsu Sochi ni kansuru Houritsu*) (Act No. 128 of 2004) was enacted on June 18, 2004 in order to establish a scheme of public money

injection into financial institutions and thereby enhance the soundness of such financial institutions on or prior to March 31, 2008 and revitalize economic activities in the regions where they do business. On December 17, 2008, certain amendments to the Strengthening Financial Functions Act took effect. These amendments relaxed certain requirements for public money injection into Japanese banks and bank holding companies and other financial institutions under the prior scheme and extended the period of application therefor, which had expired on March 31, 2008, to March 31, 2012. These amendments aim to promote not only the soundness of such financial institutions but also the extension of loans or other forms of credit to small and medium-sized enterprises in order to revitalize local economies. In response to the Great East Japan Earthquake, the law was amended in June 2011 to extend the period for application to March 31, 2017 and to include special exceptions for disaster-affected financial institutions. None of the financial institutions within the Mizuho group are subject to such special exceptions.

#### *Bank Holding Companies*

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

The Anti-Monopoly Act (*Shiteki Dokusen no Kinshi oyobi Kousei Torihiki no Kakuho ni kansuru Houritsu*) (Act 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 shareholding restrictions under the Anti-Monopoly Act. The Banking Act does, however, in principle, 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. It should be noted that due to the revision of the Banking Act in May 2016, it is now possible for bank holding companies and banks to acquire and own voting rights in financial technology companies (including companies that use information and communication technology or other technology to advance the banking industry, as well as companies whose businesses contribute or are expected to contribute to improving user convenience) that exceed the ordinary amount of voting rights if they receive approval from the Prime Minister. This amendment will go into effect under a cabinet order that will be set forth within one year of June 3, 2016.

#### *Financial Instruments and Exchange Act*

The Financial Instruments and Exchange Act (*Kinyu Shouhin Torihiki Hou*) requires Mizuho Financial Group to file with the Director General of the Kanto Local Finance Bureau an annual securities report including consolidated and non-consolidated financial statements in respect of each financial period, supplemented by quarterly and extraordinary reports.

Under the Financial Instruments and Exchange Act, registered Financial Instruments Business Operators (*kinyu-shouhin torihiki gyousha*), such as Mizuho Securities, as well as Registered Financial Institutions (*touroku kinyu kikan*), such as Mizuho Bank and Mizuho Trust & Banking, are required to provide customers with detailed disclosure regarding the financial products they offer and take other measures to protect investors, including a delivery of explanatory documents to such customers prior to and upon the conclusion of transactional agreements.

Financial Instrument Business Operators and Registered Financial Institutions are subject to the supervision of the Financial Services Agency pursuant to delegation by the Prime Minister of Japan. Some of the supervisory authority of the Financial Services Agency is further delegated to the Securities and Exchange Surveillance Commission, which exercises its supervisory power over such registered institutions by conducting site inspections and requesting information necessary for such inspections. Non-compliance or interference with such inspection may result in such registrants being subject to criminal penalty under the Financial Instruments and Exchange Act.

Certain amendments to the Financial Instruments and Exchange Act and the Banking Act, which came into effect on June 1, 2009, revamped the firewall regulations regarding the holding of concurrent offices or posts among banks, securities firms and insurance firms and required banks, securities firms and insurance firms to establish systems for managing conflicts of interest in order to protect customers' interests and expanded the types of business services that banks and certain other financial firms can provide.

### *Sales of Financial Products*

As a result of financial deregulation, more financial products, including highly structured and complicated products, can now be more freely marketed to customers. In response to this, the Act of Sales of Financial Products (*Kinyu Shouhin no Hanbai tou ni kansuru Houritsu*) (Act 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 professional investors 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 Act (*Kinyu Kinou no Saisei no tamenno Kinkyu Sochi ni kansuru Houritsu*) (Act No. 132 of 1998, as amended). Financial institutions are required to analyze their assets, giving due consideration to accounting principles and other applicable rules and to classify their assets into four categories according to asset recovery risk and risk of impairment based on the classification of the obligor (normal obligors, watch obligors, intensive control obligors, substantially bankrupt obligors and bankrupt obligors) taking into account the likelihood of repayment and the risk of impairment to the value of the assets. The results of self-assessment should be reflected in the write-off and allowance according to the standard established by financial institutions pursuant to the guidelines issued by the Japanese Institute of Certified Public Accountants and Inspection Manual issued by the Financial Services Agency. Based on the results of the self-assessment, financial institutions may establish reserve amounts for their loan portfolio as may be considered adequate at the relevant balance sheet date, even if all or part of such reserves may not be immediately tax deductible under Japanese tax law.

Based on the accounting standards for banks issued by the Japanese Bankers Association, a bank is required to establish general reserves, specific reserves and reserves for probable losses on loans relating to restructuring countries.

### *Credit Limits*

The Banking Act restricts the aggregate amount of exposure 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 exposure to any single customer or customer group are established by the Banking Act and regulations thereunder. The Banking Act and the related regulations were amended, which became effective from December 2014, to tighten the previous restrictions to meet international standards. As a result of these amendments, the current credit limit for a single customer or a customer group is 25% of the total qualifying capital, with certain adjustments, of the bank holding company or bank and its subsidiaries and affiliates,.

### *Restriction on Shareholdings*

The Act Concerning Restriction on Shareholdings by Banks (*Ginkou tou no Kabushiki tou no Hoyu no Seigen tou ni kansuru Houritsu*) (Act No. 131 of 2001, as amended) requires Japanese banks (including bank holding companies) and their subsidiaries to limit the aggregate market value (excluding unrealized gains, if any) of their holdings in equity securities to an amount equal to 100% of their Tier 1 capital in order to reduce exposure to stock price fluctuations.

### *Share Purchase Program*

The Banks' Shareholdings Purchase Corporation was established in January 2002 in order to purchase shares from banks and other financial institutions until September 30, 2006 pursuant to the Law Concerning Restriction on Shareholdings by Banks. The Bank's Shareholdings Purchase Corporation is allowed to resume purchases of shares held by financial institutions as well as shares of financial institutions held by non-financial institutions, up to a maximum amount of ¥20 trillion between March 12, 2009 and March 31, 2017. The Bank's Shareholdings Purchase Corporation purchased ¥1,199.6 billion of shares during the period from March 12, 2009 through June 30, 2016. The Bank's Shareholdings Purchase Corporation will dispose of the purchased shares by March 31, 2027 by taking into consideration the effects on the stock market.

The Bank of Japan also purchased ¥387.8 billion of shares held by banks and other financial institutions during the period from February 23, 2009 through April 30, 2010. The Bank of Japan generally will not sell the purchased shares until March 31, 2016. The Bank of Japan will dispose of the purchased shares by March 31, 2026 by taking into consideration the effects on the stock market.

### *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.

In December 2010, the Basel Committee on Banking Supervision issued its Basel III rules text, which builds on the International Convergence of Capital Measurement and Capital Standards document ("Basel II"), to strengthen the regulation, supervision, and risk management of the banking sector. Basel III text presents the details of global regulatory standards on bank capital adequacy and liquidity. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. For further information of the leverage ratio and the two global liquidity standards, see "Leverage Ratio" and "Liquidity" below, respectively.

The Financial Services Agency's revisions to its capital adequacy guidelines became effective from March 31, 2013, which generally reflect rules in the Basel III text that have been applied from January 1, 2013.

Under the revised guidelines, the minimum capital adequacy ratio is 8% on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Bank, or on a consolidated basis for bank holding companies with international operations, such as Mizuho Financial Group. Within the minimum capital adequacy ratio, the Common Equity Tier 1 capital requirement is 4.5% and the Tier 1 capital requirement is 6.0%.

Japanese banks with only domestic operations and bank holding companies the subsidiaries of which operate only within Japan are subject to the revised capital adequacy guidelines that have been applied from



March 31, 2014, and those banks and bank holding companies are required to have a minimum Core Capital ratio of 4%. However, those banks and bank holding companies that apply the internal rating based approach are required to have a minimum Common Equity Tier 1 ratio of 4.5% on both a consolidated and non-consolidated basis, calculated on the assumption that the banks and bank holding companies are those with international operations.

Under the revised capital adequacy guidelines based on the Basel III rules that have been applied to banks and bank holding companies each with international operations from March 31, 2013, there are regulatory adjustments such as goodwill and other intangibles, deferred tax assets, investments in the capital of banking, financial and insurance entities etc. shall be deducted under certain conditions for the purpose of calculating capital adequacy ratios, and the requirements of regulatory adjustments were enhanced under the revised capital adequacy guidelines. For example, under the capital adequacy guidelines prior to the revision thereto under the Basel III rules, the maximum amount of net deferred tax assets under Japanese GAAP that major Japanese banks, including bank holding companies, could record without diminishing the amount of Tier 1 capital for purposes of calculating capital adequacy ratio was 20% of Tier 1 capital. Under the revised capital adequacy guidelines based on the Basel III rules, deferred tax assets that arise from temporary differences will be recognized as part of Common Equity Tier 1 capital, with recognition capped at 10% of Common Equity Tier 1 capital under certain conditions, while other deferred tax assets, such as those relating to net loss carryforwards, will be deducted in full from Common Equity Tier 1 capital net of deferred tax liabilities. These regulatory adjustments based on the Basel III rules began at 20% of the required deductions in the calculation of Common Equity Tier 1 capital in March 2014 and will be increased by 20% increments per year through March 2018 when the regulatory adjustments reach 100%.

In November 2015, the Financial Services Agency published revised capital adequacy guidelines and related ordinances to introduce the capital buffer requirements under the Basel III rules for Japanese banks and bank holding companies with international operations, which include the capital conservation buffer, the countercyclical buffer and the additional loss absorbency requirements for G-SIBs and domestic systemically important banks (“D-SIBs”). These guidelines have become effective on March 31, 2016. The capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and D-SIBs must be met with Common Equity Tier 1 capital under the revised guidelines, and if such buffer requirements are not satisfied, a capital distribution constraints plan is required to be submitted to the Financial Services Agency and carried out. The capital conservation buffer is being phased in starting in March 2016 at 0.625% until becoming fully effective in March 2019 at 2.5%. In addition, subject to national discretion by the respective regulatory authorities, if the relevant national authority judges a period of excess credit growth to be leading to the build-up of system-wide risk, a countercyclical capital buffer ranging from 0% to 2.5% would also be imposed on banking organizations. The countercyclical capital buffer is a weighted average of the buffers deployed across all the jurisdictions to which the banking organization has credit exposures. Further, we were designated as both a G-SIB and D-SIB, and the additional loss absorption capacity requirement applied to us as a result was 1.0%. The additional loss absorption capacity requirement was the same as that imposed by the Financial Stability Board, which is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%, assuming our foregoing regulatory status stays the same.

Under the capital adequacy guidelines, banks and bank holding companies each with international operations are required to measure and apply capital charges with respect to their credit risks, market risks and operational risks.

Under the guidelines, banks and bank holding companies have several choices for the methodologies to calculate their capital requirements for credit risk, market risk and operational risk. Approval of the Financial Services Agency is necessary to adopt advanced methodologies for calculation, and Mizuho Financial Group started to apply the AIRB approach for the calculation of credit risk from the fiscal year ended March 31, 2009 and also apply the AMA for the calculation of operational risk from September 30, 2009.

For further information of the capital adequacy, see “Item 5. Operating and Financial Review and Prospects—Capital Adequacy—Regulatory Capital Requirements.”

#### *Leverage Ratio*

The leverage ratio framework is critical and complementary to the risk-based capital framework that will help ensure broad and adequate capture of both on- and off-balance sheet sources of banks’ leverage. This simple, non-risk-based measure will restrict the build-up of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy. Any final adjustments to the definition and calibration of the leverage ratio will be made by the Basel Committee on Banking Supervision by 2017, with a view to migrate to a Pillar 1 (minimum capital requirements) treatment on January 1, 2018, based on appropriate review and calibration.

For further information regarding the leverage ratio, see “Item 5. Operating and Financial Review and Prospects—Capital Adequacy—Regulatory Capital Requirements.”

#### *Liquidity*

Two minimum standards for funding liquidity will be introduced. The liquidity coverage ratio (“LCR”) is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon and help ensure that global banks have sufficient, unencumbered, high-quality liquid assets (“HQLA”) to offset the net cash outflows it could encounter under an acute short-term stress scenario. The Group of Governors and Heads of Supervision agreed on a revised LCR standard on January 6, 2013, and the Basel Committee on Banking Supervision issued the text of the revised LCR standard on January 7, 2013. The LCR guidelines of the Financial Services Agency, which reflect the rules in such text, have been applied to banks and bank holding companies with international operations from March 31, 2015, under the LCR guidelines, LCR is defined as the ratio obtained by dividing the sum of the amounts of High-Quality liquid assets by the amount of net cash outflows, each as defined in and calculated pursuant to such guidelines. In accordance with the LCR standard under the LCR guidelines, the stock of unencumbered HQLA is to constitute “level 1” assets, which include cash, central bank reserves and certain marketable securities backed by sovereigns and central banks, and “Level 2” assets, which include certain government securities covered bonds, corporate debt securities and, to a limited extent, lower-rated corporate bonds, residential mortgage-backed securities and equities that meet certain conditions. “Level 2” assets are subject to certain haircuts based on types of securities and credit ratings. The minimum LCR under the LCR guidelines is 100% on both a consolidated and non-consolidated basis for banks with international operations or on a consolidated basis for bank holding companies with international operations, while it is subject to phase-in arrangements pursuant to which the LCR rises in equal annual steps of 10 percentage points to reach 100% on January 1, 2019, with a minimum requirement of 70% during the period from January 1 to December 31, 2016. The Basel Committee on Banking Supervision issued final requirements for LCR-related disclosures on January 12, 2014, and the LCR disclosure guidelines of the Financial Services Agency, which reflect such requirements, have been applied to banks and bank holding companies with international operations from June 30, 2015. The LCR disclosure guidelines require such banks and bank holding companies to disclose their LCR in common templates starting from information as of June 30, 2015.

The net stable funding ratio (“NSFR”) requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments, over a one-year horizon. The Basel Committee on Banking Supervision finalized the NSFR framework in October 2014, and the NSFR will be scheduled to be introduced as a minimum standard by the Financial Services Agency by January 1, 2018.

#### *Total Loss Absorbing Capacity*

Related to regulatory capital requirements, in November 2015, the Financial Stability Board issued the final TLAC standard for G-SIBs. The TLAC standard has been designed so that failing G-SIBs will have sufficient

loss-absorbing and recapitalization capacity available in resolution for authorities to implement an orderly resolution. G-SIBs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, G-SIBs will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets as from January 1, 2019 and at least 18% as from January 1, 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator as from January 1, 2019, and at least 6.75% as from January 1, 2022.

For further information regarding the TLAC, see “Item 5. Operating and Financial Review and Prospects—Capital Adequacy—Regulatory Capital Requirements.”

#### *Protection of Personal Information*

The Personal Information Protection Act (Kojin Jouhou no Hogo ni kansuru Houritsu) (Act 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 will subject us to criminal and/or administrative sanctions.

#### *Prevention of Money Laundering*

Under the Act Preventing Transfer of Profits Generated from Crime (Hanzai ni yoru Syueki no Iten Boushi ni kansuru Houritsu) (Act No. 22 of 2007, as amended), 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. Certain amendments to the law became effective in April 2013, which tightened, among other things, customer identification requirements. Further amendments to the law were promulgated in November 2014 and will become effective on October 1 2016 for clarification of the judgment method of suspicious transactions, strict verification at the time of the conclusion of correspondence contracts and expansion of the obligation for business operators to make efforts to develop necessary systems.

#### *Act Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards*

The Act 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) (Act No. 94 of 2005, as amended) requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits using forged or stolen bank cards. The law also requires financial institutions, among other matters, to compensate depositors for any amount illegally withdrawn using forged bankcards, unless the financial institution can verify that it acted in good faith without negligence and that there was gross negligence on the part of the relevant account holder.

#### *United States*

As a result of our operations in the United States, we are subject to extensive U.S. federal and state supervision and regulation. We engage in U.S. banking activities through Mizuho Bank's New York, Chicago, Los Angeles and Park Avenue (New York) branches and Houston, Atlanta and San Francisco representative offices. We also own one bank in the United States, Mizuho Bank (USA), 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. In recent years, federal and state regulatory and law enforcement authorities have closely scrutinized the compliance by financial institutions with the Bank Secrecy Act and anti-money laundering rules.

Mizuho Financial Group, Mizuho Bank and Mizuho Americas are financial holding companies (“FHCs”) 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 Federal Reserve Board. As a matter of law, these three companies are required to act as a source of financial strength to Mizuho Bank (USA) 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 or incidental or complementary to financial activity. 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 that we do not routinely manage, generally for a period of up to 10 years, 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, savings association or bank holding company.

Mizuho Financial Group and the former Mizuho Corporate Bank, now Mizuho Bank, became FHCs in December 2006, and Mizuho Americas became an FHC in July 2016. FHC status under the BHCA permits banking groups in the United States to engage in comprehensive investment banking businesses, such as the underwriting of and dealing in corporate bonds, equities and other types of securities. FHC status enables our group to promote our investment banking business on a broader basis in the United States.

As a financial holding company, we are also subject to additional regulatory requirements. For example, we and each of our U.S. insured depository institution subsidiaries with operations in the United States must be “well capitalized,” meaning a Tier 1 risk-based capital ratio of at least 6%, a total risk-based capital ratio of at least 10% and a leverage ratio of at least 5%. We and each of our U.S. insured depository institution subsidiaries must also be “well managed,” including that they maintain examination ratings that are at least satisfactory. Further, Mizuho Financial Group and Mizuho Bank must also meet such capital standards as calculated under their home country standards (which must be comparable to the capital required for a U.S. bank) and must be well managed under standards comparable to those required for a U.S. bank. Failure to comply with such requirements would require us to prepare a remediation plan, and we would not be able to undertake new business activities or acquisitions based on our status as a financial holding company during any period of noncompliance without the prior approval of the Federal Reserve Board, and divestiture or termination of certain business activities, or termination of our U.S. branches and agencies, may be required as a consequence of failing to correct such conditions within 180 days.

U.S. branches, agencies and representative offices of foreign banks must be licensed, and are also supervised and regulated, by either a state banking authority or by the Office of the Comptroller of the Currency, the U.S. federal bank regulatory agency that charters and regulates national banks and federal branches and agencies of foreign banks. Each branch and representative office in the United States of Mizuho Bank is state-licensed. Under U.S. federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. U.S. federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

The New York branch of Mizuho Bank is subject to supervision, examination and regulation by the New York State Department of Financial Services as well as by the Federal Reserve Board. Except for a 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 the greater of 1% of average total liabilities for the previous month or \$2 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 Department of Financial Services may require higher amounts for supervisory reasons. Each U.S. branch and representative office of Mizuho Bank is subject to regulation and examination by the state banking authority of the state in which it is located.

Mizuho Bank (USA) is a state-chartered bank that is a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”). As such, Mizuho Bank (USA) is subject to regulation, supervision and examination by the Federal Reserve Board and the New York State Department of Financial Services, as well as to relevant FDIC regulation.

Mizuho Trust & Banking Co. (USA) is a state-chartered bank and trust company that is not a member of the Federal Reserve System, but whose deposits are insured by the FDIC. As such, Mizuho Trust & Banking Co. (USA) is subject to regulation, supervision and examination by the FDIC and the New York State Department of Financial Services.

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

In the United States, comprehensive financial regulatory reform legislation, titled the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd Frank Act”), was signed into law by President Obama on July 21, 2010. Among other things, the Dodd-Frank Act directs the federal banking regulators to establish minimum leverage and risk-based capital requirements for insured depository institutions and depository institution holding companies.

The Dodd-Frank Act provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk and bank holding companies with \$50 billion or more in consolidated assets. In imposing such heightened prudential standards on foreign banking organizations such as Mizuho Bank, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the foreign bank holding organization is subject to comparable home country standards. On February 18, 2014, the Federal Reserve Board finalized requirements under Regulation YY that impose enhanced prudential standards on certain large foreign banking organizations having a U.S. presence, such as Mizuho Bank. In particular, large foreign banking organizations, including us, and their U.S. operations are subject to risk management requirements, risk-based capital and leverage limits, capital stress testing requirements, liquidity requirements and, in certain circumstances, asset management requirements. Additionally, the Federal Reserve Board expects to finalize single counterparty credit limits and early remediation requirements for foreign banking organizations at a later date. In addition, foreign banking organizations with consolidated U.S. assets of \$50 billion or more (excluding the assets of U.S. branches and agencies) will be required to create a separately capitalized top-tier U.S. intermediate holding company (“IHC”) that will hold all of its U.S. subsidiaries and be subject to certain capital, liquidity and other enhanced prudential standards on an IHC consolidated basis. In consideration of certain enhanced prudential requirements under the Federal Reserve Board’s Regulation YY, we established a new U.S. bank holding company, Mizuho Americas, which is a wholly owned direct subsidiary of Mizuho Bank, and brought our U.S. bank subsidiaries, Mizuho Bank (USA) and Mizuho Trust & Banking Co. (USA), and our U.S. securities broker dealer, Mizuho Securities USA Inc., together as subsidiaries under the holding company. The establishment of Mizuho Americas was part of a larger internal corporate reorganization, which was taken with the aim of, among other things, strengthening corporate governance practices and operations.

Under Section 619 of the Dodd-Frank Act, also known as the so-called “Volcker Rule,” any insured depository institution; any insured depository institution holding company; any non-U.S. bank with branches in the United States, such as Mizuho Bank; and any affiliate or subsidiary of such entities (each, a “banking entity”) is prohibited from engaging in proprietary trading or from investing in or sponsoring private equity or hedge funds, subject to certain limited exceptions. U.S. financial regulators approved final rules implementing Section 619 of the Dodd-Frank Act on December 10, 2013. At the time of their release, these final rules included an initial conformance period requiring banking entities to bring their activities and investments into compliance

by July 21, 2015, absent further extension by the Federal Reserve Board. On December 18, 2014, the Federal Reserve Board announced an extension to the Volcker Rule conformance period, giving banking entities until July 21, 2016 to conform investments in and relationships with covered funds and foreign funds that were in place prior to December 31, 2013 (“legacy covered funds”). The Federal Reserve Board also announced its intention to act in the future to grant banking entities an additional one-year extension of the conformance period until July 21, 2017, to conform ownership interests in and relationships with these legacy covered funds. The Federal Reserve Board did not act to extend the conformance period for proprietary trading activities.

#### *Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act*

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (“Section 219”) added Section 13(r) to the U.S. Securities Exchange Act of 1934, requiring each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports whether it or any of its affiliates have knowingly engaged in specified activities, transactions or dealings relating to Iran or with the Government of Iran or certain designated persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by such filing. Section 219 requires disclosure even of certain activities not prohibited by U.S. or other law and even if such activities were conducted outside the United States by non-U.S. affiliates in compliance with local law.

Our affiliate Mizuho Bank is our only affiliate to have engaged in activity that is relevant for this purpose. Mizuho Bank maintains compliance policies and procedures to conform its operations to all applicable economic sanctions laws and regulations, and is increasing resources dedicated to this effort. In that context, and only after confirming that such transactions did not involve prohibited or sanctionable activity under U.S. or other economic sanctions, non-U.S. branches of Mizuho Bank engaged in a limited number of activities reportable under Section 219 during the period covered by this annual report, as described below. No U.S. branches of Mizuho Bank were involved in any of these activities.

#### *Legacy guarantees*

During the period covered by this disclosure, Mizuho Bank was party to two legacy counter guarantees that were opened in connection with activities of its customers for the benefit of Iranian banks. When such guarantees were entered into, the banks in question, which are related to the Government of Iran, had not been designated under U.S. Executive Orders (“E.O.”) 13224 or 13382, although they were subsequently so designated. Mizuho Bank maintained these guarantees post-designation only after confirming that such transactions did not involve prohibited or sanctionable activity under U.S. or other economic sanctions. As contractual obligations, these guarantees cannot be exited by Mizuho Bank unilaterally. In the fiscal year ended March 31, 2016, Mizuho Bank received fees of approximately ¥0.7 million attributable to these guarantees and net profits of less than that amount. Mizuho Bank did not pay guarantee fees to Iranian banks during this period. Mizuho Bank continues to seek to terminate these counter guarantees to the extent permitted under applicable laws.

#### *Activities through correspondent banking accounts*

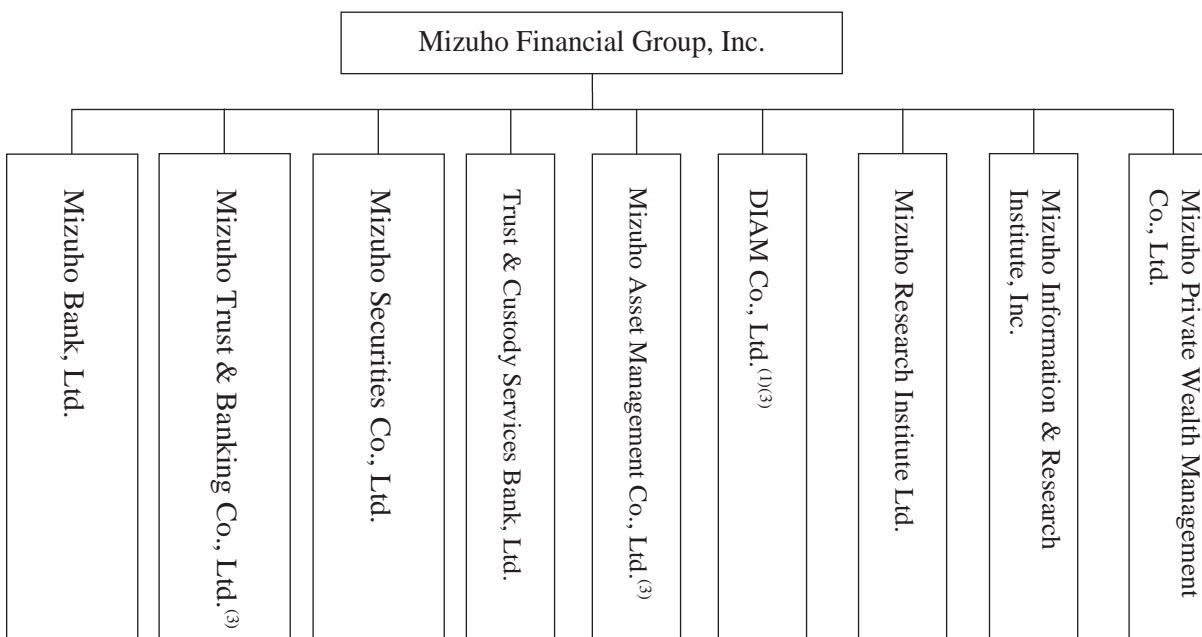
In the fiscal year ended March 31, 2016, Mizuho Bank conducted no fund transfer through accounts it maintains for or at a limited number of Iranian banks related to the Government of Iran and a bank designated under E.O. 13224. Mizuho Bank has policies and procedures to process transfers through these accounts only after confirming that such transactions do not involve prohibited or sanctionable activity under U.S. or other economic sanctions and obtaining licenses issued by Japan’s Ministry of Finance where necessary. Estimated gross revenue to Mizuho Bank in the fiscal year ended March 31, 2016 attributable to fees for maintaining such accounts was less than ¥0.1 million, with a net profit of less than that amount. Mizuho Bank will process transfers through these accounts only under the limited circumstances where the transfer would conform to Mizuho Bank’s compliance policies and procedures, applicable international sanctions laws, and after obtaining a license issued by Japan’s Ministry of Finance where necessary.

### 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, 2016:



Notes:

- (1) DIAM, in which we have a 50.0% equity interest, is an equity-method affiliate of ours.
- (2) On July 1, 2016, Mizuho Americas was established as a U.S. bank holding company, wholly owned by Mizuho Bank, and Mizuho's primary U.S. subsidiaries were reorganized under the umbrella of the holding company.
- (3) In September 2015, we and The Dai-ichi Life Insurance Company, Limited reached basic agreement on integrating the asset management functions of both groups, namely, DIAM, the asset management function of Mizuho Trust & Banking, Mizuho Asset Management and Shinko Asset Management. In July 2016, DIAM, Mizuho Trust & Banking, Mizuho Asset Management and Shinko Asset Management entered into an integration agreement. We and The Dai-ichi Life Insurance Company will hold 51% and 49% voting rights in the new company, respectively. The effective date of integration will be October 1, 2016, subject to certain conditions precedent, and the name of the new company, which is expected to become a consolidated subsidiary of ours, will be "Asset Management One."

The following table sets forth information with respect to our principal consolidated subsidiaries as of March 31, 2016:

Name	Country of organization	Main business	Proportion of ownership interest (%)	Proportion of voting interest (%)
<b>Domestic</b>				
Mizuho Bank, Ltd. . . . .	Japan	Banking	100.0%	100.0%
Mizuho Trust & Banking Co., Ltd. . . . .	Japan	Trust and banking	100.0%	100.0%
Mizuho Securities Co., Ltd. . . . .	Japan	Securities	95.8%	95.8%
Trust & Custody Services Bank, Ltd. . . . .	Japan	Trust and banking	54.0%	54.0%
Mizuho Asset Management Co., Ltd. . . . .	Japan	Investment management	98.7%	100.0%
Mizuho Research Institute Ltd. . . . .	Japan	Research and consulting	98.6%	98.6%
Mizuho Information & Research Institute, Inc. . . . .	Japan	Information technology	91.5%	91.5%
Mizuho Private Wealth Management Co., Ltd. . . . .	Japan	Consulting	100.0%	100.0%
Mizuho Credit Guarantee Co., Ltd. . . . .	Japan	Credit guarantee	100.0%	100.0%
Mizuho Factors, Limited . . . . .	Japan	Factoring	100.0%	100.0%
Shinko Asset Management Co., Ltd. . . . .	Japan	Investment management	99.6%	99.6%
Mizuho Realty Co., Ltd. . . . .	Japan	Real estate agency	86.7%	76.9%
Defined Contribution Plan Services Co., Ltd. . . . .	Japan	Pension plan-related business	60.0%	60.0%
Mizuho-DL Financial Technology Co., Ltd. . . . .	Japan	Application and Sophistication of Financial Technology	60.0%	60.0%
UC Card Co., Ltd. . . . .	Japan	Credit card	51.0%	51.0%
Mizuho Capital Co., Ltd. . . . .	Japan	Venture capital	50.0%	50.0%
<b>Overseas</b>				
Mizuho International plc . . . . .	U.K.	Securities and banking	100.0%	100.0%
Mizuho Bank (China), Ltd. . . . .	China	Banking	100.0%	100.0%
Mizuho Securities Asia Limited . . . . .	China	Securities	100.0%	100.0%
Mizuho Securities USA Inc. . . . .	U.S.A.	Securities	100.0%	100.0%
Mizuho Bank Nederland N.V. . . . .	Netherlands	Banking and securities	100.0%	100.0%
Banco Mizuho do Brasil S.A. . . . .	Brazil	Banking	100.0%	100.0%
Mizuho Trust & Banking (Luxembourg) S.A. . . . .	Luxembourg	Trust and banking	100.0%	100.0%
Mizuho Bank (USA) . . . . .	U.S.A.	Banking	100.0%	100.0%
Mizuho Bank (Switzerland) Ltd . . . . .	Switzerland	Trust and banking	100.0%	100.0%
Mizuho Trust & Banking Co. (USA) . . . . .	U.S.A.	Trust and banking	100.0%	100.0%
Mizuho Capital Markets Corporation . . . . .	U.S.A.	Derivatives	100.0%	100.0%
PT. Bank Mizuho Indonesia . . . . .	Indonesia	Banking	99.0%	99.0%



#### 4.D. Property, Plant and Equipment

The following table shows the breakdown of our premises and equipment at cost as of March 31, 2015 and 2016:

	At March 31,	
	2015	2016
	(in millions of yen)	
Land . . . . .	¥ 563,295	¥ 552,205
Buildings . . . . .	822,229	827,458
Equipment and furniture . . . . .	450,656	463,205
Leasehold improvements . . . . .	82,610	88,195
Construction in progress . . . . .	14,745	20,656
Software . . . . .	862,353	1,086,124
Total . . . . .	2,795,888	3,037,843
Less: Accumulated depreciation and amortization . . . . .	1,163,403	1,199,853
Premises and equipment—net . . . . .	<u>¥1,632,485</u>	<u>¥1,837,990</u>

Our head office is located at 1-5-5 Otemachi, Chiyoda-ku, Tokyo, Japan. The headquarter buildings of Mizuho Financial Group and Mizuho Bank are each leased from a third party.

The total area of land related to our material office and other properties at March 31, 2016 was approximately 761,000 square meters for owned land and approximately 16,000 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.

## 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.

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### **Overview**

#### *The Mizuho Group*

We provide a broad range of financial services in domestic and overseas markets. The principal activities and subsidiaries are the following:

- Mizuho Bank provides a wide range of financial products and services mainly in relation to deposits, lending and exchange settlement to individuals, SMEs, large corporations, financial institutions, public sector entities and foreign corporations, including foreign subsidiaries of Japanese corporations;
- Mizuho Trust & Banking provides products and services related to trust, real estate, securitization and structured finance, pension and asset management and stock transfer agency; and
- Mizuho Securities provides full-line securities services to individuals, corporations, financial institutions and public sector entities.

We also provide products and services such as those related to trust and custody, asset management, private banking, research services, information technology-related services and advisory services for financial institutions through various subsidiaries and affiliates.

In July 2013, the former Mizuho Bank and the former Mizuho Corporate Bank merged, and the former Mizuho Corporate Bank, the surviving company, changed its trade name to Mizuho Bank. The purpose of the merger was to become able to provide directly and promptly diverse and functional financial services to customers of both banks, utilizing the current “strengths” and “advantages” and to continue to improve customer services by further enhancing group collaboration among the banking, trust and securities functions. At the same time, we aim to realize further enhancements of the consolidation of group-wide business operations and optimization of management resources, such as work force and branch network, by strengthening group governance and improving group management efficiency.

In September 2015, we and The Dai-ichi Life Insurance Company, Limited reached basic agreement on integrating the asset management functions of both groups, namely DIAM, the asset management function of

Mizuho Trust and Banking, Mizuho Asset Management and Shinko Asset Management. In July 2016, DIAM, Mizuho Trust & Banking, Mizuho Asset Management and Shinko Asset Management entered into an integration agreement. The effective date of integration will be October 1, 2016, subject to certain conditions precedent. The new company's name will be "Asset Management One," and it is expected to become a consolidated subsidiary of ours. This is aimed to enhance our asset management business as the fourth pillar of our One MIZUHO strategy.

In April 2016, we introduced an in-house company system based on the group's diverse customer segments. The aim of this system is to leverage our strengths and competitive advantage, which is the seamless integration of our banking, trust and securities functions under a holding company structure, to speedily provide high-quality financial services that closely match customer needs.

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;
- 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 long-term debt.

#### *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—Allowance for loan losses."

#### *Noninterest Income*

Noninterest income consists mainly of fee and commission, investment gains (losses)—net, trading account gains (losses)—net and foreign exchange gains (losses)—net.

Fee and commission include the following:

- fee and commission from securities-related business, including brokerage fee and commission related to securities underwriting, fee and commission related to investment trusts and individual annuities and other securities-related activities;
- fee and commission from deposits and lending business, which consist mostly of fee and commission 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;

- fee and commission from remittance business, including service charges for domestic and international funds transfers and collections;
- 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 administration fees related to Japan's principal public lottery program, as well as guarantee fees and others.

Investment gains (losses)—net primarily include net gains and losses on sales of marketable securities, such as equity and bond investments. In addition, impairment losses are recognized when management concludes that declines in the fair value of investments are other-than-temporary.

Trading account gains (losses)—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 (losses)—net also include gains and losses related to changes in the fair value of derivatives and other financial instruments not eligible for hedge accounting under U.S. GAAP that are utilized to offset mainly interest rate risk related to our various assets and liabilities, as well as gains and losses related to changes in the fair value of foreign currency-denominated available-for-sale securities that are elected for fair value treatment under ASC 825. For further information on the fair value option, see note 27 to our consolidated financial statements included elsewhere in this annual report.

Foreign exchange gains (losses)—net mainly include translation gains and losses related to our foreign currency-denominated assets and liabilities and gains and losses related to foreign exchange trading activities, including market making for customers and proprietary trading.

#### *Noninterest Expenses*

Noninterest expenses primarily include salaries and employee benefits, general and administrative expenses, occupancy expenses and fee and commission expenses.

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

#### *Operating Environment*

We operate principally in Japan, and our performance has generally tracked the macro economy of Japan.

Since the fiscal year ended March 31, 2013, the gradual recovery in the global economy has continued, although some weaknesses in the recovery have been seen in some regions. In the fiscal year ended March 31, 2016, this recovery has continued, particularly in the major industrialized countries, but uncertainty and

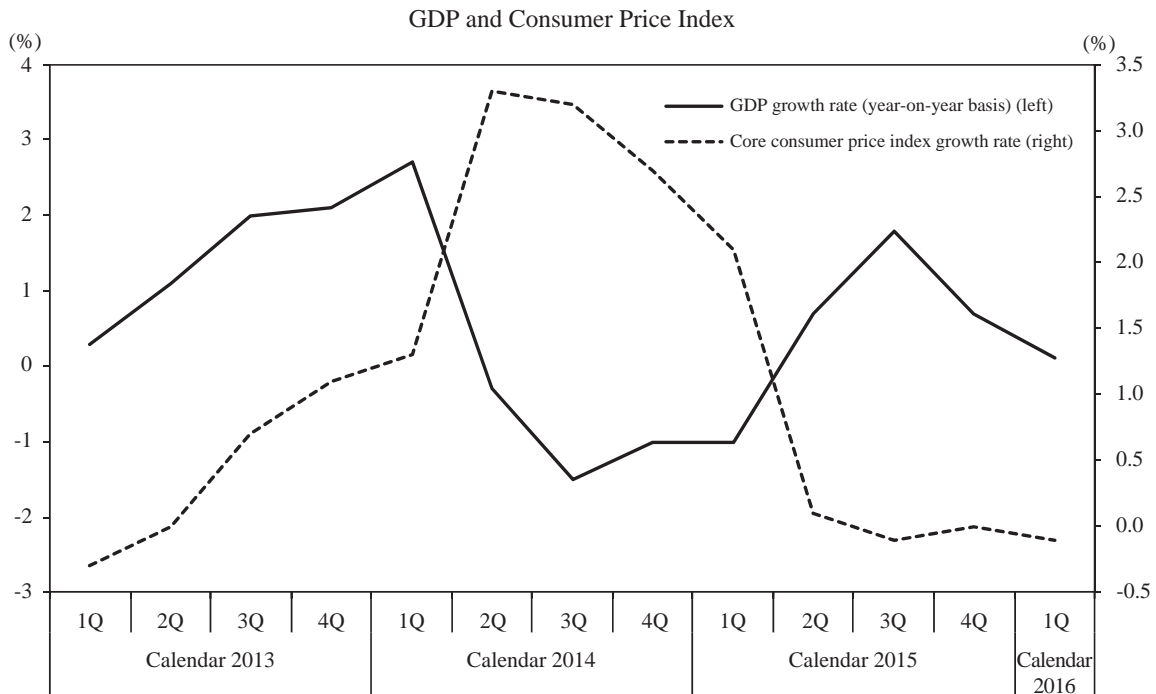
instability in the global economy have increased. Under such conditions, it remains necessary to monitor increasing geopolitical risks, especially the effect of the United Kingdom's referendum to leave the European Union, the economic outlook for China and emerging countries and trends in crude oil prices, which recently have caused turmoil in financial markets and concern about a slowdown of the global economy. In the United States, although some adverse effects were recognized due partly to the strong U.S. dollar, low crude oil prices and weakened overseas economies, the economy continued to recover as employment conditions improved and consumer spending picked up. In December 2015, the Federal Open Market Committee decided to raise the target range for the federal funds rate to 0.25-0.5%. The Committee also announced that "the stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2% inflation." It is expected that the steady recovery in the economy will continue, while the movement toward normalizing monetary policy, which would be particularly influenced by financial markets and the increased uncertainty in overseas economies, requires continued monitoring. In Europe, while the pace of economic growth was slowing, the economies in the Euro area continued to recover gradually, in addition to steady recovery in the United Kingdom. Although it is expected that the economies of the region will continue to follow a track to recovery, the effect of the slowdown of the economies in emerging countries and conflicts in Ukraine, and trends in monetary policy require continued monitoring. Additionally, in June 2016, the United Kingdom voted to leave the European Union in a referendum. This could lead to increasing uncertainty and political turmoil in Europe. In Asia, overall economic growth lacked momentum, due partly to the weakening in exports. In the coming year, it is expected that growth of the regional economy will remain gradual fueled in part by the improvement of exports to the United States and Europe. However, rising U.S. interest rates could result in capital withdrawal from the region and weakening currencies and lead to monetary policy tightening, which could lead to a further slowdown in the regional economy. In addition, the political situation in certain regions also requires monitoring. In China, although the economy continued to grow, the pace of economic growth was significantly slower. The Chinese government itself described the current situation of China's economy as the "New Normal," under which it is expected to continue to grow at a medium to high rate. However, the possibility of a further slowdown in growth is causing concern due mainly to issues such as excess equipment in the manufacturing sector, trends in the real estate market and excessive corporate debt. In Japan, although there were improvements in employment conditions, the Japanese economy has been in a "leveling off" phase, in part because private consumption has continued to be weak. As for the future outlook of the Japanese economy, it is expected to generally continue on its recovery path, supported by such factors as growth in consumer spending backed by a recovery in employee wages and the benefits of low crude oil prices. However, the risk of a slowdown in overseas economies, especially in China and emerging countries, trends in monetary easing policy aiming to achieve the price stability target of 2% and financial markets, especially the recent strength of the yen, and their respective effects on the Japanese economy, continue to require monitoring.

Key indicators of Japanese economic conditions in recent periods include the following:

- Japan's real gross domestic product on a year-on-year basis increased by 2.0% in the fiscal years ended March 31, 2014, decreased by 0.9% in the fiscal year ended March 31, 2015, and increased by 0.8% in the fiscal year ended March 31, 2016. Japan's real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, decreased consecutively from the second quarter of calendar year 2014 through the first quarter of calendar year 2015 and increased consecutively from the second quarter of calendar year 2015 through the first quarter of calendar year 2016.
- The Japanese government has been stating in its monthly economic reports that "the Japanese economy is on a moderate recovery," while noting that "weakness can be seen in some areas" from October 2015 through February 2016, and that "weakness can be seen recently" from March 2016 through June 2016. The report in June 2016 also generally repeated recent observations, noting that "private consumption is almost flat, while consumer confidence appears to be pausing," "business investment is picking up," "firms' judgment on current business conditions shows cautiousness," "the employment situation is improving," "industrial production is flat" and "exports are almost flat." The report also notes that "corporate profits improvement appears to be pausing" and "consumer prices (excluding fresh food, petroleum products and other specific components) are rising at a slower tempo recently."

- Japan’s core nationwide consumer price index increased by 0.8% and 2.8% in the fiscal years ended March 31, 2014 and 2015, respectively, and the index was unchanged in the fiscal year ended March 31, 2016.

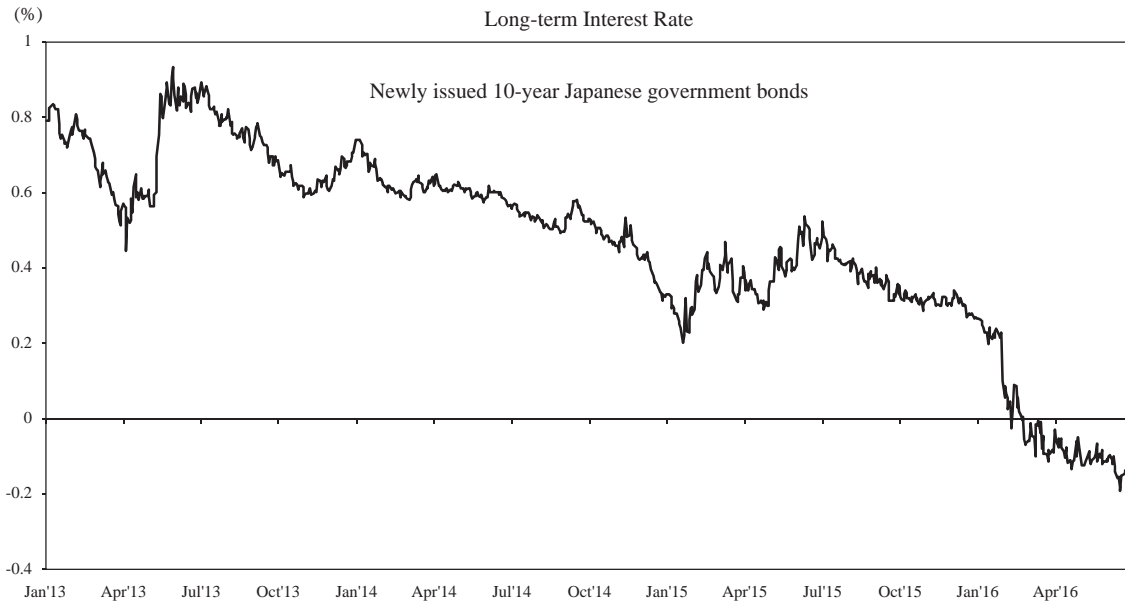
The following chart shows the growth rates of Japan’s gross domestic product on a year-on-year basis and Japan’s core nationwide consumer price indices from the first quarter of 2013 through the first quarter of 2016:

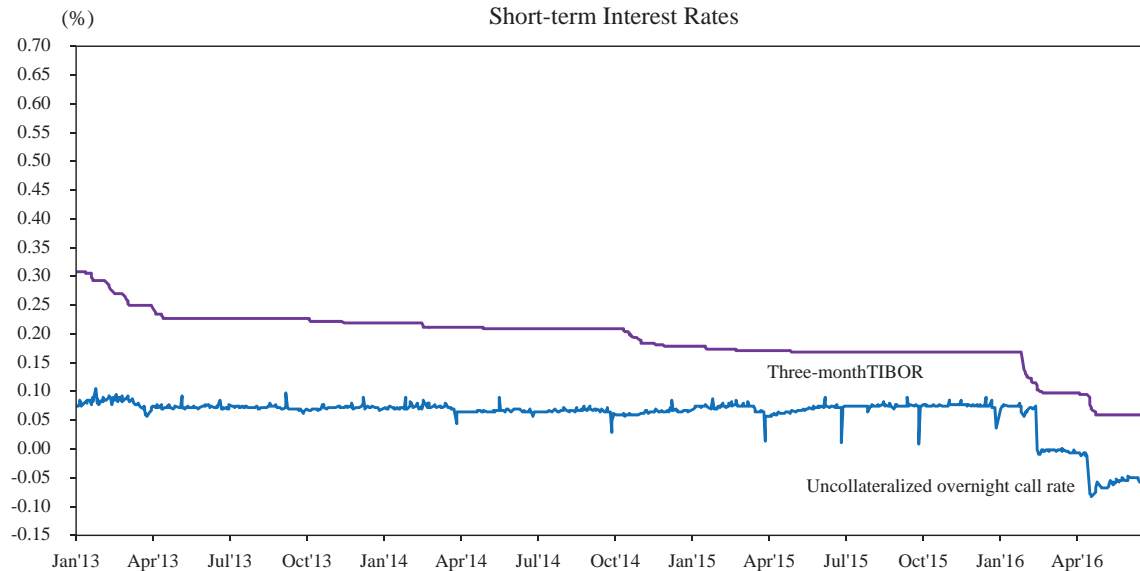


- In January 2013, the Bank of Japan announced that it would set a “price stability target” at 2% in terms of the year-on-year rate of change in the consumer price index and introduced the “open-ended asset purchasing method” under the asset purchase program, pursuant to which financial assets will be purchased on a monthly basis without setting any termination date, for the purpose of taking additional steps to provide monetary accommodation decisively. In April 2013, the Bank of Japan announced that it would introduce the “quantitative and qualitative monetary easing” to enter a new phase of monetary easing and that it would continue with the easing which aims to achieve the price stability target of 2% until that target is maintained in a stable manner. Under the easing, the Bank of Japan changed the main operating target for money market operations from the uncollateralized overnight call rate to the monetary base, and announced that it would double the monetary base and the amounts outstanding of Japanese government bonds as well as exchange-traded funds (“ETFs”) in two years and more than double the average remaining maturity of Japanese government bonds purchases. In October 2014, for the purpose of further enhancing monetary easing to overcome deflation, the Bank of Japan announced that it would expand the “quantitative and qualitative monetary easing.” In particular, the Bank of Japan also announced that it would expand the monetary base to be increased at an annual pace of about ¥80 trillion (an addition of about ¥10-20 trillion compared with the past). Moreover, the Bank of Japan announced that it would expand the purchases of the Japanese government bonds to be increased at an annual pace of about ¥80 trillion (an addition of about ¥30 trillion compared with the past) and expand the purchases of ETFs and Japan real estate investment trusts so that their amounts outstanding would be increased at an annual pace of ¥3 trillion (tripled compared with the previously announced amount) and ¥90 billion (tripled compared with the previously announced amount), respectively. Additionally, the Bank of Japan announced it would make ETFs that track the JPX-Nikkei Index 400 eligible for

purchase. In December 2015, the Bank of Japan decided to adopt supplementary measures for “quantitative and qualitative monetary easing.” The Bank of Japan decided to establish a new program for purchasing ETFs at an annual pace of about ¥300 billion, which will be implemented from April 2016, in addition to the current program of ETF purchases described above. Under this new program, the Bank of Japan will purchase ETFs composed of stocks issued by firms that are proactively making investment in physical and human capital. The Bank of Japan also announced that it would extend the average remaining maturity of Japanese government bonds that it purchases from about 7 to 10 years to about 7 to 12 years in order to facilitate the flexible and smooth purchase of Japanese government bonds. In January 2016, the Bank of Japan decided that, beginning February 2016, it would introduce “quantitative and qualitative monetary easing with a negative interest rate,” a three-tier system in which the outstanding balance of each financial institution’s current account at the Bank of Japan, and that balances falling under the lowest tier would be subject to a negative interest rate of minus 0.1%. The Bank of Japan also announced that it would pursue monetary easing by making full uses of possible measures in terms of three dimensions; quantity, quality and interest rate. The Bank of Japan’s negative interest rate policy and any future expansion of such policy may negatively impact our domestic interest spread and interest income for us and other Japanese banks and have other unforeseen side effects on the functioning of and competition within the Japanese financial markets.

The following charts show movements in long-term rates from January 2013 to June 2016, represented by the yield on newly issued 10-year Japanese government bonds, and in short-term interest rates from January 2013 to June 2016, represented by the three-month Tokyo interbank offered rate, or TIBOR, and the uncollateralized overnight call rate used in the interbank market:

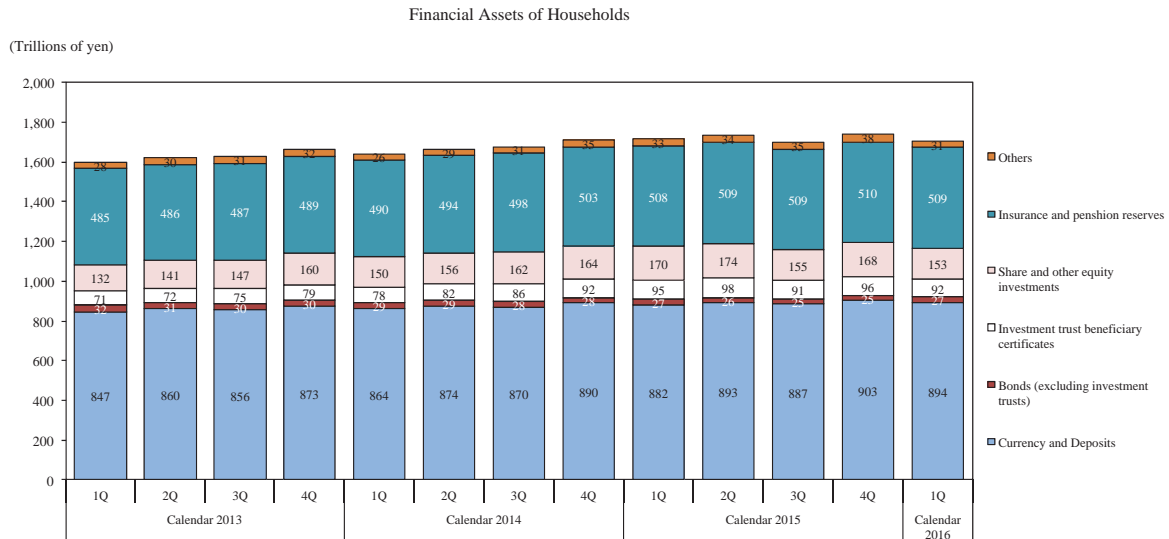




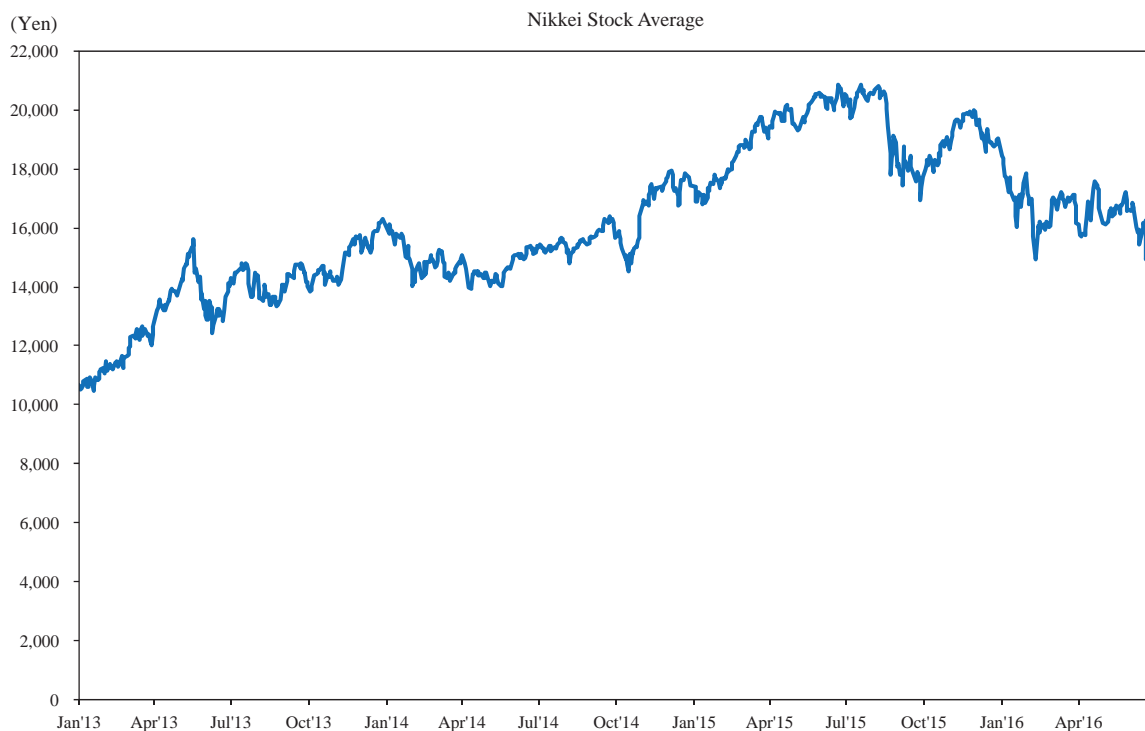
- According to the Bank of Japan, the aggregate monthly average balance of bank loans compared with that of the previous year started to increase in October 2011 and has continued to increase, with the rate of increase gradually rising, through March 2016.
- The CDS index called Markit iTraxx Japan, which is composed of 50 of the most liquid investment grade CDSs for Japanese entities, rose to 85.1 basis points as of March 31, 2016 from 57.5 basis points as of March 31, 2015, but fell to 67.8 basis points as of June 30, 2016. For information on financial transactions for hedging in relation to credit derivatives, see “Item 3.D. Key Information—Risk Factors—Risks Relating to Our Business—Financial transactions entered into for hedging and other similar purposes could adversely affect our financial condition and results of operations.”
- According to Teikoku Databank, a Japanese research institution, there were 10,102 corporate bankruptcies in the fiscal year ended March 31, 2014, involving approximately ¥2.7 trillion in total liabilities, 9,044 corporate bankruptcies in the fiscal year ended March 31, 2015, involving approximately ¥1.9 trillion in total liabilities, and 8,408 corporate bankruptcies in the fiscal year ended March 31, 2016, involving approximately ¥1.9 trillion in total liabilities. The number of corporate bankruptcies decreased from a year earlier for the seventh consecutive year, but the amount of total liabilities increased by approximately ¥0.02 trillion from the previous fiscal year.
- According to the Tokyo Stock Exchange, or the TSE, the aggregate ordinary profits and net income of all companies listed on the TSE with a March 31 fiscal year end, excluding financial institutions and companies newly listed during the relevant fiscal year, increased from ¥33.2 trillion and ¥20.4 trillion, respectively, for the fiscal year ended March 31, 2014, to ¥35.2 trillion and ¥21.3 trillion, respectively, for the fiscal year ended March 31, 2015. For the fiscal year ended March 31, 2016, while the aggregate ordinary profits increased to ¥35.8 trillion, the aggregate net income decreased to ¥20.5 trillion.



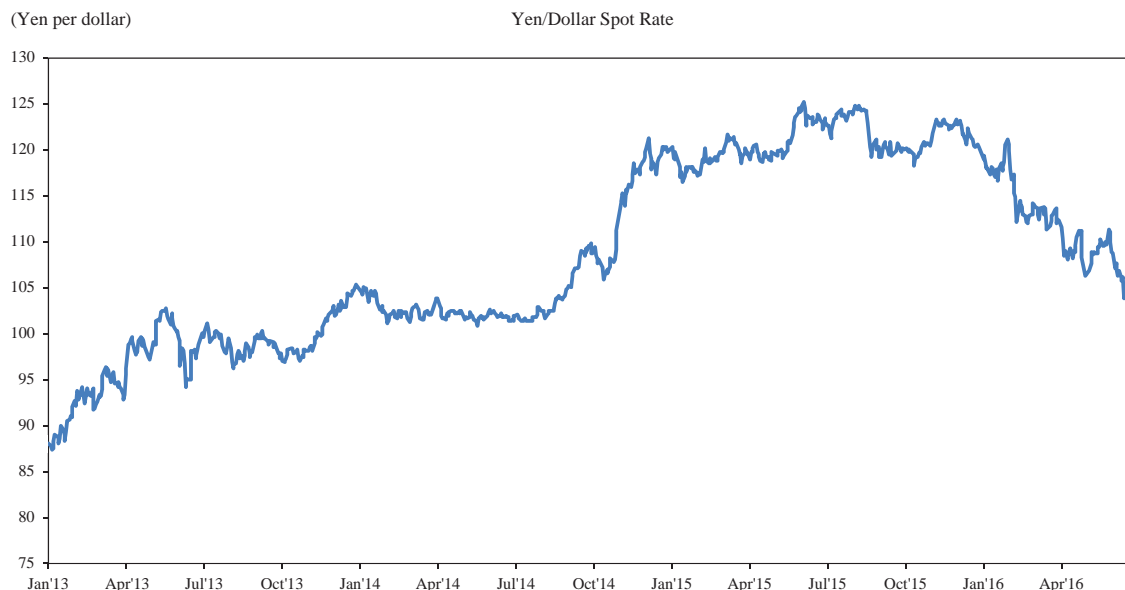
- According to the Bank of Japan, total financial assets of households increased from ¥1,638.4 trillion as of March 31, 2014 to ¥1,715.7 trillion as of March 31, 2015 but decreased to ¥1,705.5 trillion as of March 31, 2016. The following chart shows the amount of total financial assets of households and breakdown based on type of financial asset as of the ends of the first quarter of 2013 through the first quarter of 2016:



- The Nikkei Stock Average, which is an average of the price of 225 stocks listed on the Tokyo Stock Exchange, increased by 19.6% to ¥14,827.83 during the fiscal year ended March 31, 2014, followed by a 29.5% increase to ¥19,206.99 during the fiscal year ended March 31, 2015 and a 12.7% decrease to ¥16,758.67 during the fiscal year ended March 31, 2016. Thereafter, the Nikkei Stock Average decreased to ¥15,575.92 as of June 30, 2016. The following chart shows the daily closing price of the Nikkei Stock Average from January 2013 to June 2016:



- The yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥102.98 to \$1.00 as of March 31, 2014, ¥120.21 to \$1.00 as of March 31, 2015, and ¥112.43 to \$1.00 as of March 31, 2016. Thereafter, the yen strengthened to ¥102.70 to \$1.00 as of June 30 2016. The following chart shows the yen/dollar spot rate of 5 p.m. Tokyo time published by the Bank of Japan from January 2013 to June 2016:



- According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, housing starts in Japan increased by 10.6% in the fiscal year ended March 31, 2014, decreased by 10.8% in the fiscal year ended March 31, 2015, and increased by 4.6% in the fiscal year ended March 31, 2016.
- According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, the average published land prices in Japan decreased by 0.6%, 0.4% and 0.2% during calendar years 2013, 2014 and 2015, respectively.

### ***Capital Improvements***

All yen figures and percentages in this subsection are truncated.

We have been implementing disciplined capital management by pursuing the optimal balance between strengthening of stable capital base and steady returns to shareholders as described below.

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

In the fiscal year ended March 31, 2016, we strengthened our capital base mainly as a result of earning ¥670.9 billion of profit attributable to owners of parent (under Japanese GAAP).

With respect to redemptions of previously issued securities, since April 2015, we have redeemed various securities that are eligible Tier 1/Tier 2 capital instruments subject to phase-out arrangements under Basel III upon their respective initial optional redemption dates or their respective maturity dates. With respect to Tier 1 capital, in June 2015, we redeemed ¥355.0 billion, ¥72.5 billion and ¥25.0 billion of non-dilutive Tier 1 preferred securities issued by our overseas special purpose companies in December 2008, August 2009 and September 2009, respectively. In June 2016, we redeemed \$600.0 million and ¥400.0 billion of non-dilutive Tier 1 preferred securities issued by our overseas special purpose companies in March 2006 and January 2007, respectively. On July 1, 2016, we acquired ¥75.1 billion of eleventh series class XI preferred stock, in respect of which a request

for acquisition was not made by June 30, 2016 and delivered shares of our common stock, pursuant to Article 20, Paragraph 1 of our articles of incorporation and a provision in the terms and conditions of the preferred stock concerning mandatory acquisition in exchange for common stock. On July 13, 2016, we cancelled all of our treasury shares of eleventh series class XI preferred stock. With respect to Tier 2 capital, in December 2015, we redeemed ¥30.0 billion of dated subordinated bonds issued by our subsidiary bank. In January 2016, we redeemed ¥30.0 billion of dated subordinated bonds issued by our subsidiary bank.

With respect to Additional Tier 1 capital new issuances, in July 2015, we issued ¥300.0 billion of perpetual subordinated bonds with optional-redemption clause and write-down clause that are Basel III-eligible Additional Tier 1 capital instruments to qualified institutional investors in Japan. In addition, on July 15, 2016, we announced our decision to issue ¥460 billion of Additional Tier 1 perpetual subordinated bonds with optional-redemption clause and write-down clause through public offerings to wholesale investors in Japan. With respect to Tier 2 capital new issuances, in June 2015, we issued ¥50.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to wholesale investors in Japan. In October 2015, we issued \$750.0 million of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments to overseas wholesale investors. In June 2016, we issued ¥155.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to retail investors in Japan.

Our Common Equity Tier 1 capital ratio under Basel III was 9.43% and 10.50% as of March 31, 2015 and 2016, respectively.

#### *Steady Returns to Shareholders*

We paid cash dividends with respect to the fiscal year ended March 31, 2016 of ¥7.5 per share of common stock (including interim dividend payments of ¥3.75 per share), which was the same amount as the annual cash dividend per share of the previous fiscal year.

We continuously consider the optimal balance between strengthening of stable capital base and steady returns to shareholders. We will comprehensively consider the business environment such as the Mizuho group's business results, profit base, capital, and domestic and international regulation trends such as the Basel framework and determine cash dividend payments for each term.

#### ***Business Trends***

See “Item 4.B. Information on the Company—Business Overview,” “Item 5. Operating and Financial Review and Prospects—Operating Results” and “Item 5. Operating and Financial Review and Prospects—Financial Condition.”

## Others

### Exposure to Certain European Countries (GIIPS)

In Europe, fiscal problems in certain countries, including Greece, Ireland, Italy, Portugal and Spain, have affected the financial system and the real economy, and the uncertainty concerning European economic activity continues to present a risk of a downturn in the world economy. As of March 31, 2016, our exposure to obligors in such countries was not significant. Specifically, our principal banking subsidiaries (including their overseas subsidiaries) had a total of approximately \$9.8 billion in exposure to obligors in such countries. The breakdown by country and by type of obligor was as follows:

	As of March 31,		Increase (decrease)
	2015	2016	
	(in billions of US dollars)		
Greece	\$—	\$—	\$—
Sovereign	—	—	—
Financial Institutions	—	—	—
Others	—	—	—
Ireland	1.5	3.3	1.8
Sovereign	—	—	—
Financial Institutions	—	—	—
Others	1.5	3.3	1.8
Italy	1.9	3.1	1.2
Sovereign	0.5	0.7	0.2
Financial Institutions	—	0.1	0.1
Others	1.4	2.3	0.9
Portugal	0.3	0.3	—
Sovereign	—	—	—
Financial Institutions	—	—	—
Others	0.3	0.3	—
Spain	2.7	3.1	0.4
Sovereign	0.1	—	(0.1)
Financial Institutions	0.2	0.1	(0.1)
Others	2.4	3.0	0.6
Total	\$ 6.4	\$ 9.8	\$ 3.4
Sovereign	0.6	0.7	0.1
Financial Institutions	0.2	0.2	—
Others	5.6	8.9	3.3

#### Notes:

- (1) Figures in the above table are on a managerial accounting basis. The difference between the exposure based on U.S. GAAP and that based on managerial accounting is attributable mainly to the netting of derivatives exposure as described in footnote 2 below and does not have a material impact on total exposure amounts set forth in the above table.
- (2) Figures in the above table represent gross exposure except for derivatives exposure which takes into consideration legally enforceable master netting agreements.

### Exposure to Russia and Brazil

As for our exposure to obligors in Russia and Brazil, our principal banking subsidiaries (including their overseas subsidiaries) had a total of approximately \$3.5 billion and \$7.6 billion in exposure as of March 31, 2015, respectively, which decreased to \$2.6 billion and \$7.4 billion as of March 31, 2016, respectively. The exposure amounts are on a managerial accounting basis, and footnotes 1 and 2 to the table immediately above are similarly applicable to these amounts.

### *Filing of Corporate Governance Report*

In June 2015, we filed our “Corporate Governance Report,” which describes our actions in response to the Corporate Governance Code, with the Tokyo Stock Exchange. After considering each principle of the code based on our intent and spirit, we have decided to comply with all of the principles.

The report discloses our policy regarding cross-holdings of shares of other listed companies and our standards for the exercise of voting rights associated with cross-shareholdings. We and our core subsidiaries (Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities) set out our basic policy in the report. This policy states that unless we consider these holdings to be meaningful, we will not hold the shares of other companies as cross-shareholdings. This reflects factors including the changes in the environment surrounding corporate governance and the potential impact on our financial position associated with stock market volatility risk. Our considerations of whether such holdings are meaningful will include perspectives such as growth potential, outlook, or revitalization as well as the results of studies on present and future economic feasibility and profitability. Further, we will actively exercise voting rights through constructive dialogue with our customers.

In accordance with our policy regarding cross-holdings and standards for the exercise of voting rights, we will continue to improve the corporate value of both us and our customers over the medium to long term through constructive dialogue with our customers based on relationships of trust and the exercise of voting rights.

Regarding our plans related to cross-shareholdings disposal, according to our assessment results for the fiscal year ended March 31, 2016, we determined the necessary aggregate reduction amount to be approximately 40% of our total Japanese stock portfolio (included within other securities which have readily determinable fair value, and based on acquisition cost) as of March 31, 2015. Our total Japanese stock portfolio as of March 31, 2015 was approximately ¥1,962.9 billion, and we reduced such amount by ¥115.7 billion during the fiscal year ended March 31, 2016.

### *Enhancing Collaboration with Orient Corporation*

In July 2015, we announced that we and Mizuho Bank will further enhance collaboration with Orient Corporation (“Orico”), our equity method affiliate, in order to meet diversified customer needs with group-wide comprehensive financial services. In connection with the foregoing, we increased our voting rights ratio in Orico from approximately 22% currently to 49%. Orico continues to be an equity method affiliate of ours after the increase.

### *Strengthening Our Asset Management Business*

In order to make asset management the “Fourth Pillar” of our business, we have been promoting the integration of group-wide asset management functions and strengthening capabilities to respond to customer needs. In September 2015, we and The Dai-ichi Life Insurance Company, Limited reached basic agreement on integrating the asset management functions of both groups, namely DIAM, the asset management function of Mizuho Trust and Banking, Mizuho Asset Management and Shinko Asset Management. In July 2016, DIAM, Mizuho Trust & Banking, Mizuho Asset Management and Shinko Asset Management entered into an integration agreement. The effective date of integration will be October 1, 2016, subject to certain conditions precedent. The new company’s name will be “Asset Management One,” and it is expected to become a consolidated subsidiary of ours. This is aimed to enhance our asset management business as the fourth pillar of our One MIZUHO strategy. With a view to enhancing asset management functions, in September 2015, we agreed to enter into a strategic capital and business alliance with Matthews International Capital Management LLC. In October 2015, we in cooperation with BlackRock Asset Management North Asia Limited launched “BlackRock Japan Multi-Income Equity Fund” in Hong Kong based on the business alliance between BlackRock, Inc. and us. Moreover, in December 2015, Mizuho Trust & Banking acquired the entire issued shares of Simplex Real Estate Management Inc. and Simplex REIT Partners Inc. through Simplex Investment Advisors Inc. which is our newly established consolidated subsidiary (the other two companies are also our new consolidated subsidiaries).

### *Japanese Tax Reforms*

In March 2016, the National Diet of Japan approved a package of tax reforms that included the reducing of the effective corporate tax rate by approximately 2.4%. We expect that the tax reductions will affect our balance of net deferred tax assets in the fiscal years since they are adopted, and thus could negatively affect our net income for such periods.

### *Establishing Our U.S. Bank Holding Company*

In July 2016, with consideration of the Federal Reserve Board's proposed rule to come into effect on July 1, 2016 regarding the operations of foreign banking organizations with U.S. operations, we established a U.S. Bank Holding Company ("BHC"), Mizuho Americas, which is wholly owned by Mizuho Bank, and brought its primary U.S.-based banking, securities and institutional custody services (trust banking) entities together under the holding company.

### **Critical Accounting Estimates**

Note 1 to our consolidated financial statements included elsewhere in this annual report contains a summary of our significant accounting policies. These accounting policies are essential to understanding our financial condition and results of operations. Certain of these accounting policies require management to make critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates are based on information available to us as of the date of the financial statements and could change from period to period. Critical accounting estimates could also involve estimates for which management could have reasonably used another estimate for the relevant accounting period. The use of different estimates could have a material impact on our financial condition and results of operations. The following is a discussion of significant accounting policies for which critical accounting estimates are used.

### ***Allowance for Loan Losses and Allowance for Losses on Off-Balance-Sheet Instruments***

The allowance for loan losses is based on management's estimate of probable credit losses existing in our lending portfolio, and the allowance for losses on off-balance-sheet instruments is based on management's estimate of probable losses related to off-balance-sheet arrangements such as guarantees and commitments to extend credit.

The allowance for loan losses is categorized and evaluated using the following methods:

- *Allowance based on ASC 310.* In accordance with ASC 310, "Receivables" ("ASC 310"), we measure the value of specifically identified impaired loans based on the present value of expected cash flows discounted at the loans' initial effective interest rate, or as a practical expedient, using the observable market price 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. The collateral that we obtain for loans consists primarily of real estate or listed securities. In obtaining the collateral, we evaluate the value of the collateral and its legal enforceability, and we also perform subsequent re-evaluations at least once a year. As to collateral of loans that are collateral dependent, in the case of real estate, valuation is generally performed by an appraising subsidiary that is independent from our loan origination sections by using generally accepted valuation techniques such as (i) the replacement cost approach, or (ii) the sales comparison approach or (iii) the income approach, although in the case of large real estate collateral, we generally engage third-party appraisers to perform the valuation. In the case of securities, such securities are typically those of listed companies and observable market prices are used for valuation. Management identifies impaired loans through the credit quality review process, in which the ability of borrowers to service their 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 ASC 450.* In accordance with ASC 450, "Contingencies" ("ASC 450"), 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 that 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 ASC 450 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 ASC 310 but to which special isolated risks apply, management assesses each loan individually to determine appropriate allowance amounts in lieu of mechanically applying the ASC 450 formula-based allowance.

We assess probable loss amounts for guarantees by 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 differs 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***

ASC 820, "Fair Value Measurement" ("ASC 820") specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The standard describes the following three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. If no quoted market prices are available, the fair values of debt securities and over-the-counter derivative contracts in this category are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques.

For assets and liabilities classified in Level 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment or estimate in determining fair value, while the determination of fair value of Level 3 assets and liabilities involves more significant management judgments and estimates. For further information, including valuation methodologies and the use of management estimates and judgments in connection therewith, see note 27 to the consolidated financial statements included elsewhere in this annual report.

### ***Valuation of Deferred Income Taxes***

Deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. Pursuant to ASC 740, "Income Taxes" ("ASC 740"), 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, future reversals of existing taxable temporary differences and tax-planning strategies. 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 ASC 740. Variances in future projected operating performance or tax law changes could result in a change in the valuation allowance. Variances in the net unrealized gains on available-for-sale securities could also affect a change in the valuation allowance, because we consider the sales of available-for-sale securities to be a qualifying tax-planning strategy that is a possible source of future taxable income mainly with respect to our principal banking subsidiaries in Japan. Although we evaluate that this tax-planning strategy is prudent and feasible, it has limitations and risks such as the resulting decrease in net unrealized gains on available-for-sale securities that are available to be utilized in the future. 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 when 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 indemnities 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 plan assets and rates of increase in future compensation levels.

Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore generally affect future pension expenses. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may adversely affect pension expenses in the future.

In estimating the discount rates, we use interest rates on high-quality fixed-income government and corporate bonds that received a rating of AA (Aa) or higher from rating agencies. The durations of such bonds closely match those of the benefit obligations. Assumed discount rates are reevaluated at each measurement date.

The expected rate of return for each asset category 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 and other employee benefits, see note 20 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, 2014, 2015 and 2016:

	Fiscal years ended March 31,		
	2014	2015	2016
	(in billions of yen)		
Interest and dividend income	¥1,423	¥1,458	¥1,500
Interest expense	402	412	495
Net interest income	1,021	1,046	1,005
Provision (credit) for loan losses	(126)	(60)	35
Net interest income after provision (credit) for loan losses	1,147	1,106	970
Noninterest income	1,083	1,801	1,884
Noninterest expenses	1,504	1,639	1,657
Income before income tax expense	726	1,268	1,197
Income tax expense	226	438	347
Net income	500	830	850
Less: Net income (loss) attributable to noncontrolling interests	2	27	—
Net income attributable to MHFG shareholders	¥ 498	¥ 803	¥ 850

## Executive Summary

### *Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

Net interest income decreased by ¥41 billion, or 3.9%, from the previous fiscal year to ¥1,005 billion in the fiscal year ended March 31, 2016 due to a decrease in net domestic interest and dividend income of ¥79 billion, offset in part by an increase in net foreign interest and dividend income of ¥38 billion. The decrease in net domestic interest and dividend income was due mainly to decreases in interest and dividend income from domestic investments and in interest income from domestic loans. The decreases in interest and dividend income from domestic investments and in interest income from domestic loans were due to decreases in the average balances as well as decreases in the average yields, reflecting a decline in yen interest rate levels. The increase in net foreign interest and dividend income was due mainly to increases in interest income from foreign loans and in interest and dividend income from foreign investments, offset in part by an increase in interest expense on foreign deposits and foreign short-term borrowings. The increase in interest income from foreign loans was due mainly to an increase in the average balance, especially in Western Europe as well as an increase in the average yields. The increase in interest and dividend income from foreign investments was due to an increase in the average balance, reflecting an increase in U.S. treasury bond holdings, as well as an increase in the average yield. The increase in interest expenses on foreign deposits was due mainly to an increase in the average rates, reflecting a rise in short-term interest rate levels of the U.S. dollar, as well as an increase in the average balance. The increase in interest expenses on foreign short-term borrowings was due mainly to an increase in the average rates, reflecting a rise in short-term interest rate levels of the U.S. dollar. We recorded a provision for loan losses of ¥35 billion in the fiscal year ended March 31, 2016 compared to a credit for loan losses of ¥60 billion in the previous fiscal year. We recorded a modest level of provision for loan losses in the fiscal year ended March 31, 2016, reflecting how the Japanese economy was in a “leveling off” phase as described in “—Overview— Operating Environment,” whereas we recorded a credit for loan losses in the fiscal year ended March 31, 2015, reflecting how the Japanese economy was in a “gradual recovery” phase.

Noninterest income increased by ¥83 billion, or 4.6%, from the previous fiscal year to ¥1,884 billion in the fiscal year ended March 31, 2016. The increase was due mainly to foreign exchange gains—net of ¥114 billion compared to foreign exchange losses—net of ¥35 billion in the previous fiscal year and an increase in fee and commissions income of ¥27 billion, offset in part by a decrease in trading account gains—net of ¥131 billion and

a decrease in investment gains—net of ¥7 billion. The change in foreign exchange gains (losses)—net was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2016. The increase in fees and commissions income was due mainly to an increase in fee and commission from deposits and lending business and an increase in fees for other customer services. The decrease in trading account gains (losses)—net was due mainly to a decrease in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected and a decrease in gains related to the change in the fair value of domestic equity securities, offset in part by an increase in gains related to changes in the fair value of derivative financial instruments used to hedge market risks that are not eligible for hedge accounting under U.S. GAAP. The decrease in investment gains—net was due mainly to a decrease in investment gains related to bonds, offset in part by an increase in investment gains related to equity securities.

Noninterest expenses increased by ¥18 billion, or 1.1%, from the previous fiscal year to ¥1,657 billion in the fiscal year ended March 31, 2016. The increase was due mainly to an increase in salaries and employee benefits of ¥29 billion, offset in part by an increase in credit for losses on off-balance-sheet instruments of ¥13 billion. The increase in salaries and employee benefits was due mainly to an increase in overseas personnel expenses, offset in part by a decrease in employee retirement benefit expenses. The increase in credit for losses on off-balance-sheet instruments was due mainly to a decrease in allowance for losses on guarantees and reimbursement of debentures.

As a result of the foregoing, income before income tax expense decreased by ¥71 billion, or 5.6%, from the previous fiscal year to ¥1,197 billion in the fiscal year ended March 31, 2016. Income tax expense decreased by ¥91 billion, or 20.8%, from the previous fiscal year to ¥347 billion in the fiscal year ended March 31, 2016, due to decreases in both current tax expense and deferred tax expense.

Net income increased by ¥20 billion, or 2.4%, from the previous fiscal year to ¥850 billion in the fiscal year ended March 31, 2016. Net income attributable to noncontrolling interests decreased by ¥27 billion from the previous fiscal year to ¥0 billion in the fiscal year ended March 31, 2016, due mainly to deconsolidation of certain investment funds. As a result, net income attributable to MHFG shareholders increased by ¥47 billion, or 5.9%, from the previous fiscal year to ¥850 billion in the fiscal year ended March 31, 2016.

#### *Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Net interest income increased by ¥25 billion, or 2.4%, from the previous fiscal year to ¥1,046 billion in the fiscal year ended March 31, 2015 due to an increase in net foreign interest and dividend income of ¥69 billion, offset in part by a decrease in net domestic interest and dividend income of ¥44 billion. The increase in net foreign interest and dividend income was due mainly to increases in interest income from foreign loans and foreign investments as a result of an increase in average balance, mainly in Americas and Asia. The decrease in net domestic interest and dividend income was due mainly to decreases in interest income from domestic loans as a result of a decrease in the average yield, and domestic investments as a result of a decrease in interest income on interest on securities, both reflecting declines in interest rate levels of yen. Credit for loan losses decreased by ¥66 billion from the previous fiscal year to ¥60 billion in the fiscal year ended March 31, 2015 due primarily to an increase in allowance for loan losses on impaired loans related to certain domestic borrowers, although we continued to record a credit for loan losses and recorded a decrease in allowance for loan losses on non-impaired loans as a result of upgrades in the obligor categories of a broad range of borrowers, reflecting the continuing gradual recovery of the Japanese economy.

Noninterest income increased by ¥718 billion, or 66.3%, from the previous fiscal year to ¥1,801 billion in the fiscal year ended March 31, 2015. The increase was due mainly to trading account gains—net of ¥690 billion compared to trading account losses—net of ¥60 billion in the previous fiscal year, offset in part by foreign exchange losses—net of ¥35 billion compared to foreign exchange gains—net of ¥26 billion in the previous fiscal year. The change in trading account gains (losses)—net was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected and an increase in gains related to changes in the fair value of derivative financial instruments used

to hedge market risks that are not eligible for hedge accounting under U.S. GAAP. The decrease in foreign exchange gains (losses)—net was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2015.

Noninterest expenses increased by ¥135 billion, or 9.0%, from the previous fiscal year to ¥1,639 billion in the fiscal year ended March 31, 2015. The increase was due mainly to increases in general administrative expenses of ¥43 billion, salaries and employee benefits of ¥18 billion and occupancy expenses of ¥17 billion. The increase in general administrative expenses was due mainly to increases in domestic consumption tax, reflecting the rise in the consumption tax rate, IT-related costs and advertising expenses. The increase in salaries and employee benefits was due mainly to an increase in overseas personnel expenses, offset in part by a decrease in employee retirement benefit expenses. The increase in occupancy expenses was due mainly to increases in rent expenses and depreciation expenses of tangible fixed assets.

As a result of the foregoing, income before income tax expense increased by ¥542 billion, or 74.7%, from the previous fiscal year to ¥1,268 billion in the fiscal year ended March 31, 2015. Income tax expense increased by ¥212 billion from the previous fiscal year to ¥438 billion in the fiscal year ended March 31, 2015, due to increases in both current tax expense and deferred tax expense.

Net income increased by ¥330 billion, or 66.0%, from the previous fiscal year to ¥830 billion in the fiscal year ended March 31, 2015. Net income attributable to noncontrolling interests increased by ¥25 billion from the previous fiscal year to ¥27 billion in the fiscal year ended March 31, 2015. As a result, net income attributable to MHFG shareholders increased by ¥305 billion, or 61.2%, from the previous fiscal year to ¥803 billion in the fiscal year ended March 31, 2015.

## Net Interest Income

The following table shows the average balances 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, 2014, 2015 and 2016:

	Fiscal years ended March 31,								
	2014			2015			2016		
	Average balance	Interest amount	Interest rate	Average balance	Interest amount	Interest rate	Average balance	Interest amount	Interest rate
	(in billions of yen, except percentages)								
<b>Domestic:</b>									
Interest-bearing deposits in other banks	¥ 10,995	¥ 12	0.10%	¥ 15,900	¥ 20	0.12%	¥ 29,485	¥ 30	0.10%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	4,048	8	0.21	4,771	8	0.17	4,309	10	0.22
Trading account assets	6,937	24	0.35	6,755	32	0.47	5,262	16	0.31
Investments	34,481	155	0.45	31,690	127	0.40	25,625	88	0.34
Loans	54,230	634	1.17	54,207	593	1.09	52,866	565	1.07
Total interest-earning assets	110,691	833	0.75	113,323	780	0.69	117,547	709	0.60
Deposits	73,858	53	0.07	77,126	50	0.06	81,090	60	0.07
Short-term borrowings <sup>(1)</sup>	20,471	29	0.14	17,342	24	0.14	15,139	22	0.15
Trading account liabilities	2,836	12	0.42	2,629	14	0.52	2,092	13	0.61
Long-term debt	9,046	178	1.97	11,730	175	1.49	14,242	176	1.23
Total interest-bearing liabilities	106,211	272	0.26	108,827	263	0.24	112,563	271	0.24
Net	4,480	561	0.49	4,496	517	0.45	4,984	438	0.36
<b>Foreign:</b>									
Interest-bearing deposits in other banks	4,878	22	0.45	5,689	29	0.51	6,639	38	0.57
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	11,961	34	0.28	10,862	33	0.30	10,465	50	0.48
Trading account assets	11,780	137	1.16	11,950	142	1.19	11,602	135	1.16
Investments	1,910	48	2.52	2,850	79	2.77	3,058	102	3.34
Loans	17,420	349	2.00	21,634	395	1.83	24,279	466	1.92
Total interest-earning assets	47,949	590	1.23	52,985	678	1.28	56,043	791	1.41
Deposits	14,695	80	0.55	19,801	100	0.51	20,958	154	0.73
Short-term borrowings <sup>(1)</sup>	20,598	28	0.13	20,326	28	0.14	18,982	58	0.31
Trading account liabilities	1,319	19	1.44	1,692	17	1.05	1,195	8	0.69
Long-term debt	764	3	0.39	268	4	1.66	1,441	4	0.26
Total interest-bearing liabilities	37,376	130	0.35	42,087	149	0.36	42,576	224	0.53
Net	10,573	460	0.88	10,898	529	0.92	13,467	567	0.88
<b>Total:</b>									
Total interest-earning assets	158,640	1,423	0.90	166,308	1,458	0.88	173,590	1,500	0.86
Total interest-bearing liabilities	143,587	402	0.28	150,914	412	0.27	155,139	495	0.32
Net	¥ 15,053	¥1,021	0.62	¥ 15,394	¥1,046	0.61	¥ 18,451	¥1,005	0.54

Note:

- (1) Short-term borrowings consist of due to trust accounts, call money and funds purchased, payables under repurchase agreements and securities lending transactions and other short-term borrowings.

*Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

Interest and dividend income increased by ¥42 billion, or 2.9%, from the previous fiscal year to ¥1,500 billion in the fiscal year ended March 31, 2016. Domestic interest and dividend income accounted for ¥709 billion of the total amount, a decrease of ¥71 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥791 billion, an increase of ¥113 billion from the previous fiscal year.

Due to the monetary policies of the Bank of Japan, such as continuous monetary easing and the negative interest rate policy that began in February 2016, our domestic loan and deposit rate margin has become narrower. Reflecting a decline in short-term interest rate levels of the yen, the average yield on domestic loans decreased by 0.02% from the previous fiscal year to 1.07% in the fiscal year ended March 31, 2016, while the average rate on domestic interest-bearing deposits increased by 0.01% from the previous fiscal year to 0.07% in the fiscal year ended March 31, 2016. Our domestic funding structure is stable, primarily consisting of individual customer deposits. The average yield on foreign loans increased by 0.09% from the previous fiscal year to 1.92% in the fiscal year ended March 31, 2016, and the average rate on foreign interest-bearing deposits increased by 0.22% from the previous fiscal year to 0.73% in the fiscal year ended March 31, 2016. We continue initiatives to increase foreign currency-denominated deposits. We place further emphasis on the importance of profitability in the lending business and look to counter the effects of negative impact of negative interest rates and others.

The decrease in domestic interest and dividend income was due mainly to decreases in interest and dividend income from domestic investments and in interest income from domestic loans. The decreases in interest and dividend income from domestic investments and in interest income from domestic loans were due to decreases in the average balances as well as decreases in the average yields, reflecting a decline in yen interest rate levels. Changes in the average yields on domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥40 billion, and changes in the average balances of domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥31 billion, resulting in the ¥71 billion decrease in domestic interest and dividend income.

The increase in foreign interest and dividend income was due mainly to increases in interest income from foreign loans and in interest and dividend income from foreign investments. The increase in interest income from foreign loans was due mainly to an increase in the average balance, especially in Western Europe, as well as an increase in the average yields. The increase in interest and dividend income from foreign investments was due to an increase in the average balance, reflecting an increase in U.S. treasury bond holdings, as well as an increase in the average yield. Changes in the average yields on foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥56 billion, and changes in the average balance of foreign interest-earning assets contributed to an overall increase of ¥57 billion, resulting in the ¥113 billion increase in foreign interest and dividend income.

Interest expense increased by ¥83 billion, or 20.1%, from the previous fiscal year to ¥495 billion in the fiscal year ended March 31, 2016. Domestic interest expense accounted for ¥271 billion of the total amount, an increase of ¥8 billion from the previous fiscal year, and foreign interest expense accounted for ¥224 billion of the total amount, an increase of ¥75 billion from the previous fiscal year.

The increase in domestic interest expense was due mainly to increases in interest expense on domestic deposits and long-term debt. The increase in domestic deposits was due to an increase in the average rates as well as an increase in the average balance. The increase in domestic long-term debt was due to an increase in the average balance, offset in part by a decrease in the average rates reflecting a decline in interest rate levels of yen. The changes in the average interest rates on domestic interest-bearing liabilities contributed to an overall decrease in interest expense of ¥20 billion, and the changes in the average balance of domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥28 billion, resulting in the ¥8 billion increase in domestic interest expense.

The increase in foreign interest expense was due mainly to increases in interest expense on foreign deposits and foreign short-term borrowings. The increase in foreign interest expense on foreign deposits was due mainly to an increase in the average rates, reflecting a rise in short-term interest rate levels of the U.S. dollar as well as an increase in the average balance of foreign deposits. The increase in foreign interest expense on foreign short-term borrowings was due mainly to an increase in the average rates, reflecting a rise in short-term interest rate levels of the U.S. dollar. The changes in the average interest rates on foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥72 billion, and the changes in the average balance of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥3 billion, resulting in the ¥75 billion increase in foreign interest expense.

As a result of the foregoing, net interest income decreased by ¥41 billion, or 3.9%, from the previous fiscal year to ¥1,005 billion. The average interest rate spread declined by 0.07% from the previous fiscal year to 0.54% in the fiscal year ended March 31, 2016. The decline of the average interest rate spread was not significant because both the average yields on total interest-earning assets and the average interest rates on total interest-bearing liabilities generally leveled out between these periods with respect to domestic assets and liabilities and increased by similar rates with respect to foreign assets and liabilities.

#### *Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Interest and dividend income increased by ¥35 billion, or 2.5%, from the previous fiscal year to ¥1,458 billion in the fiscal year ended March 31, 2015. Domestic interest and dividend income accounted for ¥780 billion of the total amount, a decrease of ¥53 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥678 billion, an increase of ¥88 billion from the previous fiscal year.

The decrease in domestic interest and dividend income was due mainly to decreases in interest income from domestic loans and in interest and dividend income from domestic investments. The decrease in interest income from domestic loans was due mainly to a decrease in the average yield, and the decrease in interest and dividend income from domestic investments was due mainly to a decrease in interest income on interest on securities, both reflecting declines in interest rate levels of yen. Changes in the average yields on domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥48 billion, and changes in the average balances of domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥5 billion, resulting in the ¥53 billion decrease in domestic interest and dividend income.

The increase in foreign interest and dividend income was due mainly to increases in interest income from foreign loans and in interest and dividend income from foreign investments. The increases in interest income from foreign loan and interest and dividend income from foreign investments were due mainly to an increase in the average balance mainly in Americas and Asia. Changes in the average yields on foreign interest-earning assets contributed to an overall decrease in interest and dividend income of ¥18 billion, and changes in the average balance of foreign interest-earning assets contributed to an overall increase of ¥106 billion, resulting in the ¥88 billion increase in foreign interest and dividend income.

Interest expense increased by ¥10 billion, or 2.5%, from the previous fiscal year to ¥412 billion in the fiscal year ended March 31, 2015. Domestic interest expense accounted for ¥263 billion of the total amount, a decrease of ¥9 billion from the previous fiscal year, and foreign interest expense accounted for ¥149 billion of the total amount, an increase of ¥19 billion from the previous fiscal year.

The decrease in domestic interest expense was due mainly to decreases in interest expense on domestic short-term borrowings, domestic deposits and long-term debt. The decrease in interest expense on domestic short-term borrowings was due mainly to decreases in the average balance and in the average interest rate, reflecting a decline in short-term interest rate levels of yen. The decreases in domestic deposits and long-term debt were due mainly to a decrease in the average yields reflecting a decline in interest rate levels of yen, offset in part by the effect of an increase in the average balance of long-term debt. The changes in the average interest rates on domestic interest-bearing liabilities contributed to an overall decrease in interest expense of ¥46 billion, and the changes in the average balance of domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥37 billion, resulting in the ¥9 billion decrease in domestic interest expense.

The increase in foreign interest expense was due mainly to an increase in interest expense on foreign deposits. The increase in foreign interest expense on foreign deposits was due mainly to an increase in the average balance. The changes in the average interest rates on foreign interest-bearing liabilities contributed to an overall decrease in interest expense of ¥8 billion, and the changes in the average balance of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥27 billion, resulting in the ¥19 billion increase in foreign interest expense.

As a result of the foregoing, net interest income increased by ¥25 billion, or 2.4%, from the previous fiscal year to ¥1,046 billion. The average interest rate spread declined by 0.01% from the previous fiscal year to 0.61% in the fiscal year ended March 31, 2015. The decline of the average interest rate spread was not significant because both the average yields on total interest-earning assets and the average interest rates on total interest-bearing liabilities generally leveled out between these periods.

### ***Provision (Credit) for Loan Losses***

#### *Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

We recorded a provision for loan losses of ¥35 billion in the fiscal year ended March 31, 2016 compared to a credit for loan losses of ¥60 billion in the previous fiscal year. We recorded a modest level of provision for loan losses in the fiscal year ended March 31, 2016, reflecting how the Japanese economy was in a “leveling off” phase as described in “—Overview—Operating Environment,” whereas we recorded a credit for loan losses in the fiscal year ended March 31, 2015, reflecting how the Japanese economy was in a “gradual recovery” phase.

#### *Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Credit for loan losses decreased by ¥66 billion from the previous fiscal year to ¥60 billion in the fiscal year ended March 31, 2015 due primarily to an increase in allowance for loan losses on impaired loans related to certain domestic borrowers, although we continued to record a credit for loan losses and recorded a decrease in allowance for loan losses on non-impaired loans as a result of upgrades in the obligor categories of a broad range of borrowers, reflecting the continuing gradual recovery of the Japanese economy.

### ***Noninterest Income***

The following table shows a breakdown of noninterest income for the fiscal years ended March 31, 2014, 2015 and 2016:

	<b>Fiscal years ended March 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	(in billions of yen)		
Fee and commission . . . . .	¥ 676	¥ 716	¥ 743
Fee and commission from securities-related business . . . . .	170	172	176
Fee and commission from deposits and lending business . . . . .	114	131	144
Fee and commission from remittance business . . . . .	109	110	110
Trust fees . . . . .	49	50	50
Fees for other customer services . . . . .	234	253	263
Foreign exchange gains (losses)—net . . . . .	26	(35)	114
Trading account gains (losses)—net . . . . .	(60)	690	559
Investment gains (losses)—net . . . . .	238	271	264
Investment gains (losses) related to bonds . . . . .	60	104	66
Investment gains (losses) related to equity securities . . . . .	175	163	192
Others . . . . .	3	4	6
Equity in earnings (losses) of equity method investees—net . . . . .	28	18	29
Gains on disposal of premises and equipment . . . . .	10	3	10
Other noninterest income . . . . .	165	138	165
Total noninterest income . . . . .	<u>¥1,083</u>	<u>¥1,801</u>	<u>¥1,884</u>

*Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

Noninterest income increased by ¥83 billion, or 4.6%, from the previous fiscal year to ¥1,884 billion in the fiscal year ended March 31, 2016. The increase was due mainly to foreign exchange gains—net of ¥114 billion compared to foreign exchange losses—net of ¥35 billion in the previous fiscal year and an increase in fees and commissions income of ¥27 billion, offset in part by a decrease in trading account gains—net of ¥131 billion and a decrease in investment gains—net of ¥7 billion.

*Fee and commission*

Fee and commission increased by ¥27 billion, or 3.8%, from the previous fiscal year to ¥743 billion in the fiscal year ended March 31, 2016. The increase was due mainly to an increase in fee and commission from deposits and lending business of ¥13 billion and an increase in fees for other customer services of ¥10 billion. The increase in fee and commission from deposits and lending business was due mainly to an increase in domestic lending transactions, and the increase in fees for other customer services was due mainly to an increase in fees related to derivative transactions.

We aim to develop into a Financial Services Consulting Group both in Japan and overseas by using our group strengths to provide customers with financial solutions, improving our presence in targeted business areas and obtaining additional financial transaction business. We are pursuing deepened collaboration among banking, trust, securities and asset management functions to strengthen fee businesses and to increase and enhance non-interest income. We seek to realize customer needs and observe fiduciary duties at the highest level and utilize our strength as a group and support the “shift from savings to investment” and contribute to the invigoration of individuals’ financial assets. We also aim to minimize the negative impact from the negative interest rate policy of the Bank of Japan on income by strengthening non-interest income through measures such as strengthening investment products sales by capturing the ongoing flow from savings to investments among retail customers.

*Foreign exchange gains (losses)—net*

Foreign exchange gains (losses)—net was a gain of ¥114 billion in the fiscal year ended March 31, 2016 compared to a loss of ¥35 billion in the previous fiscal year. The change was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2016.

*Trading account gains (losses)—net*

Trading account gains (losses)—net decreased by ¥131 billion, or 19.0%, from the previous fiscal year to ¥559 billion in the fiscal year ended March 31, 2016. The decrease was due mainly to a decrease in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected, reflecting a decrease in foreign currency-denominated bonds due to sales and redemptions and the effect of a lower decline in long-term interest rates than in the previous fiscal year, and a decrease in gains related to changes in the fair value of domestic equity securities reflecting declines in stock market prices, especially in our consolidated investment funds, offset in part by an increase in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risks, that are not eligible for hedge accounting under U.S. GAAP. For further information on the fair value option, see note 27 to our consolidated financial statements included elsewhere in this annual report.

*Investment gains (losses)—net*

Investment gains—net decreased by ¥7 billion, or 2.6 %, from the previous fiscal year to ¥264 billion in the fiscal year ended March 31, 2016. The decrease was due mainly to a decrease in investment gains related to bonds of ¥38 billion, or 36.5 %, from the fiscal year ended March 31, 2015 to ¥66 billion in the fiscal year ended March 31, 2016, offset in part by an increase in investment gains related to equity securities of ¥29 billion, or



17.8%, from the fiscal year ended March 31, 2015 to ¥192 billion in the fiscal year ended March 31, 2016. The decrease in investment gains related to bonds was due mainly to a decrease in gains on sales of bonds in the fiscal year ended March 31, 2016, reflecting a decrease in the amount of bonds sold. The increase in investment gains related to equity securities was due mainly to an increase in gains on sales of investment account equity securities in the fiscal year ended March 31, 2016, reflecting our continued efforts to decrease our cross-shareholdings. We continue our reallocation of management resources to key strategies while mitigating the risk of stock price fluctuation.

#### *Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Noninterest income increased by ¥718 billion, or 66.3%, from the previous fiscal year to ¥1,801 billion in the fiscal year ended March 31, 2015. The increase was due mainly to trading account gains—net of ¥690 billion compared to trading account losses—net of ¥60 billion in the previous fiscal year, offset in part by a decrease in foreign exchange losses—net of ¥35 billion compared to foreign exchange gains—net of ¥26 billion in the previous fiscal year.

##### *Fee and commission*

Fee and commission increased by ¥40 billion, or 5.9%, from the previous fiscal year to ¥716 billion in the fiscal year ended March 31, 2015. The increase was due mainly to an increase in fee and commission from deposits and lending business of ¥17 billion and an increase in fees for other customer services of ¥19 billion. The increase in fee and commission from deposits and lending business was due mainly to our increased involvement in large overseas transactions, and the increase in fee and commission from other customer services was due mainly to an increase in fees related to real estate in the trust and asset management business of a principal banking subsidiary.

##### *Foreign exchange gains (losses)—net*

Foreign exchange gains (losses)—net was a loss of ¥35 billion in the fiscal year ended March 31, 2015 compared to a gain of ¥26 billion in the previous fiscal year. The change was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2015.

##### *Trading account gains (losses)—net*

Trading account gains (losses)—net was a gain of ¥690 billion in the fiscal year ended March 31, 2015 compared to a loss of ¥60 billion in the previous fiscal year. The change was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected, reflecting a decline in long-term interest rates, and an increase in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risks, that are not eligible for hedge accounting under U.S. GAAP. For further information on the fair value option, see note 27 to our consolidated financial statements included elsewhere in this annual report.

##### *Investment gains (losses)—net*

Investment gains—net increased by ¥33 billion, or 13.9%, from the previous fiscal year to ¥271 billion in the fiscal year ended March 31, 2015. The increase was due mainly to an increase in investment gains related to bonds of ¥44 billion, or 73.3%, from the fiscal year ended March 31, 2014 to ¥104 billion in the fiscal year ended March 31, 2015, offset in part by a decrease in investment gains related to equity securities of ¥12 billion, or 6.9%, from the fiscal year ended March 31, 2014 to ¥163 billion in the fiscal year ended March 2015. The increase in investment gains related to bonds was due mainly to an increase in gains on sales of bonds in the fiscal year ended March 31, 2015 as a result of a decline in long-term interest rates. The decrease in investment

gains related to equity securities was due mainly to a decrease in gains on sales of investment account equity securities in the fiscal year ended March 31, 2015.

### *Noninterest Expenses*

The following table shows a breakdown of noninterest expenses for the fiscal years ended March 31, 2014, 2015 and 2016:

	<b>Fiscal years ended March 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	(in billions of yen)		
Salaries and employee benefits .....	¥ 587	¥ 605	¥ 634
General and administrative expenses .....	487	530	548
Impairment of goodwill .....	4	—	6
Occupancy expenses .....	172	189	196
Fee and commission expenses .....	122	134	146
Provision (credit) for losses on off-balance-sheet instruments .....	12	(3)	(16)
Other noninterest expenses .....	120	184	143
Total noninterest expenses .....	<u>¥1,504</u>	<u>¥1,639</u>	<u>¥1,657</u>

### *Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

Noninterest expenses increased by ¥18 billion, or 1.1%, from the previous fiscal year to ¥1,657 billion in the fiscal year ended March 31, 2016. The increase was due mainly to an increase in salaries and employee benefit expenses of ¥29 billion, offset in part by an increase in credit for losses on off-balance-sheet instruments of ¥13 billion.

Our costs and expenses were generally flat, compared with the previous fiscal year. Going forward, we aim to absorb an expected increase in expenses associated with forward looking strategic investments and next-generation IT systems through the realization of investment effects and cost structure reform impacts as well as pursuit of operational efficiencies. In pursuit of operational efficiencies, we aim to improve productivity and eliminate waste thereby securing necessary resources to further generate added value for our customers, and enhance operations by allocating management resources to further improve cost competitiveness.

#### *Salaries and employee benefits*

Salaries and employee benefits increased by ¥29 billion, or 4.8%, from the previous fiscal year to ¥634 billion in the fiscal year ended March 31, 2016 due mainly to an increase in personnel expenses, offset in part by a decrease in employee retirement benefit expenses. The increase in personnel expenses was due mainly to an increase in overseas personnel expenses, including strategic expenses related to overseas expansion. The increase in strategic expenses related to overseas expansion was absorbed by strict cost control and fluctuations in exchange rates. The decrease in employee retirement benefit expenses was due mainly to a decrease in the amortization of net actuarial loss, which primarily reflects past recoveries of the fair value of plan assets. Additional information regarding pension and other employee benefit plans is included in note 20 to our consolidated financial statements included elsewhere in this annual report.

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

Credit for losses on off-balance-sheet instruments increased by ¥13 billion from the previous fiscal year to ¥16 billion in the fiscal year ended March 31, 2016 due mainly to a decrease in allowance for losses on guarantees and reimbursement of debentures.

*Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Noninterest expenses increased by ¥135 billion, or 9.0%, from the previous fiscal year to ¥1,639 billion in the fiscal year ended March 31, 2015. The increase was due mainly to an increase in general and administrative expenses of ¥43 billion, an increase in salaries and employee benefit expenses of ¥18 billion and an increase in occupancy expenses of ¥17 billion.

*Salaries and employee benefits*

Salaries and employee benefits increased by ¥18 billion, or 3.1%, from the previous fiscal year to ¥605 billion in the fiscal year ended March 31, 2015 due mainly to an increase in personnel expenses, offset in part by a decrease in employee retirement benefit expenses. The increase in personnel expenses was due mainly to an increase in overseas personnel expenses, which partly reflected the depreciation of the yen against other major currencies. The decrease in employee retirement benefit expenses was due mainly to a decrease in interest costs on projected benefit obligation, which primarily reflects past decline in discount rate and a decrease in the amortization of net actuarial loss, which primarily reflects past recoveries of the fair value of plan assets. Additional information regarding pension and other employee benefit plans is included in note 20 to our consolidated financial statements included elsewhere in this annual report.

*General and administrative expenses*

General and administrative expenses increased by ¥43 billion, or 8.8%, from the previous fiscal year to ¥530 billion in the fiscal year ended March 31, 2015. The increase was due mainly to increases in domestic consumption tax, reflecting the rise in the consumption tax rate, IT-related costs and advertising expenses.

*Occupancy expenses*

Occupancy expenses increased by ¥17 billion, or 9.9%, from the previous fiscal year to ¥189 billion in the fiscal year ended March 31, 2015. The increase was due mainly to increases in rent expenses and depreciation expenses of tangible fixed assets.

***Income Tax Expense***

The following table shows the components of income tax expense (benefit) for the fiscal years ended March 31, 2014, 2015 and 2016:

	<b>Fiscal years ended March 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	(in billions of yen)		
<b>Current:</b>			
Domestic .....	¥ 93	¥184	¥163
Foreign .....	43	72	61
Total current tax expense .....	136	256	224
<b>Deferred:</b>			
Domestic .....	95	187	127
Foreign .....	(5)	(5)	(4)
Total deferred tax expense (benefit) .....	90	182	123
Total income tax expense .....	<u>¥226</u>	<u>¥438</u>	<u>¥347</u>

*Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

Income tax expense decreased by ¥91 billion, or 20.8%, from the previous fiscal year to ¥347 billion in the fiscal year ended March 31, 2016, due to a decrease in current tax expense of ¥32 billion and a decrease in deferred tax expense of ¥59 billion. The decrease in current tax expense was due mainly to a decrease in the taxable income of a principal banking subsidiary. The decrease in deferred tax expense was due mainly to decreases in the temporary differences of our principal banking subsidiaries.

We consider the sales of available-for-sale securities to be a qualifying tax-planning strategy that is a possible source of future taxable income to the extent necessary in the future mainly with respect to our principal banking subsidiaries in Japan. The reliance on this tax-planning strategy of our subsidiaries in Japan was at immaterial levels of overall deferred tax assets at both March 31, 2015 and March 31, 2016, while the reliance was reduced from approximately one-fifth to immaterial levels of overall deferred tax assets during the fiscal year ended March 31, 2015.

*Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Income tax expense increased by ¥212 billion from the previous fiscal year to ¥438 billion in the fiscal year ended March 31, 2015, due to an increase in current tax expense of ¥120 billion and an increase in deferred tax expense of ¥92 billion. The increase in current tax expense was due mainly to an increase in the taxable income of a principal banking subsidiary. The increase in deferred tax expense was due mainly to accelerated decreases in the temporary differences of our subsidiaries, offset in part by a benefit caused by tax rate reductions.

We consider the sales of available-for-sale securities to be a qualifying tax-planning strategy that is possible source of future taxable income to the extent necessary in the future mainly with respect to our principal banking subsidiaries in Japan. Our principal banking subsidiaries in Japan reduced the reliance on this tax-planning strategy from approximately one-fifth to immaterial levels of overall deferred tax assets during the fiscal year ended March 31, 2015, due mainly to the aforementioned decreases in the temporary differences of our subsidiaries, while the reliance was reduced from approximately one-third to approximately one-fifth of overall deferred tax assets during the fiscal year ended March 31, 2014.

The following table shows components of deferred tax assets (liabilities) as of March 31, 2014, 2015 and 2016:

	As of March 31,		
	2014	2015	2016
(in billions of yen)			
Deferred tax assets:			
Investments . . . . .	¥ 724	¥ 576	¥ 522
Allowance for loan losses . . . . .	267	225	179
Derivative financial instruments . . . . .	29	9	—
Net operating loss carryforwards . . . . .	449	392	342
Trading securities . . . . .	20	—	—
Other . . . . .	204	198	170
Gross deferred tax assets . . . . .	<u>1,693</u>	<u>1,400</u>	<u>1,213</u>
Valuation allowance . . . . .	(444)	(389)	(340)
Deferred tax assets, net of valuation allowance . . . . .	<u>1,249</u>	<u>1,011</u>	<u>873</u>
Deferred tax liabilities:			
Available-for-sale securities . . . . .	659	910	711
Prepaid pension cost and accrued pension liabilities . . . . .	133	218	175
Derivative financial instruments . . . . .	—	—	57
Trading securities . . . . .	—	39	23
Undistributed earnings of subsidiaries . . . . .	12	28	12
Premises and equipment . . . . .	11	3	1
Other . . . . .	62	49	39
Gross deferred tax liabilities . . . . .	<u>877</u>	<u>1,247</u>	<u>1,018</u>
Net deferred tax assets (liabilities) . . . . .	<u>¥ 372</u>	<u>¥ (236)</u>	<u>¥ (145)</u>

**Net Income (Loss) Attributable to Noncontrolling Interests**

*Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

Net income (loss) attributable to noncontrolling interests decreased by ¥27 billion from the previous fiscal year to ¥0 billion in the fiscal year ended March 31, 2016. The decrease was due mainly to deconsolidation of certain investment funds.

*Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

Net income (loss) attributable to noncontrolling interests increased by ¥25 billion from the previous fiscal year to ¥27 billion in the fiscal year ended March 31, 2015.

**Net Income Attributable to MHFG Shareholders**

*Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥47 billion, or 5.9%, from the previous fiscal year to ¥850 billion in the fiscal year ended March 31, 2016.

*Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥305 billion, or 61.2%, from the previous fiscal year to ¥803 billion in the fiscal year ended March 31, 2015.

## **Business Segments Analysis**

Our operating segments are based on the nature of the products and services provided, the type of customer and our management organization. The business segment information set forth below is derived from the internal management reporting systems used by management to measure the performance of our business segments. We measure the performance of each of our operating segments primarily in terms of “net business profits” in accordance with internal managerial accounting rules and practices. Net business profits is used in Japan as a measure of the profitability of core banking operations 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. Measurement of net business profits is required for regulatory reporting to the Financial Services Agency. Therefore, the format and information are presented primarily on the basis of Japanese GAAP and are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation of total net business profits with income before income tax expense under U.S. GAAP is provided in note 31 to our consolidated financial statements included elsewhere in this annual report.

We engage in banking, trust banking, securities and other businesses through our consolidated subsidiaries and affiliates. As these subsidiaries and affiliates operate in different industries and regulatory environments, we disclose business segment information based on the relevant principal consolidated subsidiaries such as Mizuho Bank (the former Mizuho Bank and the former Mizuho Corporate Bank), Mizuho Trust & Banking and Mizuho Securities for investors to measure the present and future cash flows properly.

The operating segments of Mizuho Bank are aggregated based on the type of customer characteristics into the following seven reportable segments: Personal Banking; Retail Banking; Corporate Banking (Large Corporations); Corporate Banking; Financial Institutions & Public Sector Business; International Banking; and Trading and others. Mizuho Trust & Banking and Mizuho Securities also constitute reportable segments respectively.

For a brief description of our each business segment, see note 31 to our consolidated financial statements included elsewhere in this annual report. Beginning in April 1, 2016, we reorganized the above operating units into five in-house companies and two units.

## Results of Operations by Business Segment

### Consolidated Results of Operations

Consolidated gross profits for the fiscal year ended March 31, 2016 were ¥2,221.6 billion, a decrease of ¥26.1 billion compared to the fiscal year ended March 31, 2015. Consolidated general and administrative expenses for the fiscal year ended March 31, 2016 were ¥1,345.0 billion, an increase of ¥23.8 billion compared to the fiscal year ended March 31, 2015. Consolidated net business profits for the fiscal year ended March 31, 2016 were ¥852.8 billion, a decrease of ¥24.1 billion compared to the fiscal year ended March 31, 2015.

	Mizuho Bank (Consolidated)								Mizuho Trust & Banking (Consolidated)	Mizuho Securities (Consolidated)	Others	Mizuho Financial Group (Consolidated)		
	Mizuho Bank (Non-consolidated)							Others	(i)	(j)	(k)	Total		
	Total	Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	International Banking (f)					Trading and others (g)	(h)
(in billions of yen)														
<b>Fiscal year ended March 31, 2014<sup>(1)(2)</sup></b>														
Gross profits:														
Net interest income	¥ 933.8	¥ 800.1	¥ 164.6	¥ 60.4	¥ 170.7	¥ 77.3	¥ 30.7	¥ 128.9	¥ 167.5	¥ 133.7	¥ 40.2	¥ 2.9	¥ 131.4	¥ 1,108.3
Net noninterest income (expenses)	407.4	398.2	31.6	38.0	135.4	55.8	21.7	139.8	(24.1)	9.2	108.1	283.9	127.6	927.0
Total	1,341.2	1,198.3	196.2	98.4	306.1	133.1	52.4	268.7	143.4	142.9	148.3	286.8	259.0	2,035.3
General and administrative expenses	711.3	659.0	171.3	87.8	83.8	58.8	25.1	82.5	149.7	52.3	90.9	246.2	180.9	1,229.3
Others	(56.1)	—	—	—	—	—	—	—	—	(56.1)	(2.9)	—	(2.7)	(61.7)
Net business profits (losses)	¥ 573.8	¥ 539.3	¥ 24.9	¥ 10.6	¥ 222.3	¥ 74.3	¥ 27.3	¥ 186.2	¥ (6.3)	¥ 34.5	¥ 54.5	¥ 40.6	¥ 75.4	¥ 744.3
(in billions of yen)														
<b>Fiscal year ended March 31, 2015<sup>(1)(3)</sup></b>														
Gross profits:														
Net interest income	¥ 1,087.3	¥ 934.9	¥ 213.4	¥ 77.6	¥ 179.5	¥ 99.6	¥ 33.3	¥ 147.1	¥ 184.4	¥ 152.4	¥ 39.4	¥ 1.8	¥ 0.9	¥ 1,129.4
Net noninterest income	598.4	560.6	48.7	53.7	128.0	79.8	27.4	164.9	58.1	37.8	122.6	335.8	61.5	1,118.3
Total	1,685.7	1,495.5	262.1	131.3	307.5	179.4	60.7	312.0	242.5	190.2	162.0	337.6	62.4	2,247.7
General and administrative expenses	904.7	833.7	233.5	118.4	94.4	76.5	30.3	92.6	188.0	71.0	94.5	268.0	54.0	1,321.2
Others	(43.2)	—	—	—	—	—	—	—	—	(43.2)	(3.7)	—	(2.7)	(49.6)
Net business profits	¥ 737.8	¥ 661.8	¥ 28.6	¥ 12.9	¥ 213.1	¥ 102.9	¥ 30.4	¥ 219.4	¥ 54.5	¥ 76.0	¥ 63.8	¥ 69.6	¥ 5.7	¥ 876.9
(in billions of yen)														
<b>Fiscal year ended March 31, 2016<sup>(1)</sup></b>														
Gross profits:														
Net interest income	¥ 959.4	¥ 830.1	¥ 214.8	¥ 75.7	¥ 173.0	¥ 97.5	¥ 32.5	¥ 175.5	¥ 61.1	¥ 129.3	¥ 36.1	¥ 5.4	¥ 2.8	¥ 1,003.7
Net noninterest income	675.3	633.7	45.0	53.1	143.7	77.5	31.8	185.1	97.5	41.6	130.7	343.8	68.1	1,217.9
Total	1,634.7	1,463.8	259.8	128.8	316.7	175.0	64.3	360.6	158.6	170.9	166.8	349.2	70.9	2,221.6
General and administrative expenses	903.3	833.3	234.4	118.6	91.9	75.2	29.8	122.1	161.3	70.0	99.1	279.3	63.3	1,345.0
Others	(22.1)	—	—	—	—	—	—	—	—	(22.1)	(4.2)	—	2.5	(23.8)
Net business profits (losses)	¥ 709.3	¥ 630.5	¥ 25.4	¥ 10.2	¥ 224.8	¥ 99.8	¥ 34.5	¥ 238.5	¥ (2.7)	¥ 78.8	¥ 63.5	¥ 69.9	¥ 10.1	¥ 852.8

## Notes:

- (1) "Others (h)" and "Others (k)" include the elimination of transactions between consolidated subsidiaries.
- (2) As for the fiscal year ended March 31, 2014, "Mizuho Bank (Non-consolidated)" represents the sum of the performance of the former Mizuho Corporate Bank for the first quarter and the new Mizuho Bank for the second, third and fourth quarters, while "Others (h)" includes the performance of the former Mizuho Bank for the first quarter, in light of the merger of the former Mizuho Bank and the former Mizuho Corporate Bank conducted in July 2013.
- (3) Beginning on April 1, 2015, new allocation methods have been applied to the calculation of "Gross profits" and "General and administrative expenses" for reportable segments of Mizuho Bank. Figures for the fiscal year ended March 31, 2015 have been reclassified under the new allocation methods.

*Mizuho Bank*

On July 1, 2013, the merger between the former Mizuho Bank and the former Mizuho Corporate Bank came into effect with the former Mizuho Corporate Bank as the surviving entity, which was renamed Mizuho Bank upon the merger. For the fiscal year ended March 31, 2015 compared to the fiscal year ended March 31, 2014, the following comparison is based on the results of Mizuho Bank (on a non-consolidated basis) and the simple aggregation of the results of the former Mizuho Bank and the former Mizuho Corporate Bank (each on a non-consolidated basis) with respect to periods prior to the merger.

The former Mizuho Bank and the former Mizuho Corporate Bank								
Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	International Banking (f)	Trading and others (g)	
(in billions of yen)								
<b>Fiscal year ended March 31, 2014<sup>(1)</sup>:</b>								
Gross profits:								
Net interest income . . . . .	¥ 923.8	¥218.0	¥ 80.7	¥173.3	¥102.5	¥35.5	¥128.9	¥184.9
Net noninterest income (expenses) . . . .	460.3	39.8	49.8	140.4	70.1	24.1	139.8	(3.7)
Total . . . . .	1,384.1	257.8	130.5	313.7	172.6	59.6	268.7	181.2
General and administrative expenses . . . . .	791.1	226.4	116.7	87.2	77.7	29.0	82.5	171.6
Others . . . . .	—	—	—	—	—	—	—	—
Net business profits . . . . .	¥ 593.0	¥ 31.4	¥ 13.8	¥226.5	¥ 94.9	¥30.6	¥186.2	¥ 9.6

## Note:

- (1) The former Mizuho Bank and the former Mizuho Corporate Bank merged on July 1, 2013. Figures for the fiscal year ended March 31, 2014 represent the simple aggregation of the performance of the former Mizuho Bank and the former Mizuho Corporate Bank for the first quarter, and the new Mizuho Bank for the second, third and fourth quarters.

*Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015*

Gross profits for the fiscal year ended March 31, 2016 were ¥1,463.8 billion, a decrease of ¥31.7 billion, or 2.1%, compared to the fiscal year ended March 31, 2015. The decrease was attributable mainly to a decrease in income from trading and others due mainly to the appreciation of the yen against the dollar and other major currencies. This decrease was offset in part by increases in gross profits related to our customer groups due to an increase in income mainly in the Americas in international banking and noninterest income from derivative transactions in corporate banking (large corporations).

General and administrative expenses for the fiscal year ended March 31, 2016 decreased by ¥0.4 billion, or 0.0%, compared to the fiscal year ended March 31, 2015 to ¥833.3 billion. The decrease was due mainly to the effects of the appreciation of the yen against the dollar and other major currencies which were generally offset by an increase in strategic expenses related to overseas expansion.



As a result, net business profits for the fiscal year ended March 31, 2016 decreased by ¥31.3 billion, or 4.7%, compared to the fiscal year ended March 31, 2015 to ¥630.5 billion.

*Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014*

Gross profits for the fiscal year ended March 31, 2015 were ¥1,495.5 billion, an increase of ¥111.4 billion, or 8.0%, compared to the fiscal year ended March 31, 2014. The increase was attributable mainly to an increase in gross profits related to our customer groups resulting from an increase in sales of investment trusts in personal banking, an increase in income mainly in the Americas in international banking and an increase in trading and others.

General and administrative expenses for the fiscal year ended March 31, 2015 increased by ¥42.6 billion, or 5.4%, compared to the fiscal year ended March 31, 2014 to ¥833.7 billion. The increase was attributable mainly to the April 2014 consumption tax increase and the depreciation of the yen against the dollar and other major currencies, which increased the yen-equivalent costs related to our overseas operations, offset in part by our group-wide cost reduction efforts, including our cost restructuring measures.

As a result, net business profits for the fiscal year ended March 31, 2015 increased by ¥68.8 billion, or 11.6%, compared to the fiscal year ended March 31, 2014 to ¥661.8 billion.

*Mizuho Trust & Banking*

*Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015*

Gross profits for the fiscal year ended March 31, 2016 were ¥166.8 billion, an increase of ¥4.8 billion, or 3.0%, compared to the fiscal year ended March 31, 2015. The increase was attributable to an increase in noninterest income due mainly to gains on sales of Japanese government bonds.

General and administrative expenses for the fiscal year ended March 31, 2016 increased by ¥4.6 billion, or 4.9%, compared to the fiscal year ended March 31, 2015 to ¥99.1 billion. The increase was attributable mainly to an increase in personnel expenses and tax expenses.

As a result mainly of the foregoing, net business profits for the fiscal year ended March 31, 2016 decreased by ¥0.3 billion, or 0.5%, compared to the fiscal year ended March 31, 2015 to ¥63.5 billion.

*Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014*

Gross profits for the fiscal year ended March 31, 2015 were ¥162.0 billion, an increase of ¥13.7 billion, or 9.2%, compared to the fiscal year ended March 31, 2014. The increase was attributable mainly to an increase in noninterest income related to real estate businesses and pension and asset management reflecting the recovery in market conditions.

General and administrative expenses for the fiscal year ended March 31, 2015 increased by ¥3.6 billion, or 4.0%, compared to the fiscal year ended March 31, 2014 to ¥94.5 billion. The increase reflected income growth and the depreciation of the yen against the dollar and other major currencies, which increased the yen-equivalent costs related to our overseas operations.

As a result mainly of the foregoing, net business profits for the fiscal year ended March 31, 2015 increased by ¥9.3 billion, or 17.1%, compared to the fiscal year ended March 31, 2014 to ¥63.8 billion.

## *Mizuho Securities*

### *Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015*

Gross profits for the fiscal year ended March 31, 2016 were ¥349.2 billion, an increase of ¥11.6 billion, or 3.4%, compared to the fiscal year ended March 31, 2015. The increase was attributable mainly to an increase in trading income and fee and commission income related to underwriting and selling of equity securities and bonds, which reflected our involvement in large business transactions both inside and outside of Japan.

General and administrative expenses for the fiscal year ended March 31, 2016 increased by ¥11.3 billion, or 4.2%, compared to the fiscal year ended March 31, 2015 to ¥279.3 billion. The increase was due mainly to an increase in personnel expenses and information technology systems-related costs.

As a result, net business profits for the fiscal year ended March 31, 2016 increased by ¥0.3 billion, or 0.4%, compared to the fiscal year ended March 31, 2015 to ¥69.9 billion.

### *Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014*

Gross profits for the fiscal year ended March 31, 2015 were ¥337.6 billion, an increase of ¥50.8 billion, or 17.7%, compared to the fiscal year ended March 31, 2014. The increase was attributable mainly to an increase in trading income and fee and commission income related to underwriting and selling of bonds.

General and administrative expenses for the fiscal year ended March 31, 2015 increased by ¥21.8 billion, or 8.9%, compared to the fiscal year ended March 31, 2014 to ¥268.0 billion. The increase was due mainly to an increase in personnel expenses reflecting the favorable operating results and the depreciation of the yen against the dollar and other major currencies, which increased the yen-equivalent costs related to our overseas operations.

As a result, net business profits for the fiscal year ended March 31, 2015 increased by ¥29.0 billion, or 71.4%, compared to the fiscal year ended March 31, 2014 to ¥69.6 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.

	Americas				Asia/Oceania excluding Japan, and others	Total
	Japan	United States	Others	Europe		
	(in billions of yen)					
<b>Fiscal year ended March 31, 2014:</b>						
Total revenue <sup>(1)</sup> . . . . .	¥ 1,783	¥ 274	¥ 76	¥ 153	¥ 219	¥ 2,505
Total expenses <sup>(2)</sup> . . . . .	1,397	129	16	96	141	1,779
Income before income tax expense . . . . .	386	145	60	57	78	726
Net income . . . . .	¥ 198	¥ 130	¥ 60	¥ 54	¥ 58	¥ 500
Total assets at end of fiscal year . . . . .	¥124,558	¥24,015	¥3,513	¥10,784	¥12,829	¥175,699
<b>Fiscal year ended March 31, 2015:</b>						
Total revenue <sup>(1)</sup> . . . . .	¥ 2,397	¥ 324	¥ 102	¥ 212	¥ 224	¥ 3,259
Total expenses <sup>(2)</sup> . . . . .	1,460	211	24	134	162	1,991
Income before income tax expense . . . . .	937	113	78	78	62	1,268
Net income . . . . .	¥ 566	¥ 80	¥ 76	¥ 74	¥ 34	¥ 830
Total assets at end of fiscal year . . . . .	¥127,473	¥31,075	¥4,871	¥10,881	¥15,820	¥190,120
<b>Fiscal year ended March 31, 2016:</b>						
Total revenue <sup>(1)</sup> . . . . .	¥ 2,288	¥ 434	¥ 46	¥ 188	¥ 428	¥ 3,384
Total expenses <sup>(2)</sup> . . . . .	1,534	282	29	126	216	2,187
Income before income tax expense . . . . .	754	152	17	62	212	1,197
Net income . . . . .	¥ 465	¥ 137	¥ 15	¥ 51	¥ 182	¥ 850
Total assets at end of fiscal year . . . . .	¥133,162	¥28,985	¥4,228	¥11,617	¥15,824	¥193,816

Notes:

- (1) Total revenue includes interest and dividend income and noninterest income.
- (2) Total expenses include interest expense, provision (credit) for loan losses and noninterest expenses.

### *Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015*

In the fiscal year ended March 31, 2016, 54.7% of our net income was derived from Japan, 16.1% from the United States, 1.8% from the Americas excluding the United States, 6.0% from Europe and 21.4% from Asia/Oceania excluding Japan, and others. At March 31, 2016, 68.7% of total assets were allocated to Japan, 14.9% to the United States, 2.2% to the Americas excluding the United States, 6.0% to Europe and 8.2% to Asia/Oceania excluding Japan, and others.

In Japan, total revenue decreased by ¥109 billion from the previous fiscal year due primarily to a decrease in trading account gains—net, and to a decrease in interest and dividend income. The decrease in trading account gains—net was due mainly to a decrease in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected, reflecting a decrease in the balance of foreign

currency-denominated bonds due to sales and redemptions and the effect of a lower decline in long-term interest rates than in the previous fiscal year, offset in part by an increase in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risks, that are not eligible for hedge accounting under U.S. GAAP. The decrease in interest and dividend income was due mainly to a decrease in interest income from domestic loans and investments, which in turn was due mainly to a decrease in the average balance as well as a decrease in the average yield. Total expenses increased by ¥74 billion from the previous fiscal year due mainly to a decrease in credit for loan losses. In addition, income tax expense decreased by ¥82 billion from the previous fiscal year to ¥289 billion in the fiscal year ended March 31, 2016. As a result, net income in Japan decreased by ¥101 billion. Total assets in Japan increased by ¥5,689 billion due primarily to an increase in interest-bearing deposits in other banks, offset in part by a decrease in investment securities.

In the United States, total revenue increased by ¥110 billion due primarily to increases in interest and dividend income and fee and commission. The increase in interest and dividend income was due mainly to an increase in interest income from loans, which in turn was due mainly to an increase in the average balance. The increase in fee and commission was due mainly to an increase in fees related to loan related business. Total expenses increased by ¥71 billion due mainly to increases in provision for loan losses, interest expense on payables under repurchase agreements and securities lending transactions and salaries and employee benefits. As a result, net income in the United States increased by ¥57 billion. Total assets in the United States decreased by ¥2,090 billion due primarily to a decrease in trading account assets.

In the Americas excluding the United States, total revenue decreased by ¥56 billion due primarily to a decrease in trading account gains—net. Total expenses increased by ¥5 billion due mainly to an increase in impairment of goodwill. As a result, net income in the Americas excluding the United States decreased by ¥61 billion. Total assets in the Americas excluding the United States decreased by ¥643 billion due primarily to a decrease in other assets.

In Europe, total revenue decreased by ¥24 billion due primarily to decreases in investment gains—net and interest income from trading account assets, offset in part by increases in fee and commission and interest income from loans. Total expenses decreased by ¥8 billion due mainly to a decrease in other noninterest expenses. As a result, net income in Europe decreased by ¥23 billion. Total assets in Europe increased by ¥736 billion due primarily to an increase in loans, offset in part by a decrease in interest-bearing deposits in other banks.

In Asia/Oceania excluding Japan, and others, total revenue increased by ¥204 billion due primarily to an increase in other noninterest income including foreign exchange gains (losses)—net. Total expenses increased by ¥54 billion due mainly to increases in interest expense on interest-bearing deposits, and salaries and employee benefits. As a result, net income in Asia/Oceania excluding Japan, and others increased by ¥148 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥4 billion due primarily to increases in trading account assets and investment securities, offset in part by a decrease in loans.

#### *Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014*

In the fiscal year ended March 31, 2015, 68.2% of our net income was derived from Japan, 9.6% from the United States, 9.2% from the Americas excluding the United States, 8.9% from Europe and 4.1% from Asia/Oceania excluding Japan, and others. At March 31, 2015, 67.1% of total assets were allocated to Japan, 16.3% to the United States, 2.6% to the Americas excluding the United States, 5.7% to Europe and 8.3% to Asia/Oceania excluding Japan, and others.

In Japan, total revenue increased by ¥614 billion from the previous fiscal year due primarily to the change from trading account losses—net in the previous fiscal year to trading account gains—net in the fiscal year ended March 31, 2015, offset in part by a decrease in interest and dividend income. The change in trading account gains (losses)—net was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected, reflecting a decline in long-term interest rates,

and an increase in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risks, that are not eligible for hedge accounting under U.S. GAAP. The decrease in interest and dividend income was due mainly to a decrease in interest income from domestic loans and investments, which in turn was due mainly to a decrease in the average yields, reflecting a decline in interest rate levels of yen. Total expenses increased by ¥63 billion from the previous fiscal year due to an increase in general and administrative expenses and a decrease in credit for loan losses. The increase in general and administrative expenses was due mainly to increases in domestic consumption tax, reflecting the rise in the consumption tax rate, as well as increases in IT-related costs and advertising expenses. Credit for loan losses decreased due primarily to an increase in allowance for loan losses on impaired loans related to certain domestic borrowers, although we continued to record a credit for loan losses and recorded a decrease in allowance for loan losses on non-impaired loans as a result of upgrades in the obligor categories of a broad range of borrowers, reflecting the continuing gradual recovery of the Japanese economy. In addition, income tax expense increased by ¥183 billion from the previous fiscal year to ¥371 billion in the fiscal year ended March 31, 2015. As a result, net income in Japan increased by ¥368 billion. Total assets in Japan increased by ¥2,915 billion due primarily to an increase in interest-bearing deposits in other banks, offset in part by a decrease in investment securities.

In the United States, total revenue increased by ¥50 billion due primarily to increases in interest and dividend income, and fee and commission. The increase in interest and dividend income was due mainly to an increase in interest income from loans, which in turn was due mainly to an increase in the average balance. The increase in fee and commission was due mainly to an increase in fees related to loan related business which was due to our increased involvement in large transactions. Total expenses increased by ¥82 billion due mainly to increases in provision for loan losses and salaries and employee benefits. As a result, net income in the United States decreased by ¥50 billion. Total assets in the United States increased by ¥7,060 billion due primarily to an increase in loans.

In the Americas excluding the United States, total revenue increased by ¥26 billion due primarily to an increase in trading account gains (losses)—net. Total expenses increased by ¥8 billion due mainly to an increase in noninterest expenses. As a result, net income in the Americas excluding the United States increased by ¥16 billion. Total assets in the Americas excluding the United States increased by ¥1,358 billion due primarily to an increase in trading account assets.

In Europe, total revenue increased by ¥59 billion due primarily to increases in investment gains (losses)—net and trading account gains (losses)—net, offset in part by a decrease in interest income from loans. Total expenses increased by ¥38 billion due mainly to increases in provision for loan losses and other noninterest expenses. As a result, net income in Europe increased by ¥20 billion. Total assets in Europe increased by ¥97 billion due primarily to an increase in loans, offset in part by a decrease in trading account assets.

In Asia/Oceania excluding Japan, and others, total revenue increased by ¥5 billion due primarily to an increase in interest income from loans, offset in part by a decrease in other noninterest income. Total expenses increased by ¥21 billion due mainly to increases in interest expense on interest-bearing deposits, and salaries and employee benefits. As a result, net income in Asia/Oceania excluding Japan, and others decreased by ¥24 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥2,991 billion due primarily to an increase in loans.

## Financial Condition

### Assets

Our assets as of March 31, 2015 and 2016 were as follows:

	As of March 31,		Increase (decrease)
	2015	2016	
	(in billions of yen)		
Cash and due from banks . . . . .	¥ 1,528	¥ 1,323	¥ (205)
Interest-bearing deposits in other banks . . . . .	27,853	35,327	7,474
Call loans and funds sold . . . . .	444	894	450
Receivables under resale agreements . . . . .	8,582	7,806	(776)
Receivables under securities borrowing transactions . . . . .	4,059	3,407	(652)
Trading account assets . . . . .	29,416	30,021	605
Investments . . . . .	33,416	30,885	(2,531)
Loans . . . . .	78,048	77,555	(493)
Allowance for loan losses . . . . .	(520)	(451)	69
Loans, net of allowance . . . . .	77,528	77,104	(424)
Premises and equipment—net . . . . .	1,632	1,838	206
Due from customers on acceptances . . . . .	139	110	(29)
Accrued income . . . . .	280	274	(6)
Goodwill . . . . .	12	19	7
Intangible assets . . . . .	54	49	(5)
Deferred tax assets . . . . .	58	57	(1)
Other assets . . . . .	5,119	4,702	(417)
Total assets . . . . .	<u>¥190,120</u>	<u>¥193,816</u>	<u>¥ 3,696</u>

Total assets increased by ¥3,696 billion from March 31, 2015 to ¥193,816 billion as of March 31, 2016. This increase was due mainly to an increase of ¥7,474 billion in interest-bearing deposits in other banks, offset in part by a decrease of ¥2,531 billion in investments.

## Loans

### Loans outstanding

The following table shows our loans outstanding as of March 31, 2015 and 2016:

	As of March 31,				Increase	
	2015	2016			(decrease)	
(in billions of yen, except percentages)						
<b>Domestic:</b>						
Manufacturing	¥ 8,224	10.5%	¥ 8,345	10.7%	¥ 121	0.2%
Construction and real estate	7,354	9.4	7,734	9.9	380	0.5
Services	4,273	5.5	4,656	6.0	383	0.5
Wholesale and retail	5,587	7.1	5,409	7.0	(178)	(0.1)
Transportation and communications	3,157	4.1	3,268	4.2	111	0.1
Banks and other financial institutions	3,853	4.9	3,632	4.7	(221)	(0.2)
Government and public institutions	4,612	5.9	3,395	4.4	(1,217)	(1.5)
Other industries <sup>(1)</sup>	5,080	6.5	4,619	5.9	(461)	(0.6)
Individuals	11,870	15.2	11,514	14.8	(356)	(0.4)
Mortgage loans	11,022	14.1	10,590	13.6	(432)	(0.5)
Other	848	1.1	924	1.2	76	0.1
Total domestic	54,010	69.1	52,572	67.6	(1,438)	(1.5)
<b>Foreign:</b>						
Commercial and industrial	16,688	21.3	17,320	22.3	632	1.0
Banks and other financial institutions	6,077	7.8	6,382	8.2	305	0.4
Government and public institutions	1,011	1.3	1,175	1.5	164	0.2
Other <sup>(1)</sup>	426	0.5	274	0.4	(152)	(0.1)
Total foreign	24,202	30.9	25,151	32.4	949	1.5
Subtotal	78,212	100.0%	77,723	100.0%	(489)	—
Less: Unearned income and deferred loan fees—net	(164)		(168)		(4)	
Total loans before allowance for loan losses	¥78,048		¥77,555		¥ (493)	

#### Note:

- (1) “Other industries” within domestic and “other” within foreign include trade receivables and lease receivables of consolidated variable interest entities.

Total loans before allowance for loan losses decreased by ¥493 billion from March 31, 2015 to ¥77,555 billion as of March 31, 2016. Loans to domestic borrowers decreased by ¥1,438 billion to ¥52,572 billion due mainly to a decrease in loans to government and public institutions.

Loans to foreign borrowers increased by ¥949 billion from March 31, 2015 to ¥25,151 billion as of March 31, 2016. The increase in loans to foreign borrowers was due mainly to an increase in loans to commercial and industrial, mainly in Western Europe.

Within our loan portfolio, the proportion of loans to domestic borrowers against gross total loans decreased from 69.1% to 67.6% while that of loans to foreign borrowers against gross total loans increased from 30.9% to 32.4%, and loans to foreign borrowers were regionally diversified.

## Impaired Loans

### General

In accordance with our group's credit risk management policies, we use an internal rating system that consists of credit ratings and pool allocations as the basis of our risk management infrastructure. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the ultimate possibility of incurring losses on individual loans by taking into consideration various factors such as collateral or guarantees involved. In principle, obligor ratings are applied to all obligors except those to which pool allocations are applied, and are subject to regular review at least once a year as well as special review which is required whenever the obligor's credit standing changes. Pool allocations are applied to groups of small balance, homogeneous loans. We pool loans with similar risk characteristics, and the risk is assessed and managed according to such pools. We generally review the appropriateness and effectiveness of the approach to obligor ratings and pool allocations once a year in accordance with predetermined policies and procedures. The table below presents our definition of obligor ratings used by Mizuho Bank and Mizuho Trust & Banking:

<u>Obligor category</u>	<u>Obligor rating</u>	<u>Definition</u>
Normal	A	Obligors whose certainty of debt fulfillment is very high, hence their level of credit risk is very low.
	B	Obligors whose certainty of debt fulfillment poses no problems for the foreseeable future, and their level of credit risk is low.
	C	Obligors whose certainty of debt fulfillment and their level of credit risk pose no problems for the foreseeable future.
	D	Obligors whose current certainty of debt fulfillment poses no problems, however, their resistance to future economic environmental changes is low.
Watch <sup>(1)</sup>	E1	Obligors that require observation going forward because of either minor concerns regarding their financial position, or their somewhat weak or unstable business conditions.
	E2	Obligors that require special observation going forward because of problems with their borrowings such as reduced or suspended interest payments, problems with debt fulfillment such as failure to make principal or interest payments, or problems with their financial position as a result of their weak or unstable business condition.
Intensive control	F	Obligors that are not yet bankrupt but are in financial difficulties and are deemed likely to become bankrupt in the future because of insufficient progress in implementing their management improvement plans or other measures (including obligors that are receiving ongoing support from financial institutions).
Substantially bankrupt	G	Obligors that have not yet become legally or formally bankrupt but are substantially insolvent because they are in serious financial difficulties and are deemed to be incapable of being restructured.
Bankrupt	H	Obligors that have become legally or formally bankrupt.

Note:

- (1) Special attention obligors are watch obligors with debt in troubled debt restructuring or 90 days or more delinquent debt, and we consider all such loans impaired.

We consider 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 loans. We classify loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans, and all of our impaired loans are designated as nonaccrual loans. We do not have any loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as impaired 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.



Our credit management activities consist of activities such as efforts to provide management consultation to support borrowers' business initiatives, to increase the quantity and enhance the quality of loan collateral, and to adjust loan balances to an appropriate level, when the borrower's credit quality is showing a decline. These activities can lead to improvements in obligor classifications through improvements in the business and financial condition of borrowers and, as a result, a reduction in allowance for loan losses.

We endeavor to remove impaired loans from our balance sheet within three years from the time when they are categorized through methods such as collection, charge-offs, disposal and improving the borrowers' credit rating through restructuring efforts.

#### *Loan modifications*

Restructuring efforts are made through our various business revitalization support measures conducted based on requests from borrowers that are in a weakened state that require some form of support. When confronted with the decision of whether to agree to business revitalization support, which includes forgiveness of debt (including debt to equity swaps), reductions in stated interest rates to below market levels and postponement of payment of principal and/or interest (other than insignificant extensions), we carefully consider whether it is beneficial to our shareholders and depositors based on various factors such as whether (i) a legal reorganization process would significantly damage the obligor's business value so that there is a fear that the obligor will not be able to restructure its business, (ii) the restructuring plan is appropriate and is economically rational from the viewpoint of minimizing Mizuho's losses compared to other processes, (iii) both the management and shareholders of the obligor will clearly bear responsibility, and (iv) the allocation of losses among creditors is rational and highly justifiable. The triggers and factors that we review to identify restructured loans are modifications imposed by law or a court of law and alterations based on agreement with the borrower such as the reduction of the stated interest rate and forgiveness of debt (including debt to equity swaps), and we consider restructured loans, with respect to which concessions that it would not otherwise consider were granted to obligors in financial difficulty, as "troubled debt restructuring." We consider the relevant obligor to be in financial difficulty when its rating based on our internal rating system is E2 or below. The types of concessions that we would not otherwise consider include the various forms of business revitalization support described above. In general, troubled debt restructurings will return to non-impaired loans, as well as accrual status, when we determine that the borrower poses no problems regarding current certainty of debt fulfillment, i.e., the borrower qualifies for a rating of D or above based on our internal rating system. Based on our historical experience, it typically takes approximately 1.5 years for the troubled debt restructuring loans in nonaccrual status to be returned to accrual status.

We determine whether restructured loans other than troubled debt restructurings are impaired loans based on the application of our internal rating system as we do generally with respect to all obligors. We determine whether restructured loans are past due or current by comparing the obligors' payments with the modified contract terms. The effect of the restructuring on the obligors is considered in developing the allowance based on the restructuring's effect on the estimation of future cash flows of such loans. At March 31, 2016, the balance of restructurings that are troubled debt restructurings was ¥532 billion, and the balance of restructurings that are not troubled debt restructurings was ¥83 billion. Also, the amount of charge-offs recorded as a result of troubled debt restructurings that were made during the fiscal year ended March 31, 2016 was ¥34 billion.

While we maintain basic guidelines covering restructured loans, we do not have any standardized modification programs. Instead, we apply various modifications as is appropriate for the specific circumstances of the obligor in question. We do not have a policy that specifically limits the number of modifications that can be performed for a specific loan.

### Balance of impaired loans

The following table shows our impaired loans as of March 31, 2015 and 2016 based on classifications by domicile and industry segment:

	As of March 31,				Increase (decrease)	
	2015		2016		Impaired loans	Ratio to gross total loans by industry
	Impaired loans	Ratio to gross total loans by industry	Impaired loans	Ratio to gross total loans by industry	Impaired loans	Ratio to gross total loans by industry
(in billions of yen, except percentages)						
Domestic:						
Manufacturing . . . . .	¥ 480	5.8%	¥374	4.5%	¥(106)	(1.3)%
Construction and real estate . . . . .	101	1.4	77	1.0	(24)	(0.4)
Services . . . . .	71	1.7	66	1.4	(5)	(0.3)
Wholesale and retail . . . . .	150	2.7	147	2.7	(3)	0.0
Transportation and communications . . . . .	36	1.1	29	0.9	(7)	(0.2)
Banks and other financial institutions . . . . .	5	0.1	3	0.1	(2)	0.0
Other industries . . . . .	1	0.0	4	0.0	3	0.0
Individuals . . . . .	143	1.2	123	1.1	(20)	(0.1)
Total domestic . . . . .	987	1.8	823	1.6	(164)	(0.2)
Foreign . . . . .	188	0.8	167	0.7	(21)	(0.1)
Total impaired loans . . . . .	¥1,175	1.5	¥990	1.3	¥(185)	(0.2)

Impaired loans decreased by ¥185 billion, or 15.7%, from March 31, 2015 to ¥990 billion as of March 31, 2016. Impaired loans to domestic borrowers decreased by ¥164 billion due primarily to a decrease in manufacturing as a result of the restructuring of certain domestic borrowers. Impaired loans to foreign borrowers decreased by ¥21 billion due primarily to upgrades related to some borrowers and the strengthening of the yen against other major currencies, with the effect of the appreciation of the yen against other currencies contributing to approximately one-third of the ¥21 billion decrease.

Reflecting the aforementioned change, the percentage of impaired loans within gross total loans decreased from 1.5% as of March 31, 2015 to 1.3% as of March 31, 2016 due to a decrease in impaired loans. The percentage of impaired loans net of allowance to gross total loans net of allowance decreased from 0.84% as of March 31, 2015 to 0.70% as of March 31, 2016 due to a decrease in impaired loans net of allowance.

### 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, homogeneous 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 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, 2015 and 2016:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2015</u>	<u>2016</u>	
	(in billions of yen, except percentages)		
Allowance for loan losses on impaired loans <sup>(1)</sup> (A) . . . . .	¥ 352	¥ 289	¥ (63)
Allowance for loan losses on non-impaired loans (B) . . . . .	168	162	(6)
Total allowance for loan losses (C) . . . . .	520	451	(69)
Impaired loans requiring an allowance for loan losses (D) . . . . .	1,025	861	(164)
Impaired loans not requiring an allowance for loan losses (E) . . . . .	150	129	(21)
Non-impaired loans <sup>(2)</sup> (F) . . . . .	<u>77,037</u>	<u>76,733</u>	<u>(304)</u>
Gross total loans (G) . . . . .	<u>¥78,212</u>	<u>¥77,723</u>	<u>¥ (489)</u>
Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D)x100 . . . . .	34.37%	33.59%	(0.78)%
Percentage of allowance for loan losses on non-impaired loans against the balance of non-impaired loans (B)/(F)x100 . . . . .	0.22	0.21	(0.01)
Percentage of total allowance for loan losses against gross total loans (C)/(G)x100 . . . . .	0.67	0.58	(0.09)

Notes:

- (1) The allowance for loan losses on impaired loans includes the allowance for groups of small balance, homogeneous loans totaling ¥388 billion and ¥348 billion as of March 31, 2015 and 2016 which were collectively evaluated for impairment, in addition to the allowance for those loans that were individually evaluated for impairment.
- (2) Non-impaired loans refer to loans categorized as “normal obligors” and “watch obligors (excluding special attention obligors)” under our internal rating system.

Allowance for loan losses decreased by ¥69 billion from March 31, 2015 to ¥451 billion as of March 31, 2016. This decrease was due mainly to a decrease of ¥63 billion in allowance for loan losses on impaired loans. The allowance for loan losses on impaired loans decreased due mainly to the restructuring of certain domestic borrowers and upgrades related to some borrowers. As a result, the percentage of total allowance for loan losses against gross total loans decreased by 0.09% to 0.58%, and the percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance decreased by 0.78% to 33.59%.

The primary factors behind the gap between the 13.3% decrease in allowance for loan losses and the 0.6% decrease in the balance of gross total loans in the fiscal year ended March 31, 2016 compared to the previous fiscal year consisted mainly of the decrease in allowance for loan losses on impaired loans due to the restructuring of certain domestic borrowers and general improvements in our loan portfolio.

In the fiscal year ended March 31, 2016, impaired loans decreased by 15.8% due mainly to a decrease in domestic impaired loans. Allowance for loan losses on impaired loans decreased by 17.9%.

The coverage ratio for impaired loans increased by 1.3% as of March 31, 2016 compared to the previous fiscal year. The increase was due to how the percentage decrease in impaired loans was greater than the percentage decrease in allowance for loan losses.

*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, 2015 and 2016:

	Fiscal years ended March 31,		Increase (decrease)
	2015	2016	
	(in billions of yen)		
Allowance for loan losses at beginning of fiscal year	¥626	¥ 520	¥(106)
Provision (credit) for loan losses	(60)	35	95
Charge-offs:			
Domestic:			
Manufacturing	(8)	(37)	(29)
Construction and real estate	(3)	(2)	1
Services	(2)	(4)	(2)
Wholesale and retail	(15)	(14)	1
Transportation and communications	(1)	(5)	(4)
Individuals	(10)	(8)	2
Total domestic charge-offs	(39)	(70)	(31)
Foreign	(40)	(42)	(2)
Total charge-offs	(79)	(112)	(33)
Recoveries:			
Domestic:			
Manufacturing	2	2	—
Construction and real estate	4	1	(3)
Services	2	2	—
Wholesale and retail	3	8	5
Transportation and communications	1	1	—
Other industries	1	—	(1)
Individuals	3	2	(1)
Total domestic recoveries	16	16	—
Foreign	7	5	(2)
Total recoveries	23	21	(2)
Net charge-offs	(56)	(91)	(35)
Others <sup>(1)</sup>	10	(13)	(23)
Balance at end of fiscal year	¥520	¥ 451	¥ (69)

Note:

(1) “Others” includes primarily foreign exchange translation.

We recorded a provision for loan losses of ¥35 billion in the fiscal year ended March 31, 2016 compared to a credit for loan losses of ¥60 billion in the fiscal year ended March 31, 2015. We recorded a modest level of provision for loan losses in the fiscal year ended March 31, 2016, reflecting how the Japanese economy was in a “leveling off” phase as described in “—Overview—Operating Environment,” whereas we recorded a credit for loan losses in the fiscal year ended March 31, 2015, reflecting how the Japanese economy was in a “gradual recovery” phase.

Charge-offs increased by ¥33 billion from the previous fiscal year to ¥112 billion for the fiscal year ended March 31, 2016. The increase was due to an increase in charge-offs of domestic loans mainly in connection with the restructuring of certain domestic borrowers.

Recoveries decreased by ¥2 billion from the previous fiscal year to ¥21 billion in the fiscal year ended March 31, 2016, reflecting a decrease in recoveries with respect to foreign loans.

### Investments

The majority of our investments are available-for-sale and held-to-maturity securities, which at March 31, 2015 and 2016 were as follows:

	As of March 31,								
	2015			2016			Increase (decrease)		
	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)
	(in billions of yen)								
<b>Available-for-sale securities:</b>									
Debt securities	¥22,601	¥22,674	¥ 73	¥21,516	¥21,672	¥ 156	¥(1,085)	¥(1,002)	¥ 83
Japanese government bonds	17,391	17,414	23	15,672	15,763	91	(1,719)	(1,651)	68
Other than Japanese government bonds	5,210	5,260	50	5,844	5,909	65	634	649	15
Equity securities (marketable)	1,698	4,397	2,699	1,664	3,781	2,117	(34)	(616)	(582)
Total	<u>¥24,299</u>	<u>¥27,071</u>	<u>¥2,772</u>	<u>¥23,180</u>	<u>¥25,453</u>	<u>¥2,273</u>	<u>¥(1,119)</u>	<u>¥(1,618)</u>	<u>¥(499)</u>
<b>Held-to-maturity securities:</b>									
Debt securities:									
Japanese government bonds	4,360	4,389	29	3,760	3,817	57	(600)	(572)	28
Agency mortgage-backed securities	1,287	1,289	2	1,059	1,056	(3)	(228)	(233)	(5)
Total	<u>¥ 5,647</u>	<u>¥ 5,678</u>	<u>¥ 31</u>	<u>¥ 4,819</u>	<u>¥ 4,873</u>	<u>¥ 54</u>	<u>¥ (828)</u>	<u>¥ (805)</u>	<u>¥ 23</u>

Available-for-sale securities decreased by ¥1,618 billion from March 31, 2015 to ¥25,453 billion at March 31, 2016. This decrease was due primarily to a decrease in Japanese government bonds due to the sales and redemptions as a result of our risk management activities related to our bond portfolio. Held-to-maturity securities decreased by ¥828 billion from March 31, 2015 to ¥4,819 billion at March 31, 2016. See note 3 to our consolidated financial statements included elsewhere in this annual report for details of other investments included within investments.

The amount of our funding through deposits 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 investments in equity securities consisting mainly of common stock of Japanese listed company customers. We will continue our efforts to dispose of cross-shareholdings in order to decrease the potential impact on our financial position due to fluctuations in stock prices, and to be able to fully perform financial intermediary functions even under periods of stress.

Fluctuations in long-term interest rates lead to changes in the fair value of our portfolio of debt securities, a vast majority of which consists of Japanese government bonds. As of March 31, 2016, we had a total of ¥21,672 billion of available-for-sale debt securities within our investments, of which ¥15,763 billion was Japanese government bonds. We had ¥22,674 billion and ¥21,672 billion of available-for-sale debt securities as of March 31, 2015 and 2016, respectively, and net unrealized gains of ¥73 billion and ¥156 billion were reflected in accumulated other comprehensive income, net of tax as of such dates, respectively. As the negative interest rate policy of the Bank of Japan started in February 2016 and the fluctuation in interest rates caused may have a substantial impact on the value of our Japanese government bond portfolio, in order to prepare for the risk of sudden and significant future interest rate change, we continue to manage our Japanese government bond portfolio conservatively by managing the average remaining period of our portfolio and strengthening risk management including through the use of internal stress tests. Average remaining period of our Japanese government bond portfolio as of March 31, 2016 was approximately 2.5 years.

Risk management related to our securities portfolio continues to be a key focus in light of the increase in instability and uncertainty in the global economy in recent years.

#### *Cash and Due from Banks*

Cash and due from banks decreased by ¥205 billion from March 31, 2015 to ¥1,323 billion at March 31, 2016. The decrease was due to net cash used in investing activities of ¥5,978 billion offset in part by net cash provided by financing activities of ¥5,559 billion and net cash provided by operating activities of ¥242 billion.

#### *Liabilities*

The following table shows our liabilities as of March 31, 2015 and 2016:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2015</u>	<u>2016</u>	
	(in billions of yen)		
Deposits . . . . .	¥114,206	¥117,937	¥ 3,731
Due to trust accounts . . . . .	1,241	4,467	3,226
Call money and funds purchased . . . . .	5,091	2,521	(2,570)
Payables under repurchase agreements . . . . .	19,612	16,833	(2,779)
Payables under securities lending transactions . . . . .	2,462	2,845	383
Other short-term borrowings . . . . .	1,583	2,080	497
Trading account liabilities . . . . .	16,472	17,111	639
Bank acceptances outstanding . . . . .	139	110	(29)
Income taxes payable . . . . .	159	97	(62)
Deferred tax liabilities . . . . .	294	202	(92)
Accrued expenses . . . . .	154	182	28
Long-term debt . . . . .	14,582	14,771	189
Other liabilities . . . . .	5,935	6,477	542
Total liabilities . . . . .	<u>¥181,930</u>	<u>¥185,633</u>	<u>¥ 3,703</u>

Total liabilities increased by ¥3,703 billion from March 31, 2015 to ¥185,633 billion at March 31, 2016. This increase was due primarily to an increase of ¥3,731 billion in deposits, offset in part by a decrease of ¥1,243 billion in short-term borrowings. We analyze short-term borrowings, consisting of due to trust accounts, call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions and other short-term borrowings, on a combined basis.

#### *Deposits*

The following table shows a breakdown of our deposits as of March 31, 2015 and 2016:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2015</u>	<u>2016</u>	
	(in billions of yen)		
Domestic:			
Noninterest-bearing deposits . . . . .	¥ 13,576	¥ 16,108	¥2,532
Interest-bearing deposits . . . . .	78,188	79,596	1,408
Total domestic deposits . . . . .	<u>91,764</u>	<u>95,704</u>	<u>3,940</u>
Foreign:			
Noninterest-bearing deposits . . . . .	1,358	1,601	243
Interest-bearing deposits . . . . .	21,084	20,632	(452)
Total foreign deposits . . . . .	<u>22,442</u>	<u>22,233</u>	<u>(209)</u>
Total deposits . . . . .	<u>¥114,206</u>	<u>¥117,937</u>	<u>¥3,731</u>

Deposits increased by ¥3,731 billion from March 31, 2015 to ¥117,937 billion at March 31, 2016. Domestic deposits increased by ¥3,940 billion from March 31, 2015 to ¥95,704 billion at March 31, 2016. Domestic interest-bearing deposits increased by ¥1,408 billion from March 31, 2015 to ¥79,596 billion at March 31, 2016 due mainly to an increase in ordinary deposits, offset in part by decreases in certificates of deposits and time deposits, and noninterest-bearing deposits increased by ¥2,532 billion to ¥16,108 billion at March 31, 2016 due mainly to increases in non-interest-bearing ordinary deposits and current accounts. Foreign deposits decreased by ¥209 billion from March 31, 2015 to ¥22,233 billion due mainly to a decrease in certificates of deposits, offset in part by increases in time deposits and current accounts.

### Short-term Borrowings

The following table shows a breakdown of our short-term borrowings as of March 31, 2015 and 2016:

	As of March 31,								
	2015			2016			Increase (decrease)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
	(in billions of yen)								
Due to trust accounts . . . . .	¥ 1,241	¥ —	¥ 1,241	¥ 4,467	¥ —	¥ 4,467	¥ 3,226	¥ —	¥ 3,226
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . . . .	8,857	18,308	27,165	7,182	15,017	22,199	(1,675)	(3,291)	(4,966)
Other short-term borrowings . . . . .	1,279	304	1,583	981	1,099	2,080	(298)	795	497
Total short-term borrowings . . . . .	<u>¥11,377</u>	<u>¥18,612</u>	<u>¥29,989</u>	<u>¥12,630</u>	<u>¥16,116</u>	<u>¥28,746</u>	<u>¥ 1,253</u>	<u>¥(2,496)</u>	<u>¥(1,243)</u>

Short-term borrowings decreased by ¥1,243 billion from March 31, 2015 to ¥28,746 billion at March 31, 2016. Domestic short-term borrowings increased by ¥1,253 billion due mainly to an increase in due to trust accounts, offset in part by a decrease in call money and funds purchased. Foreign short-term borrowings decreased by ¥2,496 billion due mainly to a decrease in payables under repurchase agreements.

### Equity

The following table shows a breakdown of equity as of March 31, 2015 and 2016:

	As of March 31,		Increase (decrease)
	2015	2016	
	(in billions of yen)		
MHFG shareholders' equity:			
Preferred stock . . . . .	¥ 213	¥ 99	¥(114)
Common stock . . . . .	5,590	5,703	113
Retained earnings . . . . .	90	747	657
Accumulated other comprehensive income, net of tax . . . . .	2,041	1,469	(572)
Treasury stock, at cost . . . . .	(4)	(4)	—
Total MHFG shareholders' equity . . . . .	<u>7,930</u>	<u>8,014</u>	<u>84</u>
Noncontrolling interests . . . . .	260	169	(91)
Total equity . . . . .	<u>¥8,190</u>	<u>¥8,183</u>	<u>¥ (7)</u>

Equity decreased by ¥7 billion from March 31, 2015 to ¥8,183 billion due mainly to decreases in accumulated other comprehensive income, net of tax and noncontrolling interests, offset in part by an increase in retained earnings.

Preferred stock decreased by ¥114 billion from March 31, 2015 to ¥99 billion at March 31, 2016 as a result of the conversion of preferred stock to common stock.



Common stock increased by ¥113 billion from March 31, 2015 to ¥5,703 billion at March 31, 2016 primarily as a result of the issuance of new shares of common stock related to the conversion of preferred stock to common stock.

Retained earnings increased by ¥657 billion from March 31, 2015 to ¥747 billion at March 31, 2016. This increase was due to net income attributable to MHFG shareholders for the fiscal year ended March 31, 2016 of ¥850 billion offset in part by dividend payments of ¥195 billion.

Accumulated other comprehensive income, net of tax decreased by ¥572 billion from March 31, 2015 to ¥1,469 billion at March 31, 2016 due to a decrease in net unrealized gains on available-for-sale securities of ¥338 billion, a decrease in foreign currency translation adjustments of ¥123 billion and a decrease in pension liability adjustments of ¥111 billion.

Treasury stock, at cost as of March 31, 2016 was the same level compared to that as of March 31, 2015.

Noncontrolling interests decreased by ¥91 billion from March 31, 2015 to ¥169 billion at March 31, 2016. The decrease was due mainly to deconsolidation of certain investment funds.

## Liquidity

We continuously endeavor to enhance the management of our liquidity profile to meet our customers' loan demand and deposit withdrawals and respond to unforeseen situations such as adverse movements in stock, foreign currencies, interest rates and other markets or changes in general domestic or international conditions. We manage our liquidity profile through the continuous monitoring of our cash flow situation, the enforcement of upper limits on funds raised in financial markets and other means as further set forth in "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Market and Liquidity Risk Management—Liquidity Risk Management Structure."

Deposits, based on our broad customer base and brand recognition in Japan, have been our primary source of liquidity. Our total deposits increased by ¥3,731 billion, or 3.3%, from the end of the previous fiscal year to ¥117,937 billion as of March 31, 2016. Our average balance of deposits for the fiscal year ended March 31, 2016 of ¥116,745 billion exceeded our average balance of loans for the same period by ¥39,600 billion. We invested the excess portion primarily in marketable securities and other high liquidity assets.

Secondary sources of liquidity include short-term borrowings such as call money and funds purchased and payables under repurchase agreements. We also issue long-term debt, including both senior and subordinated debt, as additional sources for liquidity. We utilize short-term borrowings to diversify our funding sources and to manage our funding costs. We raise subordinated long-term debt for the purpose of improving our capital adequacy ratios, which also enhances our liquidity profile. 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 us and to our principal banking subsidiaries by S&P and Moody's as of June 30, 2016:

	As of June 30, 2016					
	S&P			Moody's		
	Long-term	Short-term	Stand-alone credit profile	Long-term	Short-term	Baseline credit assessment
Mizuho Financial Group . . . . .	A-	—	—	A1	P-1	—
Mizuho Bank . . . . .	A	A-1	a	A1	P-1	baa1
Mizuho Trust & Banking . . . . .	A	A-1	a	A1	P-1	baa1

We source our funding in foreign currencies primarily from corporate customers, 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.

In order to maintain appropriate funding liquidity, our principal banking subsidiaries hold highly liquid investment assets such as Japanese government bonds as liquidity reserve assets. We monitor the amount of liquidity reserve assets and report such amount to the monthly risk management committee. Minimum regulatory reserve amounts, or the reserve amount deposited with the Bank of Japan pursuant to applicable regulations that is calculated as a specified percentage of the amount of deposits held by our principal banking subsidiaries, are excluded in connection with our management of liquidity reserve asset levels. We established and apply classifications for the cash flow conditions affecting the group, including the amount of liquidity reserve assets, that range from “Normal” to “Anxious” and “Crisis” categories, and take appropriate actions based on such conditions. As of March 31, 2016, the balance of Japanese government bonds included within our investments was ¥15.8 trillion (excluding held-to-maturity securities), and a majority of this amount, which has historically not fluctuated significantly over the course of a fiscal year, was classified as the principal component of liquidity reserve assets.

Related to regulatory liquidity requirements, the liquidity coverage ratio (“LCR”) standard has been introduced in Japan. The minimum LCR under the LCR guidelines is 100% on both a consolidated and non-consolidated basis for banks with international operations or on a consolidated basis for bank holding companies with international operations, while it is subject to phase-in arrangements pursuant to which the LCR rises in equal annual steps of 10 percentage points to reach 100% on January 1, 2019, beginning with a minimum requirement of 70% during the period from January 1 to December 31, 2016. The Basel Committee on Banking Supervision (“BCBS”) issued final requirements for LCR-related disclosures on January 12, 2014, and the LCR disclosure guidelines of the Financial Service Agency, which reflect such requirements, have been applied to banks and bank holding companies with international operations from June 30, 2015. The LCR disclosure guidelines require such banks and bank holding companies to disclose their LCR in common templates starting from information as of June 30, 2015. Set forth below are the averages of the month-end balances of consolidated LCR data of Mizuho Financial Group, and consolidated and non-consolidated LCR data of our principal banking subsidiaries, for the three months ended March 31, 2016. All yen figures in this table are truncated.

	<b>Three months ended March 31, 2016</b>
	<b>(in billions of yen, except percentages)</b>
<b>Mizuho Financial Group (Consolidated)</b>	
Total high-quality liquid assets (“HQLA”) allowed to be included in the calculation (weighted) . . . . .	¥54,269
Net cash outflows (weighted) . . . . .	42,337
LCR . . . . .	128.2%
<b>Mizuho Bank (Consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) . . . . .	¥48,186
Net cash outflows (weighted) . . . . .	36,716
LCR . . . . .	131.4%
<b>Mizuho Bank (Non-consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) . . . . .	¥47,838
Net cash outflows (weighted) . . . . .	36,088
LCR . . . . .	132.7%
<b>Mizuho Trust and Banking (Consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) . . . . .	¥ 2,238
Net cash outflows (weighted) . . . . .	1,842
LCR . . . . .	121.8%
<b>Mizuho Trust and Banking (Non-consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) . . . . .	¥ 2,189
Net cash outflows (weighted) . . . . .	1,763
LCR . . . . .	124.3%

For more information on LCR, see “Item 4. Information on the Company—Supervision and Regulation—Liquidity.”

## Capital Adequacy

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

### *Regulatory Capital Requirements*

Mizuho Financial Group and its principal banking subsidiaries are subject to regulatory capital requirements administered by the Financial Services Agency in accordance with the provisions of the Banking Act 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 financial condition and results of operations.

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 BCBS and are intended to further strengthen the soundness and stability of Japanese banks. Effective March 31, 2007, guidelines were implemented by the Financial Services Agency to comply with the capital adequacy requirements set by the BCBS called Basel II. The framework of Basel II is based on the following three pillars: minimum capital requirements; supervisory review; and market discipline.

In May 2011, the capital adequacy guidelines were revised by the Financial Services Agency to comply with the package of measures to enhance the Basel II framework approved by the BCBS in July 2009. The revised guidelines, which became effective in December 2011, include the strengthening of rules governing trading book capital and the strengthening of the treatment of certain securitizations under the first pillar.

In December 2010, the BCBS issued the Basel III rules text (later revised in June 2011, January 2013 and October 2014), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, which is the oversight body of the BCBS, and endorsed by the G20 Leaders at the Seoul summit in November 2010. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, and the introduction of the capital conservation buffer and countercyclical capital buffer as measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. The Financial Services Agency's revisions to its capital adequacy guidelines became effective from March 31, 2013, which generally reflect the rules in the Basel III rules text that have been applied from January 1, 2013. While the three-pillar structure of Basel II has been retained, Basel III includes various changes as described further below.

Under the first pillar, the capital ratio is calculated by dividing regulatory capital, or risk-based capital, by risk-weighted assets. With respect to the calculation of risk-weighted assets, we adopt the advanced internal ratings-based approach for credit risk. Under such approach, balance sheet assets and off-balance sheet exposures, calculated under Japanese GAAP, are assessed with respect to risk components such as probability of default and loss given default, which are derived from our own internal credit experience. In addition to credit risk, banks are required to measure and apply capital charges with respect to their market risks. Market risk is defined as the risk of losses in on- and off-balance sheet positions arising from movements in market prices. Operational risk, which was introduced under Basel II with respect to regulatory capital requirements, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. We adopt the advanced measurement approach for the measurement of operational risk equivalent by taking account of the following four elements: internal loss data; external loss data; scenario analysis; and business environment and internal control factors. Under Basel III, the calculation method of risk-weighted assets was revised, including certain modifications to the treatment of counterparty credit risk, such as a capital charge for credit valuation adjustment risk.

With regard to risk-based capital, the guidelines based on Basel III set out higher and better-quality capital standards compared to those under Basel II. The guidelines based on Basel III require a target minimum standard capital adequacy ratio of 8%, Tier 1 capital ratio of 6% and Common Equity Tier 1 capital ratio of 4.5%, on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho 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 two tiers: Tier 1 capital; and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital generally consists of common stock, capital surplus, retained earnings, accumulated other comprehensive income and other disclosed reserves and others less any regulatory adjustments. Additional Tier 1 capital generally consists of instruments issued by a bank or its holding company that meet the criteria for inclusion in Additional Tier 1 capital and others less any regulatory adjustments. Tier 2 capital generally consists of instruments issued by a bank or its holding company such as subordinated debt that meet the criteria for inclusion in Tier 2 capital, 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) and others less any regulatory adjustments.

Under Basel III, capital instruments that no longer qualify as Additional Tier 1 capital or Tier 2 capital are being phased out beginning March 2013 by increments of 10% until becoming fully effective in March 2022. Our existing preferred stock, preferred securities (the amounts thereof included within Additional Tier 1 capital as of March 31, 2016 being ¥1,144.0 billion) and existing subordinated debt issued before March 2013 (the amounts thereof included within Tier 2 capital as of March 31, 2016 being ¥962.9 billion) are subject to the phase-out arrangements.

In November 2011, the Financial Stability Board (“FSB”) published policy measures to address the systemic and moral hazard risks associated with systemically important financial institutions. The policy measures include requirements for G-SIBs to have additional loss absorption capacity tailored to the impact of their default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital, which would be in addition to the 7.0% Common Equity Tier 1 capital requirement (including capital conservation buffer). The requirements began phasing in from January 2016 and will be fully implemented by January 2019. We were included in the list of G-SIBs updated in November 2015 and were allocated to the category that would require 1.0% of additional loss absorbency.

In November 2015, the Financial Services Agency published the revised capital adequacy guidelines to introduce the Basel III rules text regarding the capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and domestic systemically important banks (“D-SIBs”). These guidelines became effective on March 31, 2016. The capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and D-SIBs must be met with Common Equity Tier 1 capital under the revised guidelines, and if such buffer and requirement are not satisfied, a capital distribution constraints plan is required to be submitted to the Financial Services Agency and carried out. The capital conservation buffer is being phased in starting in March 2016 at 0.625% until becoming fully effective in March 2019 at 2.5%. In addition, subject to national discretion by the respective regulatory authorities, if the relevant national authority judges a period of excess credit growth to be leading to the build-up of system-wide risk, a countercyclical capital buffer ranging from 0% to 2.5% would also be imposed on banking organizations. The countercyclical capital buffer is a weighted average of the buffers deployed across all the jurisdictions to which the banking organization has credit exposures.

In December 2015, the Financial Services Agency published a capital adequacy guideline regarding the designation of G-SIBs and D-SIBs in Japan. We were designated as both a G-SIB and D-SIB, and the additional loss absorption capacity requirement applicable to us was 1.0% on a fully effective basis. The additional loss

absorption capacity requirement was the same as that imposed by the FSB, which is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%.

The Leverage Ratio framework is critical and complementary to the risk-based capital framework that will help ensure broad and adequate capture of both on- and off-balance sheet sources of banks' leverage. This simple, non-risk-based measure is intended to restrict the build-up of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy. Implementation of the leverage ratio requirements began with bank-level reporting to national supervisors of the leverage ratio and its components, and public disclosure is required from January 2015. Basel III's leverage ratio is defined as the "capital measure" (numerator) divided by the "exposure measure" (denominator) and is expressed as a percentage. The capital measure is currently defined as Tier 1 capital, and the minimum leverage ratio is currently defined as 3%. The BCBS will monitor banks' leverage ratio data in order to assess whether the design and calibration of a minimum Tier 1 leverage ratio of 3% is appropriate. Any final adjustments to the definition and calibration of the leverage ratio will be made by 2017, with a view to migrate to a Pillar 1 (minimum capital requirements) treatment on January 1, 2018, based on appropriate review and calibration.

As part of its ongoing review of the calculation of risk-weighted assets, in December 2014, the BCBS published two consultative documents on revisions to the standardized approach for credit risk (later revised in December 2015) and on the design of a capital floor framework based on standardized, non internal modeled approach. The revised proposals are part of a range of policy and supervisory measures that aim to enhance reliability and comparability of risk-weighted capital ratios across banks. The proposal on the revisions to standardized approach includes, among other things, to decrease mechanistic reliance on external credit rating agencies by introducing grade classification and due diligence requirements to the determination of risk weights. The proposal on the capital floor framework seeks to replace the current transitional capital floor based on the Basel I standard with a capital floor based on the revised standardized approach, which is currently under review as described above. Furthermore, in March 2016, the BCBS published a consultative document on the reduction of variation in credit risk-weighted assets. The document presented proposals which would remove the option to use the internal-ratings based approaches for credit risk for certain exposures, adopt exposure level, model-parameter floors for portfolios where the internal-ratings based approaches remain available, and provide greater specification of parameter estimation practices for portfolios where the internal-ratings based approaches remain available. The various proposals are intended to be complementary to one another, with the goal of reducing excessive variability in risk-weighted assets across banks. The schedule of implementation of the various proposals has not been stated explicitly.

Related to regulatory capital requirements, in November 2015, the FSB issued the final TLAC standard for G-SIBs. The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalization capacity available in resolution for authorities to implement an orderly resolution. G-SIBs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, G-SIBs will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets as from January 1, 2019 and at least 18% as from January 1, 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator from January 1, 2019, and at least 6.75% from January 1, 2022.

Following the publication of the final TLAC standards for G-SIBs by the FSB, in April 2016, the Financial Services Agency published an explanatory paper outlining its approach for the introduction of the TLAC framework in Japan. According to the Financial Services Agency's approach, which is subject to change based on future international discussions, the preferred resolution strategy for G-SIBs in Japan is Single Point of Entry ("SPE"), resolution, in which resolution powers are applied to the top of a group by a single national resolution authority, although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant Japanese G-SIB in crisis. To implement this SPE resolution strategy effectively, the Financial Services Agency plans to require bank holding companies of Japanese G-SIBs, which will be the resolution entities, to (i) meet the minimum external TLAC requirements provided under the FSB's TLAC

standard, and (ii) cause their material subsidiaries that are designated as systemically important by the Financial Services Agency, including but not limited to certain material sub-groups as provided in the FSB's TLAC standard, to maintain a certain level of capital and debt recognized by the Financial Services Agency as having loss-absorbing and recapitalization capacity, or Internal TLAC. In addition, under the approach, Japanese G-SIBs would be allowed to count the Japanese Deposit Insurance Fund Reserves in an amount equivalent to 2.5% of their consolidated risk-weighted assets from 2019 and 3.5% of their consolidated risk-weighted assets from 2022 as their external TLAC.

Regulatory adjustments are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of the deductions and prudential filters related to the following:

- Goodwill and other intangibles
- Deferred tax assets
- Deferred gains or losses on derivatives under hedge accounting that relates to the hedging of items that are not fair valued on the balance sheet
- Shortfall of the stock of provisions to expected losses under the internal ratings-based approach
- Gain on sale related to securitization transactions
- Cumulative gains and losses due to changes in own credit risk on fair valued financial liabilities
- Defined benefit pension fund assets and liabilities
- Treasury stock
- Reciprocal cross holdings of capital of banking, financial and insurance entities
- Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation

Regulatory adjustments will be fully deducted in the calculation of Common Equity Tier 1 capital by March 2018. The regulatory adjustments began at 20% of the required deductions in the calculation of Common Equity Tier 1 capital in March 2014 and will be increased by 20% increments per year through March 2018 when the regulatory adjustments reach 100%. During this transition period, the remainder not deducted from capital will continue to be subject to existing national treatments.

The capital requirements and regulatory adjustments are being phased in over a transitional period as follows (italicized percentages indicate those still in transition periods):

	<u>March 2013</u>	<u>March 2014</u>	<u>March 2015</u>	<u>March 2016</u>	<u>March 2017</u>	<u>March 2018</u>	<u>March 2019</u>	<u>March 2020</u>	<u>March 2021</u>	<u>March 2022</u>
Minimum Common Equity Tier 1 capital . . . . .	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital . . . . .	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital . . . . .	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Capital conservation buffer . . . . .	0.0%	0.0%	0.0%	0.625%	1.25%	1.875%	2.5%	2.5%	2.5%	2.5%
Phase out of recognition of capital instruments that no longer qualify as capital . . . . .	90.0%	80.0%	70.0%	60.0%	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%
Phase-in of deductions from capital . . . . .	0.0%	20.0%	40.0%	60.0%	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Additional loss absorbency requirements for G-SIBs and D-SIBs <sup>(1)</sup> . . . . .	—	—	—	0.25%	0.50%	0.75%	1.0%	1.0%	1.0%	1.0%

Note:

- (1) Figures assume that the additional loss absorbency requirements applied to us as a G-SIB and D-SIB continue to be 1.0% on a fully effective basis.

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. Further, the revisions to the Financial Services Agency's guidelines relating to the third pillar, which reflect the enhanced disclosure requirements under Basel III and became effective on March 31, 2013, require banks to disclose, among other things, the components of their regulatory capital and the main features of their regulatory capital instruments in common templates.

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 its financial condition and results of operations.

Unless otherwise specified, the regulatory capital information set forth in this “—Capital Adequacy” is based on the current Basel III rules.

### **Consolidated Capital Adequacy Ratios**

Our capital adequacy ratios as of March 31, 2015 and 2016, calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency, were as set forth in the following table:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2015</u>	<u>2016</u>	
	(in billions of yen, except percentages)		
Common Equity Tier 1 capital . . . . .	¥ 6,153.1	¥ 6,566.4	¥ 413.3
Additional Tier 1 capital . . . . .	1,347.2	1,338.6	(8.6)
Tier 1 capital . . . . .	7,500.3	7,905.0	404.7
Tier 2 capital . . . . .	2,008.1	1,733.5	(274.5)
Total capital . . . . .	<u>¥ 9,508.4</u>	<u>¥ 9,638.6</u>	<u>¥ 130.1</u>
Risk-weighted assets . . . . .	¥65,191.9	¥62,531.1	¥(2,660.7)
Common Equity Tier 1 capital ratio . . . . .	9.43%	10.50%	1.07%
Required Common Equity Tier 1 capital ratio . . . . .	4.50	5.375 <sup>(1)</sup>	0.875
Tier 1 capital ratio . . . . .	11.50	12.64	1.14
Required Tier 1 capital ratio . . . . .	6.00	6.875 <sup>(1)</sup>	0.875
Total capital ratio . . . . .	14.58	15.41	0.83
Required total capital ratio . . . . .	8.00	8.875 <sup>(1)</sup>	0.875
Leverage ratio <sup>(2)</sup> . . . . .	3.83	3.98	0.15

Notes:

- (1) The required ratios as of March 31, 2016 include those equivalent to a transitional capital conservation buffer of 0.625% and transitional additional loss absorbency requirements for a G-SIB and D-SIB of 0.25%. These buffer and additional loss absorbency requirements are applied to us, but not to our banking subsidiaries.

- (2) Due to the implementation of the leverage ratio requirements in Japan, public disclosure of the leverage ratio became required from March 31, 2015. Any final adjustments to the definition and calibration of the leverage ratio will be made by the BCBS by 2017.

Our total capital ratio as of March 31, 2016 was 15.41%, an increase of 0.83% compared to March 31, 2015. Our Tier 1 capital ratio as of March 31, 2016 was 12.64%, an increase of 1.14% compared to March 31, 2015. Our Common Equity Tier 1 capital ratio as of March 31, 2016 was 10.50%, an increase of 1.07% compared to March 31, 2015. The increases in each ratio were due mainly to a decrease in risk-weighted assets and to an increase in Common Equity Tier 1 capital. We believe that we were in compliance with all capital adequacy requirements to which we were subject as of March 31, 2016.



## Capital

The following table shows a breakdown of our total risk-based capital as of March 31, 2015 and 2016:

	As of March 31,		Increase (decrease)
	2015	2016	
	(in billions of yen)		
<b>Common Equity Tier 1 capital</b> .....	¥6,153.1	¥6,566.4	¥ 413.3
Capital and stock surplus .....	3,152.2	3,267.0	114.7
Retained earnings .....	2,768.5	3,196.9	428.3
Treasury stock .....	(3.6)	(3.6)	—
Earnings to be distributed .....	(100.5)	(94.8)	5.7
Subscription rights to common shares .....	3.8	2.7	(1.0)
Accumulated other comprehensive income and other disclosed reserves ....	811.9	964.7	152.7
Common share capital issued by subsidiaries and held by third parties .....	12.1	14.7	2.6
Instruments and reserves subject to phase-out arrangements .....	49.1	32.4	(16.6)
Regulatory adjustments .....	(540.4)	(813.7)	(273.2)
<b>Additional Tier 1 capital<sup>(1)(2)</sup></b> .....	1,347.2	1,338.6	(8.6)
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards .....	—	300.0	300.0
Additional Tier 1 instruments issued by subsidiaries and held by third parties .....	29.5	30.8	1.2
Eligible Tier 1 capital instruments subject to phase-out arrangements <sup>(1)(2)</sup> ....	1,458.1	1,144.0	(314.1)
Instruments subject to phase-out arrangements .....	(24.2)	(21.4)	2.7
Regulatory adjustments .....	(116.3)	(114.8)	(1.5)
<b>Tier 1 capital<sup>(1)(2)</sup></b> .....	<u>7,500.3</u>	<u>7,905.0</u>	<u>404.7</u>
<b>Tier 2 capital</b> .....	2,008.1	1,733.5	(274.5)
Directly issued qualifying Tier 2 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards .....	150.0	324.5	174.5
Tier 2 instruments plus related stock surplus issued by special purpose vehicles and other equivalent entities .....	180.4	169.0	(11.3)
Tier 2 instruments issued by subsidiaries and held by third parties .....	9.2	10.2	1.0
Eligible Tier 2 capital instruments subject to phase-out arrangements .....	1,108.8	962.9	(145.8)
General allowance for loan losses and eligible provisions included in Tier 2 .....	4.6	6.0	1.4
Instruments and provisions subject to phase-out arrangements .....	730.7	374.0	(356.7)
Regulatory adjustments .....	(175.7)	(113.2)	62.5
<b>Total capital<sup>(1)(2)</sup></b> .....	<u>¥9,508.4</u>	<u>¥9,638.6</u>	<u>¥ 130.1</u>

### Notes:

- (1) As of March 31, 2016, the outstanding balance of our eleventh series class XI preferred stock was ¥98.9 billion. During the period from April 1, 2016 to June 30, 2016, holders of the preferred stock converted 23,832,500 shares (or ¥23.8 billion) by requesting us to acquire the preferred stock and deliver common stock to them. On July 1, 2016, we acquired ¥75.1 billion of eleventh series class XI preferred stock, in respect of which a request for acquisition was not made by June 30, 2016, and delivered shares of our common stock, pursuant to Article 20, Paragraph 1 of our articles of incorporation and a provision in the terms and conditions of the preferred stock concerning mandatory acquisition in exchange for common stock. On July 13, 2016, we cancelled all of our treasury shares of eleventh series class XI preferred stock.
- (2) We redeemed ¥452.5 billion, \$600.0 million and ¥400.0 billion of non-dilutive preferred securities in June 2015, June 2016 and June 2016, respectively.

Our Common Equity Tier 1 capital increased by ¥413.3 billion from ¥6,153.1 billion as of March 31, 2015 to ¥6,566.4 billion as of March 31, 2016. The increase was due mainly to an increase in retained earnings as a result of recording profit attributable to owners of parent (under Japanese GAAP) for the fiscal year ended March 31, 2016 and to the increase in accumulated other comprehensive income as of March 31, 2016, offset in part by the increase in regulatory adjustments as of March 31, 2016. Our Additional Tier 1 capital decreased by ¥8.6 billion from ¥1,347.2 billion as of March 31, 2015 to ¥1,338.6 billion as of March 31, 2016. The decrease was due mainly to the effect of the phase-out of recognition of non-dilutive preferred securities subject to phase-out arrangements offset in part by the issuance of perpetual subordinated bonds. As a result, our Tier 1 capital increased by ¥404.7 billion from ¥7,500.3 billion as of March 31, 2015 to ¥7,905.0 billion as of March 31, 2016.

Non-dilutive preferred securities issued by our overseas special purpose companies to investors are included within Additional Tier 1 capital and subject to phase-out arrangements. As of March 31, 2016, the outstanding balance of these securities was ¥1,045.1 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 Additional Tier 1 capital as of March 31, 2016 and the total outstanding balance of non-dilutive preferred securities with each such initial optional redemption date. The non-dilutive preferred securities are denominated in yen, unless otherwise noted.

<u>Initial optional redemption date</u>	<u>Outstanding balance of non-dilutive preferred securities included within Additional Tier 1 capital</u> (in billions of yen)
June 2016 .....	¥467.6 <sup>(1)</sup>
June 2018 .....	274.5
June 2019 .....	303.0

Note:

(1) In June 2016, we redeemed all ¥467.6 billion of such non-dilutive preferred securities, denominated in yen (¥400.0 billion) and dollars (\$600.0 million).

Our Tier 2 capital as of March 31, 2016 was ¥1,733.5 billion, a decrease of ¥274.5 billion compared to March 31, 2015. The decrease was due mainly to a decrease in unrealized gains on other securities and the redemptions of eligible Tier 2 capital instruments subject to phase-out arrangements offset in part by the issuance of dated subordinated bonds.

As a result of the above, total capital as of March 31, 2016 was ¥9,638.6 billion, an increase of ¥130.1 billion compared to March 31, 2015.

### ***Risk-weighted Assets***

The following table shows a breakdown of our risk-weighted assets as of March 31, 2015 and 2016:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2015</u>	<u>2016</u>	
	(in billions of yen)		
Risk-weighted assets:			
Credit risk assets .....	¥58,602.7	¥57,588.4	¥(1,014.3)
Market risk equivalent assets .....	3,473.8	1,696.0	(1,777.7)
Operational risk equivalent assets .....	3,115.3	3,246.6	131.3
Total .....	<u>¥65,191.9</u>	<u>¥62,531.1</u>	<u>¥(2,660.7)</u>

Risk-weighted assets as of March 31, 2016 were ¥62,531.1 billion, a decrease of ¥2,660.7 billion compared to March 31, 2015. Credit risk assets decreased by ¥1,014.3 billion to ¥57,588.4 billion. Market risk equivalent

assets decreased by ¥1,777.7 billion to ¥1,696.0 billion. Operational risk equivalent assets increased by ¥131.3 billion to ¥3,246.6 billion.

### **Principal Banking Subsidiaries**

Capital adequacy ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2015 and 2016, calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency, were as set forth in the following table:

	As of March 31,		Increase (decrease)
	2015	2016	
<b>Mizuho Bank</b>			
Common Equity Tier 1 capital ratio .....	10.42%	10.81%	0.39%
Tier 1 capital ratio .....	12.13	12.75	0.62
Total capital ratio .....	15.30	15.46	0.16
<b>Mizuho Trust &amp; Banking</b>			
Common Equity Tier 1 capital ratio .....	16.67	18.21	1.54
Tier 1 capital ratio .....	16.68	18.21	1.53
Total capital ratio .....	19.21	19.52	0.31

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, 2016.

Our securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Act. Under this requirement, securities firms must 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 less than 100% may lead to a temporary suspension of all or part of the business operations and further, to the cancellation of the license to act as a securities broker and dealer. We believe, as of March 31, 2016, that our securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

### **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, 2015 and 2016:

	As of March 31,		Increase (decrease)
	2015	2016	
(in billions of yen)			
<b>Guarantees:</b>			
Performance guarantees .....	¥ 2,226	¥ 2,110	¥ (116)
Guarantees on loans .....	325	297	(28)
Guarantees on securities .....	184	203	19
Other guarantees .....	1,556	1,571	15
Guarantees for the repayment of trust principal .....	140	1,141	1,001
Liabilities of trust accounts .....	14,936	12,747	(2,189)
Derivative financial instruments .....	22,216	15,792	(6,424)

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2015</u>	<u>2016</u>	
	(in billions of yen)		
<b>Commitments:</b>			
Commitments to extend credit . . . . .	¥71,750	¥75,742	¥3,992
Commercial letters of credit . . . . .	584	448	(136)
Total commitments . . . . .	<u>¥72,334</u>	<u>¥76,190</u>	<u>¥3,856</u>

See note 23 to our consolidated financial statements included elsewhere in this annual report for the 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 the contract as we deem necessary, and we regularly review the credit quality of the customer based on the internal guidelines and revise the terms of the contract as we deem necessary to manage credit risks.

Some of our off-balance-sheet arrangements are related to activities of special purpose entities, most of which are variable interest entities. For further information, see note 24 to our consolidated financial statements included elsewhere in this annual report.

### 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, 2016:

	<u>Due in one year or less</u>	<u>Due from one year to two years</u>	<u>Due from two years to three years</u>	<u>Due from three years to four years</u>	<u>Due from four years to five years</u>	<u>Due after five years</u>	<u>Total</u>
	(in billions of yen)						
Time deposits . . . . .	¥36,880	¥2,003	¥1,452	¥ 379	¥400	¥ 148	¥41,262
Certificates of deposit . . . . .	11,691	73	3	—	61	—	11,828
Long-term debt . . . . .	1,874	1,494	4,882	1,777	432	4,312	14,771
Capitalized leases . . . . .	10	9	8	6	4	1	38
Operating leases . . . . .	53	46	41	36	34	67	277
Total <sup>(1)(2)</sup> . . . . .	<u>¥50,498</u>	<u>¥3,616</u>	<u>¥6,378</u>	<u>¥2,192</u>	<u>¥929</u>	<u>¥4,527</u>	<u>¥68,138</u>

Notes:

- (1) A contribution paid to our pension plans, which is not included in the above table, is expected to be approximately ¥50 billion in the fiscal year ending March 31, 2017, based on the current funded status and expected asset return assumptions. For further information, see note 20 to our consolidated financial statements included elsewhere in this annual report.
- (2) The amount of unrecognized tax benefits, which is not included in the above table, was ¥1.3 billion, of which ¥0.5 billion was interest and penalties, at March 31, 2016. For further information, see note 19 to our consolidated financial statements included elsewhere in this annual report.

## Recent Accounting Pronouncements

See note 2 to our consolidated financial statements included elsewhere in this annual report.

## 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.

	<u>As of and for the fiscal year ended March 31, 2016</u>	
	<u>Total MHFG shareholders' equity</u>	<u>Net income attributable to MHFG shareholders</u>
	(in billions of yen)	
U.S. GAAP .....	¥8,014.6	¥ 850.5
Differences arising from different accounting for:		
1. Derivative financial instruments and hedging activities .....	42.9	(193.6)
2. Investments .....	15.8	11.6
3. Loans .....	163.7	16.2
4. Allowances for loan losses and off-balance-sheet instruments .....	72.3	(12.5)
5. Premises and equipment .....	(55.5)	(20.1)
6. Land revaluation .....	184.5	(2.0)
7. Business combinations .....	(59.7)	(5.0)
8. Pension liabilities .....	36.6	1.5
9. Consolidation of variable interest entities .....	21.7	71.0
10. Deferred taxes .....	(264.2)	51.0
11. Foreign currency translation .....	—	(102.0)
12. Other .....	(2.1)	4.3
Japanese GAAP .....	<u>¥8,170.6</u>	<u>¥ 670.9</u>

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 the Japanese GAAP results. 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 in achieving offsetting changes in fair values or variable cash flows of the hedged items attributable to the particular risk being hedged. The hedging relationship must be designated and formally documented at inception. Such documentation must include the particular risk management objective and strategy for the hedge, the identification of the derivative used as the hedging instrument, the hedged item and the risk exposure being hedged and the method for assessing the hedge effectiveness. The criteria for designation and measurement of hedge effectiveness under U.S. GAAP are more rigorous than under Japanese GAAP. As a result, most of the eligible hedge derivatives under Japanese GAAP are accounted for as trading account assets or liabilities under U.S. GAAP with changes in fair value of the derivatives recognized in earnings.

Requirements for bifurcation of embedded derivatives differ between Japanese GAAP and U.S. GAAP. Embedded derivatives that are deemed to be clearly and closely related to their host contracts 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 sales 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 a forecasted recovery of fair value or maturity. Regarding debt securities, we consider additional factors such as whether we have the intent to sell or more likely than not will be required to sell before recovery to determine whether the impairment is “other-than-temporary.” 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 the fair value of a security of 50% or more of its cost is a strong indicator of an other-than-temporary decline, which requires compelling evidence to prove otherwise. A decline in the fair value of 30% or more 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 the fair value is less than 30%, it is not considered to be an other-than-temporary decline.

Under U.S. GAAP, the election of the fair value option for financial assets and liabilities is permitted according to ASC 825, while it is not permitted under Japanese GAAP. As we elected the fair value option for foreign currency denominated available-for-sale securities under U.S. GAAP, these securities were reclassified as trading securities and the entire amount of changes in their fair values are recognized in earnings, while under Japanese GAAP, only the changes attributable to movements in foreign currency exchange rates are recognized in earnings.

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

In addition, certain loan participations and sales of loans to special purpose vehicles in connection with asset securitization transactions under Japanese GAAP do not meet sales criteria under U.S. GAAP due to different applicable criteria, and therefore the relevant loans are recognized on the balance sheet under U.S. GAAP.

## 4. Allowances for loan losses and off-balance-sheet instruments

Under both Japanese GAAP and U.S. GAAP, the allowance for loan losses for specifically identified impaired loans is based on the present value of expected future cash flows discounted at the loan’s initial

effective interest rate or, as a practical expedient, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. For certain impaired loans that 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 the scope of the loans that are subject to the individual and portfolio impairment analysis. In addition to these effects based on differences between Japanese GAAP and U.S. GAAP, provision (credit) for loan losses may differ between Japanese GAAP and U.S. GAAP due to the difference in the timing of accounting closings between our consolidated financial statements under U.S. GAAP and those under Japanese GAAP.

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

#### 5. Premises and equipment

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

With regard to internal-use software, under U.S. GAAP, the costs to develop or obtain software that allow for access to or conversion of old data by new systems are capitalized, while they are expensed when it occurs under Japanese GAAP. On the other hand, the general and administrative costs and the overhead costs are expensed as the costs of internal-use software under U.S. GAAP, but are capitalized under Japanese GAAP.

#### 6. Land revaluation

Under Japanese GAAP, we revalued our holdings of land during the fiscal year ended March 31, 1998 pursuant to the Act Concerning Revaluation of Land (Act 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.

#### 7. Business combinations

Under U.S. GAAP, goodwill is not amortized and an impairment loss is recorded to the extent the carrying amount of the goodwill exceeds its estimated fair value at the measurement date. Under Japanese GAAP, goodwill is amortized over an appropriate period not to exceed 20 years and an impairment loss is recorded only if the effects of the goodwill are no longer expected.

#### 8. 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 was amortized over a specified number of years, and actuarial gains and losses are amortized over a specified number of years. 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 ASC 715, "Compensation—Retirement Benefits," beginning in the fiscal year ended March 31, 1990, as permitted for a foreign private issuer. The cumulative effect of the accounting change, as well as actuarial gains and losses since the adoption, had been fully amortized by April 1, 2004.

Under both Japanese GAAP and U.S. GAAP, an employer is required to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in its consolidated balance sheets. Actuarial gains or losses and prior service costs or benefits that have not yet been recognized through earnings as net periodic benefit cost are recognized in other comprehensive income, net of tax, until they are amortized as a component of net periodic benefit cost. Actuarial gains or losses are amortized based on corridor approach according to ASC 715 under U.S. GAAP, while they are amortized over a specified number of years under Japanese GAAP. Due mainly to the differences in the balances of actuarial gains or losses and prior service costs or benefits and in amortization methods, there are differences in the amounts of shareholders' equity and net income between U.S. GAAP and Japanese GAAP. See note 20 to our consolidated financial statements included elsewhere in this annual report for further discussion.

#### 9. 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 securitizations, investments in securitization products and investment funds. See note 24 to our consolidated financial statements included elsewhere in this annual report for further discussion.

#### 10. Deferred taxes

Under U.S. GAAP, all available evidence, both positive and negative, must be considered to determine whether, based on the weight of that evidence, deferred tax assets are realizable or whether a valuation allowance is needed. Possible sources of taxable income, which are considered to determine whether deferred tax assets are realizable, include net unrealized gains on available-for-sale securities. 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.

#### 11. Foreign currency translation

Under Japanese GAAP, the income statement items of our foreign entities are translated into yen, our presentation currency, using the respective fiscal-year-end exchange rates, while under U.S. GAAP they are translated into the presentation currency using the average rates of exchange for the respective fiscal years. Moreover, under Japanese GAAP, retained earnings in the foreign branches of Mizuho Bank are translated into yen by the exchange rate at the end of the most recent reporting period comprehensively, whereas under U.S. GAAP they are recognized as the sum of the retained earnings for each fiscal year translated by the average rates of exchange for the respective fiscal years.

#### 12. Other

This adjustment reflects the effects of miscellaneous items.



## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### 6.A. Directors and Senior Management

#### Directors

The following table provides information regarding the directors of Mizuho Financial Group as of June 30, 2016:

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director
Yasuhiro Sato (Apr. 15, 1952)	Member of the Board of Directors	Mar. 2003 Executive Officer / Senior Corporate Officer of International Banking Unit of the former Mizuho Corporate Bank, Ltd.	June 2017
	President & Group CEO (Representative Executive Officer)	Apr. 2004 Managing Executive Officer / In charge of business promotion	
	Member of the Board of Directors of Mizuho Bank, Ltd.	Mar. 2006 Executive Managing Director / Head of Corporate Banking Unit	
	Member of the Board of Directors of Mizuho Trust & Banking Co., Ltd.	Apr. 2007 Deputy President / Chief Auditor	
	Member of the Board of Directors of Mizuho Securities Co., Ltd.	Apr. 2009 President & CEO (until July 2013)	
		June 2009 Member of the Board of Directors of Mizuho Financial Group, Inc.	
	June 2011 Member of the Board of Directors of the former Mizuho Bank, Ltd.		
		President & Group CEO of Mizuho Financial Group, Inc. (until June 2014)	
	July 2013 President & CEO of Mizuho Bank, Ltd.		
	Apr. 2014	Member of the Board of Directors (current)	
		Member of the Board of Directors of Mizuho Trust & Banking Co., Ltd. (current)	
		Member of the Board of Directors of Mizuho Securities Co., Ltd. (current)	
	June 2014	Member of the Board of Directors, President & Group CEO of Mizuho Financial Group, Inc. (current)	

Name (date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as director
Shusaku Tsuhara (Jan. 6, 1960)	Member of the Board of Directors	Apr. 2010	Executive Officer / General Manager of Executive Secretariat of Mizuho Financial Group, Inc.	June 2017
	Senior Managing Executive Officer			
	Head of Compliance Group (Group CCO)	Apr. 2012	Managing Executive Officer / In charge of Branch Banking Group of the former Mizuho Bank, Ltd.	
	Senior Executive Managing Director of Mizuho Bank, Ltd.	July 2013	Managing Executive Officer / In charge of Corporate Banking of Mizuho Bank, Ltd.	
		Apr. 2015	Senior Managing Executive Officer / Head of Compliance Group of Mizuho Financial Group, Inc.  Senior Executive Managing Director / Head of Compliance Group of Mizuho Bank, Ltd. (current)	
		June 2015	Member of the Board of Directors, Senior Managing Executive Officer / Head of Compliance Group of Mizuho Financial Group, Inc. (current)	
Ryusuke Aya (May 20, 1960)	Member of the Board of Directors	Apr. 2010	General Manager of Risk Management Division of the former Mizuho Corporate Bank, Ltd.	June 2017
	Managing Executive Officer			
	Head of Risk Management Group (Group CRO)	Apr. 2012	Executive Officer / General Manager of Risk Management Division of Mizuho Financial Group, Inc. (until Nov. 2013)	
	Executive Managing Director of Mizuho Bank, Ltd.		Executive Officer / General Manager of Risk Management Division of the former Mizuho Bank, Ltd.  Executive Officer / General Manager of Risk Management Division of the former Mizuho Corporate Bank, Ltd.	
		July 2013	Executive Officer / General Manager of Risk Management Division of Mizuho Bank, Ltd.	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director
		<p>Nov. 2013 Managing Executive Officer / Head of Risk Management Group of Mizuho Financial Group, Inc. (until June 2014)</p> <p>Managing Executive Officer / Head of Risk Management Group of Mizuho Bank, Ltd.</p> <p>Managing Executive Officer / In charge of Risk Management Group of Mizuho Trust &amp; Banking Co., Ltd.</p> <p>Managing Executive Officer / In charge of Risk Management Group of Mizuho Securities Co., Ltd.</p>	
		<p>Apr. 2014 Executive Managing Director / Head of Risk Management Group of Mizuho Bank, Ltd. (current)</p>	
		<p>June 2014 Member of the Board of Directors, Managing Executive Officer / Head of Risk Management Group of Mizuho Financial Group, Inc. (current)</p>	
Koji Fujiwara (June 29, 1961)	<p>Member of the Board of Directors</p> <p>Managing Executive Officer</p> <p>Head of Strategic Planning Group (Group CSO)</p> <p>Executive Managing Director of Mizuho Bank, Ltd.</p>	<p>Apr. 2010 General Manager of Investor Relations Division of Mizuho Financial Group, Inc.</p> <p>Apr. 2012 Executive Officer / General Manager of Investor Relations Division</p> <p>Apr. 2014 Managing Executive Officer / Head of Strategic Planning Group</p> <p>Executive Managing Director / Head of Strategic Planning Group of Mizuho Bank, Ltd. (current)</p> <p>June 2014 Member of the Board of Directors, Managing Executive Officer / Head of Strategic Planning Group of Mizuho Financial Group, Inc. (current)</p>	June 2017

Name (date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as director
Koichi Iida (Oct. 6, 1962)	Member of the Board of Directors	Apr. 2011	General Manager of Syndicated Finance Structuring Division of the former Mizuho Corporate Bank, Ltd.	June 2017
	Managing Executive Officer			
	Head of Financial Control & Accounting Group (Group CFO)	Apr. 2012	General Manager of Corporate Banking Division No.10 Head of Corporate Coverage Department I of Mizuho Securities Co., Ltd. (until Apr. 2016)	
	Executive Managing Director of Mizuho Bank, Ltd.	July 2013	General Manager of Corporate Banking Division No.10 of Mizuho Bank, Ltd.	
		Apr. 2015	Executive Officer / General Manager of Corporate Banking Division No.10	
		Apr. 2016	Managing Executive Officer / Head of Financial Control & Accounting Group of Mizuho Financial Group, Inc. Executive Managing Director / Head of Financial Control & Accounting Group of Mizuho Bank, Ltd. (current)	
		June 2016	Member of the Board of Directors, Managing Executive Officer / Head of Financial Control & Accounting Group of Mizuho Financial Group, Inc. (current)	
Hideyuki Takahashi (Apr. 20, 1957)	Member of the Board of Directors	Apr. 2007	Executive Officer / Senior Corporate Officer of Strategic Planning Group of the former Mizuho Corporate Bank, Ltd.	June 2017
	Member of the Audit Committee			
	Member of the Board of Directors of Mizuho Bank, Ltd.	Apr. 2009	Managing Executive Officer / Head of Global Portfolio Management Unit, Head of Financial Institutions & Public Sector Business Unit, Head of Global Alternative Investment Unit	
		Apr. 2010	Managing Executive Officer / Chief Financial Officer and Chief Portfolio Management Officer	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director
Apr. 2011		Managing Executive Officer / Chief Financial Officer, Chief Portfolio Management Officer and Chief Information Officer	
Apr. 2012		Managing Executive Officer / Head of Financial Control & Accounting Group of Mizuho Financial Group, Inc.	
		Managing Executive Officer / Head of Financial Control & Accounting Group of the former Mizuho Bank, Ltd. (until Apr. 2013)	
		Managing Executive Officer / Head of Financial Control & Accounting Group of the former Mizuho Corporate Bank, Ltd. (until Apr. 2013)	
		Managing Executive Officer / In charge of Strategic Planning, Financial Control & Accounting Group of Mizuho Trust & Banking Co., Ltd. (until Apr. 2014)	
		President & CEO of Mizuho Financial Strategy Co., Ltd. (until Apr. 2014)	
June 2012		Executive Managing Director / Head of Financial Control & Accounting Group of Mizuho Financial Group, Inc.	
Apr. 2013		Deputy President / Head of Financial Control & Accounting Group (until Apr. 2014)	
		Deputy President & Executive Officer / Head of Financial Control & Accounting Group of the former Mizuho Bank, Ltd.	
		Deputy President & Executive Officer / Head of Financial Control & Accounting Group of the former Mizuho Corporate Bank, Ltd.	
		Managing Executive Officer / In charge of Financial Control & Accounting Group of Mizuho Securities Co., Ltd. (until Apr. 2014)	

Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director
		July 2013	Deputy President & Executive Officer / Head of Financial Control & Accounting Group of Mizuho Bank, Ltd.	
		Apr. 2014	Member of the Board of Directors of Mizuho Financial Group, Inc. (current)	
		June 2014	Member of the Board of Directors of Mizuho Bank, Ltd. (current)	
Nobukatsu Funaki (Mar. 30, 1959)	Member of the Board of Directors  Member of the Audit Committee	Mar. 2010	Audit & Supervisory Board Member of the former Mizuho Corporate Bank, Ltd. (until June 2013)	June 2017
		Apr. 2013	Audit & Supervisory Board Member (Outside Member) of Mizuho Securities Co., Ltd. (until June 2014)	
		June 2013	Audit & Supervisory Board Member of Mizuho Financial Group, Inc.	
		June 2014	Member of the Board of Directors (current)	
Mitsuo Ohashi <sup>(1)</sup> (Jan. 18, 1936)	Member of the Board of Directors  Member of the Nominating Committee  Senior Counselor of Showa Denko K.K.  External Statutory Auditor of Fukoku Mutual Life Insurance Company  Representative Director and Chairman of the People's Political Association	Mar. 1959	Joined Mitsui Bank, Ltd.	June 2017
		Dec. 1961	Joined Showa Denko K.K.	
		May 1988	General Manager of Corporate Planning Division	
		Mar. 1989	Director / General Manager of Corporate Planning Division	
		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	Member of the Board of Directors of Mizuho Financial Group, Inc. (current)	
		Mar. 2007	Director and Chairman of the Board of Directors of Showa Denko K.K.	

Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director
		Mar. 2010	Senior Advisor	
		Mar. 2014	Senior Counselor (current)	
Tetsuo Seki <sup>(1)(2)</sup> (July 29, 1938)	Member of the Board of Directors	Apr. 1963	Joined Yawata Iron & Steel Co., Ltd.	June 2017
	Member of the Compensation Committee	June 1993	Director of Nippon Steel Corporation	
	Member of the Audit Committee	Apr. 1997	Managing Director	
	Audit & Supervisory Board Member of Sapporo Holdings Limited	Apr. 2000	Representative Director and Executive Vice President	
		June 2003	Executive Advisor	
		June 2004	Senior Corporate Auditor	
		June 2006	Independent Director of Terumo Corporation (until Sep. 2008)	
		Mar. 2007	Outside Director of Sapporo Holdings Limited (until Sep. 2008)	
		June 2007	Outside Director of Tokyo Financial Exchange Inc. (until Sep. 2008)	
		Oct. 2007	Chairperson of the Japan Corporate Auditors Association (until Oct. 2008)	
			Outside Director of Japan Post Holdings Co., Ltd. (until Sep. 2008)	
		June 2008	Executive Advisor to Nippon Steel Corporation (until Sep. 2008)	
		Oct. 2008	President (Representative Director) of the Shoko Chukin Bank, Ltd.	
		June 2013	General Advisor (current)	
		June 2015	Member of the Board of Directors of Mizuho Financial Group, Inc. (current)	
		Mar. 2016	Audit & Supervisory Board Member of Sapporo Holdings, Limited (current)	

Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director
Takashi Kawamura <sup>(1)(2)</sup> (Dec. 19, 1939)	Member of the Board of Directors	Apr. 1962	Joined Hitachi, Ltd.	June 2017
		June 1995	Director	
	Member of the Nominating Committee	June 1997	Executive Managing Director	
		Apr. 1999	Executive Vice President and Representative Director	
	Member of the Compensation Committee	Apr. 2003	Director (until June 2007)	
	Outside Director of Calbee, Inc.	June 2003	Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering Co., Ltd.	
	Outside Audit & Supervisory Board Member of Nikkei, Inc.	June 2005	Chairman of the Board, Hitachi Plant Engineering & Construction Co., Ltd. (until June 2009)	
	Outside Director of Nitoni Holdings, Co., Ltd.			
	External Director of Ichigo Inc.	June 2006	Chairman of the Board, Hitachi Software Engineering Co., Ltd. (until June 2007)	
		June 2007	Chairman of the Board, Hitachi Maxell, Ltd. (until June 2009)	
		Apr. 2009	Representative Executive Officer, Chairman, President and Chief Executive Officer, Hitachi, Ltd.	
		June 2009	Representative Executive Officer, Chairman, President and Chief Executive Officer and Director	
		Apr. 2010	Representative Executive Officer, Chairman and Director	
		Apr. 2011	Chairman of the Board	
		Apr. 2014	Director	
	June 2014	Advisor (until June 2016)		
		Member of the Board of Directors of Mizuho Financial Group, Inc. (current)		



Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director
Tatsuo Kainaka <sup>(1)(2)</sup> (Jan. 2, 1940)	Member of the Board of Directors	Apr. 1966	Appointed as Public Prosecutor	June 2017
	Member of the Nominating Committee	Jan. 2002	Superintending Prosecutor of the Tokyo High Public Prosecutors Office	
	Member of the Compensation Committee	Oct. 2002	Justice of the Supreme Court	
	Member of the Audit Committee	Mar. 2010	Admitted to the Tokyo Bar Association	
	Member of the Audit Committee	Apr. 2010	Joined Takusyou Sogo Law Office (current)	
	Attorney-at-law at Takusyou Sogo Law Office	Jan. 2011	President of the Life Insurance Policyholders Protection Corporation of Japan (current)	
	President of the Life Insurance Policyholders Protection Corporation of Japan	Nov. 2013	Member of the Board of Directors of Mizuho Bank, Ltd. (until June 2014)	
	Corporate Auditor (External) of Oriental Land Co., Ltd.	June 2014	Member of the Board of Directors of Mizuho Financial Group, Inc. (current)	
Hirotake Abe <sup>(1)(2)</sup> (Nov. 13, 1944)	Member of the Board of Directors	Jan. 1970	Joined Tohmatsu Awoki & Co.	June 2017
	Member of the Audit Committee	June 1985	Temporarily transferred to Deloitte & Touche New York Office (until Oct. 1992)	
	Certified Public Accountant Hirotake Abe Office	July 1990	Senior Partner of Tohmatsu & Co.	
	Outside Corporate Auditor of CONEXIO Corporation	June 2001	CEO (until May 2007)	
		June 2004	Executive Member of Deloitte Touche Tohmatsu Limited (until May 2007)	
		June 2007	Senior Adviser to Deloitte Touche Tohmatsu (until Dec. 2009)	
		Jan. 2010	Established the Certified Public Accountant Hirotake Abe Office (current)	
		June 2015	Member of the Board of Directors of Mizuho Financial Group, Inc. (current)	

Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director
Hiroko Ota <sup>(1)(2)</sup> (Feb. 2, 1954)	Member of the Board of Directors	Apr. 1996	Associate Professor, the Graduate School of Policy Science, Saitama University	June 2017
	Member of the Nominating Committee	Oct. 1997	Associate Professor, National Graduate Institute for Policy Studies	
	Professor of National Graduate Institute for Policy Studies	Apr. 2001	Professor, National Graduate Institute for Policy Studies	
	Outside Director of JX Holdings, Inc.	Apr. 2002	Director for Economic Research, Cabinet Office	
	Outside Director of Panasonic Corporation	Mar. 2003	Deputy Director General for Economic Research, Cabinet Office	
		Apr. 2004	Director General for Economic Research, Cabinet Office	
		Aug. 2005	Professor, National Graduate Institute for Policy Studies	
		Sep. 2006	Minister of State for Economic and Fiscal Policy	
		Aug. 2008	Professor, National Graduate Institute for Policy Studies (current)	
		Apr. 2009	Vice-President, National Graduate Institute for Policy Studies (until Mar. 2011)	
	June 2014	Member of the Board of Directors of Mizuho Financial Group, Inc. (current)		

Notes:

- (1) Mr. Ohashi, Mr. Seki, Mr. Kawamura, Mr. Kainaka, Mr. Abe and Ms. Ota satisfy the requirements for an “outside director” under the Companies Act.
- (2) Mr. Seki, Mr. Kawamura, Mr. Kainaka, Mr. Abe and Ms. Ota are “independent directors” required by the Tokyo Stock Exchange, Inc.
- (3) The designation of the Chairman and the Deputy Chairman of the Board of Directors, and the designation of committee members and the Chairman of each committee are as follows:

Chairman of the Board of Directors: Hiroko Ota

Deputy Chairman of the Board of Directors: Hideyuki Takahashi

Nominating Committee members:

Mitsuo Ohashi (Chairman), Takashi Kawamura, Tatsuo Kainaka and Hiroko Ota

Compensation Committee members:

Tatsuo Kainaka (Chairman), Tetsuo Seki and Takashi Kawamura

Audit Committee members:

Hideyuki Takahashi (Chairman), Tetsuo Seki, Tatsuo Kainaka, Hirotake Abe and Nobukatsu Funaki

## Executive Officers

The following table provides information regarding the executive officers of Mizuho Financial Group as of June 30, 2016:

Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as executive officer
Yasuhiro Sato (Apr. 15, 1952)	See “—Directors.”	See “—Directors.”		June 2017
Toshitsugu Okabe (May 2, 1956)	Deputy President & Executive Officer (Representative Executive Officer)	Apr. 2008	Executive Officer / General Manager of Executive Secretariat of Mizuho Financial Group, Inc.	June 2017
		Apr. 2009	Managing Executive Officer of the former Mizuho Bank, Ltd.	
	Apr. 2012	Managing Executive Officer / Head of Retail Banking Unit  Managing Executive Officer (not full-time) / In charge of coordination with Retail Banking Unit of the former Mizuho Bank, Ltd. of the former Mizuho Corporate Bank, Ltd.		
	Apr. 2013	Deputy President & Executive Officer / Deputy President (Personal Banking Unit and Retail Banking Unit) of Mizuho Financial Group, Inc.  Deputy President / Deputy President (Personal Banking Unit and Retail Banking Unit) and Head of Internal Audit Group of the former Mizuho Bank, Ltd. (until July 2013)  Deputy President & Executive Officer / Deputy President (In charge of coordination with Personal Banking Unit and Retail Banking Unit of the former Mizuho Bank, Ltd.) and Head of Internal Audit Group of the former Mizuho Corporate Bank, Ltd. (until July 2013)		

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
		June 2013 Deputy President / Deputy President (Personal Banking Unit and Retail Banking Unit) of Mizuho Financial Group, Inc. (until Sep. 2013)	
		July 2013 Deputy President / Deputy President (Personal Banking Unit and Retail Banking Unit) and Head of Internal Audit Group of Mizuho Bank, Ltd. (until Apr. 2014)	
		Sep. 2013 Deputy President / Deputy President (Personal Banking Unit and Retail Banking Unit) and Head of Compliance Group of Mizuho Financial Group, Inc. (until Apr. 2014)	
		Nov. 2013 Managing Executive Officer / In charge of Compliance Group of Mizuho Trust & Banking Co., Ltd.	
		Managing Executive Officer /In charge of Compliance Group of Mizuho Securities Co., Ltd.	
		Apr. 2014 Deputy President / Deputy President (Head of Strategic Planning and Management Control (Personal Banking, Retail Banking and Corporate Banking)) of Mizuho Financial Group, Inc.	
		June 2014 Deputy President & Executive Officer / Head of Strategic Planning and Management Control (Personal Banking, Retail Banking and Corporate Banking)	
		Apr. 2015 Deputy President & Executive Officer / Head of Strategic Planning and Management Control (Personal Banking, Retail Banking and Corporate Banking) and Strategic Planning (Priority Assignments)	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
		Apr. 2016 Deputy President & Executive Officer / Head of Retail & Business Banking Company (current)	
Daisaku Abe (June 20, 1957)	Deputy President & Executive Officer	Apr. 2007 Executive Officer / General Manager of Executive Secretariat of the former Mizuho Corporate Bank, Ltd.	June 2017
	Head of IT & Systems Group (Group CIO)	Apr. 2009 Managing Executive Officer / Head of Strategic Planning Group, Head of IT, Systems & Operations Group and General Manager of Group Strategic Planning of Mizuho Financial Group, Inc.	
	Head of Operations Group (Group COO)	Apr. 2011 Managing Executive Officer / Head of Strategic Planning Group and Head of IT, Systems & Operations Group	
	Deputy President & Executive Officer of Mizuho Bank, Ltd.	Apr. 2012 Managing Executive Officer / Head of IT & Systems Group and Head of Operations Group	
		Managing Executive Officer / Head of IT & Systems Group and Head of Operations Group of the former Mizuho Bank, Ltd. (until Apr. 2013)	
		Managing Executive Officer / Head of IT & Systems Group and Head of Operations Group of the former Mizuho Corporate Bank, Ltd. (until Apr. 2013)	
		Managing Executive Officer / In charge of IT & Systems Group and Operations Group of Mizuho Trust & Banking Co., Ltd. (until Apr. 2014)	
		June 2012 Executive Managing Director / Head of IT & Systems Group and Head of Operations Group of Mizuho Financial Group, Inc.	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
		<p>Apr. 2013 Deputy President / Head of IT &amp; Systems Group and Head of Operations Group (until June 2014)</p> <p>Deputy President &amp; Executive Officer / Head of IT &amp; Systems Group and Head of Operations Group of the former Mizuho Bank, Ltd.</p> <p>Deputy President &amp; Executive Officer / Head of IT &amp; Systems Group and Head of Operations Group of the former Mizuho Corporate Bank, Ltd.</p> <p>Managing Executive Officer / In charge of IT &amp; Systems Group and Operations Group of Mizuho Securities Co., Ltd. (until Apr. 2014)</p>	
		<p>July 2013 Deputy President &amp; Executive Officer / Head of IT &amp; Systems Group and Head of Operations Group of Mizuho Bank, Ltd. (current)</p>	
		<p>June 2014 Deputy President &amp; Executive Officer / Head of IT &amp; Systems Group and Head of Operations Group of Mizuho Financial Group, Inc. (current)</p>	
Kosuke Nakamura (Apr. 29, 1957)	<p>Deputy President &amp; Executive Officer</p> <p>Head of Corporate &amp; Institutional Company</p> <p>Deputy President &amp; Executive Officer of Mizuho Bank, Ltd.</p>	<p>Apr. 2008 Executive Officer, General Manager of Singapore Branch of the former Mizuho Corporate Bank, Ltd.</p> <p>Apr. 2011 Managing Executive Officer (until July 2013)</p> <p>Apr. 2012 Managing Executive Officer of the former Mizuho Bank, Ltd.</p> <p>July 2013 Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>Apr. 2014 Deputy President / Head of Business Promotion</p>	June 2017

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
Akira Sugano (July 25, 1959)	Senior Managing Executive Officer  Head of Global Corporate Company	Apr. 2016 Deputy President & Executive Officer / Head of Corporate & Institutional Company (current)  Deputy President & Executive Officer / In charge of Special Missions of Mizuho Bank, Ltd. (current)	June 2017
		Apr. 2009 Executive Officer / General Manager of International Coordination Division of the former Mizuho Corporate Bank, Ltd.	
		Apr. 2012 Managing Executive Officer / Head of Investment Banking Unit, Head of Asset Management Unit and In charge of Business Collaboration Division (Securities & Trust Services) of the former Mizuho Bank, Ltd.	
		Managing Executive Officer / Head of Investment Banking Unit, Head of Asset Management Unit and In charge of Business Collaboration Division (Securities & Trust Services) of the former Mizuho Corporate Bank, Ltd.	
Apr. 2013 Managing Executive Officer / Head of International Banking Unit and Head of Asset Management Unit of Mizuho Financial Group, Inc. (until Apr. 2014)	Managing Executive Officer / Head of Asset Management Unit and In charge of coordination with International Banking Unit of the former Mizuho Corporate Bank, Ltd. of the former Mizuho Bank, Ltd.	Managing Executive Officer / Head of International Banking Unit and Head of Asset Management Unit of the former Mizuho Corporate Bank, Ltd.	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
		July 2013 Managing Executive Officer / Head of International Banking Unit and Head of Asset Management Unit of Mizuho Bank, Ltd.	
		Apr. 2014 Senior Managing Executive Officer / Head of Strategic Planning and Management Control (International Banking, Investment Banking and Asset Management) of Mizuho Financial Group, Inc.	
		Apr. 2015 Senior Managing Executive Officer / Head of Strategic Planning and Management Control (International Banking, Investment Banking, Transaction and Asset Management) and Strategic Planning (Priority Assignments)	
		Apr. 2016 Senior Managing Executive Officer / Head of Global Corporate Company (current)	
Shusaku Tsuhara (Jan. 6, 1960)	See “—Directors.”	See “—Directors.”	June 2017
Junichi Kato (July 30, 1957)	Senior Managing Executive Officer  Head of Global Markets Company	Apr. 2008 Executive Officer of Mizuho Securities Co., Ltd. / President & CEO of Mizuho Bank (Switzerland) Ltd.  Apr. 2009 Managing Executive Officer of the former Mizuho Bank, Ltd.  Apr. 2012 Managing Executive Officer / Joint Head of Markets Unit of the former Mizuho Bank, Ltd.  Managing Executive Officer / Joint Head of Markets Unit of the former Mizuho Corporate Bank, Ltd.  July 2013 Managing Executive Officer / Joint Head of Markets Unit of Mizuho Bank, Ltd.  Apr. 2014 Managing Executive Officer / Head of Markets Unit of Mizuho Financial Group, Inc.	June 2017



Name (date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as executive officer
			Managing Executive Officer / Head of Markets Unit of Mizuho Bank, Ltd.	
		Apr. 2016	Senior Managing Executive Officer / Head of Global Markets Company (current)	
Katsunobu Motohashi (Nov. 11, 1957)	Senior Managing Executive Officer	Apr. 2009	Executive Officer / General Manager of Treasury Department of Mizuho Trust & Banking Co., Ltd.	June 2017
	Head of Asset Management Company	Apr. 2010	Managing Executive Officer	
	Senior Managing Executive Officer of Mizuho Bank, Ltd.	Apr. 2012	Managing Executive Officer / Head of Pension Business Unit & Asset Management Unit (until Apr. 2014)	
		Apr. 2013	Managing Executive Officer / Deputy Head of Asset Management Unit of Mizuho Financial Group, Inc.	
		Apr. 2014	Managing Executive Officer / Head of Asset Management Unit	
			Managing Executive Officer / Head of Asset Management Unit of Mizuho Bank, Ltd.	
		Apr. 2016	Senior Managing Executive Officer / Head of Asset Management Company (current)	
		Senior Managing Executive Officer / Head of Asset Management Division of Mizuho Bank, Ltd. (current)		
Masayuki Yonetani (Apr. 20, 1958)	Senior Managing Executive Officer	Apr. 2009	Executive Officer / General Manager of Corporate Banking Coordination Division of the former Mizuho Corporate Bank, Ltd.	June 2017
	Head of Internal Audit Group	Apr. 2011	Managing Executive Officer	
		Apr. 2012	Managing Executive Officer / Head of Corporate Banking Unit of the former Mizuho Corporate Bank, Ltd. (until July 2013)	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
		Managing Executive Officer / Head of Corporate Banking Unit and In charge of Corporate Banking Unit (Large Corporations) of the former Mizuho Bank, Ltd. (until July 2013)	
		Apr. 2013 Managing Executive Officer / Head of Corporate Banking Unit of Mizuho Financial Group, Inc. (until Apr. 2015)	
		July 2013 Managing Executive Officer / Head of Corporate Banking Unit of Mizuho Bank, Ltd.	
		Apr. 2015 Managing Executive Officer / Head of Internal Audit Group	
		Apr. 2016 Senior Managing Executive Officer / Head of Internal Audit Group of Mizuho Financial Group, Inc. (current)	
Keiichiro Ogushi (Aug. 20, 1960)	Senior Managing Executive Officer  Head of Research & Consulting Unit	Apr. 2011 Executive Officer / General Manager of Corporate Banking Coordination Division of the former Mizuho Corporate Bank, Ltd.	June 2017
		Apr. 2012 Executive Officer / General Manager of Corporate Banking Coordination Division (Large Corporations) of the former Mizuho Bank, Ltd.	
		Executive Officer / General Manager of Corporate Banking Coordination Division (Large Corporations) of the former Mizuho Corporate Bank, Ltd.	
		Apr. 2013 Managing Executive Officer of the former Mizuho Bank, Ltd.  Managing Executive Officer of the former Mizuho Corporate Bank, Ltd.	
		July 2013 Managing Executive Officer of Mizuho Bank, Ltd.	
		Apr. 2015 Managing Executive Officer / Head of Retail Banking Unit and Head of Corporate Banking Unit of Mizuho Financial Group, Inc.	

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as executive officer
		Managing Executive Officer / Head of Retail Banking Unit and Head of Corporate Banking Unit of Mizuho Bank, Ltd.	
		Apr. 2016 Senior Managing Executive Officer / Head of Research & Consulting Unit (current)	
Daisuke Yamada (Oct. 10, 1960)	Managing Executive Officer	Apr. 2011 Executive Officer / General Manager of Industry Research Division of the former Mizuho Corporate Bank, Ltd. (Until Apr. 2013)	June 2017
	Head of Global Products Unit		
	In charge of Incubation Project Team		
	Managing Executive Officer of Mizuho Bank, Ltd.	Apr. 2012 Executive Officer / General Manager of Industry Research Division of the former Mizuho Bank, Ltd.	
		Apr. 2013 Managing Executive Officer of the former Mizuho Bank, Ltd.	
		Managing Executive Officer of the former Mizuho Corporate Bank, Ltd.	
		July 2013 Managing Executive Officer of Mizuho Bank, Ltd.	
		Apr. 2014 Managing Executive Officer / Head of Corporate Banking Unit (Large Corporations) of Mizuho Financial Group, Inc.	
		Managing Executive Officer / Head of Corporate Banking Unit (Large Corporations) of Mizuho Bank, Ltd.	
		Apr. 2016 Managing Executive Officer / Head of Global Products Unit and In charge of Incubation Project Team (current)	
		Managing Executive Officer / Head of Global Products Unit of Mizuho Bank, Ltd. (current)	
Ryusuke Aya (May 20, 1960)	See “—Directors.”	See “—Directors.”	June 2017
Koji Fujiwara (June 29, 1961)	See “—Directors.”	See “—Directors.”	June 2017

Name (date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as executive officer
Satoshi Ishii (Sep. 1, 1963)	Managing Executive Officer	Apr. 2011	General Manager of Executive Secretariat of the former Mizuho Corporate Bank, Ltd. (until July 2013)	June 2017
	Head of Human Resources Group (Group CHRO)	Apr. 2013	General Manager for Executive Secretariat of Mizuho Financial Group, Inc. (until Jan. 2014)	
	Managing Executive Officer of Mizuho Bank, Ltd.	July 2013	General Manager for Executive Secretariat of Mizuho Bank, Ltd. (until Mar. 2014)	
		Jan. 2014	General Manager for Executive Secretariat and General Manager of Reorganization Project Team of Mizuho Financial Group, Inc.	
		Apr. 2014	Executive Officer / General Manager of Corporate Secretariat  Executive Officer / General Manager of Corporate Secretariat of Mizuho Bank, Ltd.	
		Apr. 2015	Managing Executive Officer / Head of Human Resources Group of Mizuho Financial Group, Inc. (current)  Managing Executive Officer / Head of Human Resources Group of Mizuho Bank, Ltd. (current)	
Koichi Iida (Oct. 6, 1962)	See “—Directors.”	See “—Directors.”		June 2017

No family relationship exists among any of the directors and executive officers.

## 6.B. Compensation

Mizuho Financial Group transformed from a Company with Audit & Supervisory Board into a Company with Three Committees on June 24, 2014. The following provides information before and after the transformation.

Before the transformation, in accordance with the Companies Act, as a Company with Audit & Supervisory Board, compensation for directors and audit & supervisory board members, including bonuses, retirement allowances and incentive stock options, needed to be approved at general meetings of shareholders, as the articles of incorporation did not specify otherwise. The shareholders’ approval specified the upper limit of the aggregate amount of compensation and included the description of benefits in kind. Compensation for a director or audit &

supervisory board member was fixed by the Board of Directors or by consultation among audit & supervisory board members in accordance with Mizuho Financial Group's internal regulations and practice and, in the case of retirement allowances, generally reflected the position of the director or audit & supervisory board member at the time of retirement, the length of his service as a director or audit & supervisory board member and his contribution to the company's performance.

After the transformation, in accordance with the Companies Act, as a Company with Three Committees, compensation for each individual director and executive officer as defined in the Companies Act, including bonuses, retirement allowances and incentive stock options, needs to be determined at the Compensation Committee, which is required to consist of at least three directors and the majority of which is required to consist of outside directors. See "Item 6. C. Board Practices" for more information regarding Mizuho Financial Group's corporate governance.

The aggregate compensation, including bonuses and incentive stock options (stock acquisition rights) but excluding retirement allowances, paid by Mizuho Financial Group and its subsidiaries to the directors and executive officers as defined in the Companies Act of Mizuho Financial Group during the fiscal year ended March 31, 2016 was ¥224 million and ¥747 million, respectively. The performance payments and performance-based stock compensation, as described below (which, in principle, shall constitute 40% of total compensation), for the fiscal year ended 31, 2016 (collectively, the "FY 2015 Variable Compensation") are planned to be made or paid starting the second quarter of the fiscal year ending March 31, 2017 (for the performance payments) and the second quarter of the fiscal year ending March 31, 2018 (for the performance-based stock compensation), respectively.

Listed companies in Japan are required under Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., to disclose the compensation provided to their directors, audit & supervisory board members and executive officers as defined in the Companies Act for the relevant fiscal year if the aggregate annual compensation per the director / audit & supervisory board member / executive officer as defined in the Companies Act equals or exceeds ¥100 million (including any compensation provided by major subsidiaries of such listed company as directors and audit & supervisory board members of such subsidiaries). Without taking into account the FY2015 Variable Compensation, none of Mizuho Financial Group's directors (including members of the Audit Committee) and executive officers as defined in the Companies Act received compensation that equaled or exceeded the foregoing amount in the fiscal year ended March 31, 2016.

Mizuho Financial Group and some of its subsidiaries, including the former Mizuho Bank and the former Mizuho Corporate Bank, abolished their respective retirement allowance programs for directors, audit & supervisory board members and officers. At the ordinary general meeting of shareholders held in June 2008, Mizuho Financial Group and such subsidiaries obtained shareholders' approval for a payment of lump sum retirement allowances for directors and audit & supervisory board members (other than those elected after such shareholders' meeting) at the time of their respective retirement.

In conjunction with the abolishment of the retirement allowance program, Mizuho Financial Group obtained shareholders' approval for the introduction of stock acquisition rights for directors (excluding outside directors) at the ordinary general meeting of shareholders held on June 26, 2008. On January 30, 2009, the Board of Directors resolved to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 5,409 stock acquisition rights on February 16, 2009. As the directors of Mizuho Financial Group, the directors received 435 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until February 16, 2029. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥190,910 as of March 31, 2016.

On September 3, 2009, the Board of Directors resolved to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 5,835 stock acquisition rights on September 25, 2009. As the directors of Mizuho Financial Group, the directors received 500 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until September 25, 2029. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥168,690 as of March 31, 2016.

On July 30, 2010, the Board of Directors resolved to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 6,808 stock acquisition rights on August 26, 2010. As the directors of Mizuho Financial Group, the directors received 500 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until August 26, 2030. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥119,520 as of March 31, 2016.

On November 18, 2011, the Board of Directors resolved to issue stock acquisition rights to directors and executive officers, and subsequently allotted an aggregate of 12,452 stock acquisition rights on December 8, 2011. As the directors of Mizuho Financial Group, the directors received 500 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until December 8, 2031. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥91,840 as of March 31, 2016.

On July 31, 2012, the Board of Directors resolved to issue stock acquisition rights to directors and executive officers, and subsequently allotted an aggregate of 11,776 stock acquisition rights on August 31, 2012. As the directors of Mizuho Financial Group, the directors received 498 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until August 31, 2032. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥113,250 as of March 31, 2016.

On January 31, 2014, the Board of Directors resolved to issue stock acquisition rights to directors and executive officers, and subsequently allotted an aggregate of 7,932 stock acquisition rights on February 17, 2014. As the directors of Mizuho Financial Group, the directors received 184 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until February 17, 2034. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥192,610 as of March 31, 2016.

On May 14, 2014, the Board of Directors determined to delegate to the President & CEO the authority to determine to issue stock acquisition rights to directors and executive officers, provided that Mizuho Financial Group would transform from a Company with Audit & Supervisory Board into a Company with Three Committees. Later, on June 24, 2014, the transformation was approved at the ordinary general meeting of shareholders.

On November 14, 2014, the President & CEO determined to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 9,602 stock acquisition rights on December 1, 2014. As the directors of Mizuho Financial Group, the directors received 126 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of the common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until December 1, 2034. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥186,990 as of March 31, 2016.

Mizuho Financial Group's Compensation Committee resolved, at the meeting held on May 15, 2015, to discontinue the incentive stock option program along with the introduction of performance payments and performance-based stock compensation for directors and officers. For further information on the performance payments and performance-based stock compensation, see "Mizuho Financial Group Compensation Policy" below.

### **"Mizuho Financial Group Compensation Policy"**

Mizuho Financial Group set out the "Mizuho Financial Group Compensation Policy" concerning the determination of compensation for each individual director, executive officer and specialist officer ("Directors, etc.") of Mizuho Financial Group as well as Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities ("Core Subsidiaries").

Executive compensation for Mizuho Financial Group and the Core Subsidiaries pursuant to such policy aims to function as incentive and compensation for each officer to exercise the designated function to the fullest with respect to striving to realize management with consideration to value creation for various stakeholders and improve corporate value through continuous and stable corporate growth based on our basic management policies under our Corporate Identity.

#### ***Basic Policy***

The basic policy with respect to the determination concerning the individual compensation of Directors, etc., of Mizuho Financial Group and the Core Subsidiaries is set forth below:

- The executive compensation shall be based on the function and responsibility assigned to and the performance of each of the Directors, etc.
- The executive compensation shall give consideration to improving corporate value and creating value for various stakeholders over the medium to long term.
- The executive compensation shall reflect the management environment and business performance of our group.
- The executive compensation shall enable compensation for securing expert personnel such as professionals with a competitive edge in the market.
- The compensation system and standards shall be reevaluated based on such factors as the economic and social conditions and survey data with respect to management compensation provided by external specialized organizations.
- Regulations and guidelines, etc., concerning executive compensation, both in Japan and overseas, shall be complied with.

#### ***Compensation System***

The compensation system for executive officers as defined in the Companies Act (including executive officers who are directors), executive officers as defined in our internal regulations and specialist officers as well as directors, executive officers and specialist officers of the Core Subsidiaries responsible for business execution ("Officers Responsible for Business Execution") shall be separate from that for the non-executive directors of Mizuho Financial Group and the directors of the Core Subsidiaries responsible for management supervision ("Non-Executive Officers Responsible for Management Supervision").

The basic compensation system for Officers Responsible for Business Execution shall consist of basic salaries in the form of fixed compensation as well as variable compensation consisting of performance payments and performance-based stock compensation. The ratio of fixed compensation to variable compensation, the range

of variable compensation based on business performance and the payment method shall be designated in light of sound incentivization for sustainable growth and restraint on excessive risk taking, while our taking into account regulations and guidelines as well as research data, etc., both in Japan and overseas, concerning executive compensation. In principle, the ratio of fixed to variable compensations shall be 6 to 4 and the ratio of performance payments to performance-based stock compensation shall be 1 to 1, based on which the standard amount shall be calculated for each position. The variable compensation shall reflect each officer's performance within the range of 0% to 150% of the standard amount for each position. The basic salaries, the performance payments and the performance-based stock compensation as well as the payment methods, etc., are in principle as set forth below:

- 1) The basic salaries shall factor in each officer's function and responsibility in addition to the standard amount for each position.
- 2) The performance payments shall be monetary made as officers' incentive to achieve the annual budget and as compensation for their achievement. The payment thereof shall reflect each officer's performance in addition to the standard amount for each position. A system shall be adopted which enables certain amount of deferred payments of the performance payments over three years, as well as a decrease or forfeiture of the deferred amount depending on performance, etc.
- 3) The performance-based stock compensation shall be paid in the form of shares of common stock of Mizuho Financial Group acquired from the stock market through a trust with an aim to align officers' interests with those of the shareholders and increase the incentive to enhance corporate value. The payment thereof shall reflect each officer's performance in addition to the standard amount for each position. A system shall be adopted which enables the entire amount of deferred payments of the performance-based stock compensation over three years, as well as a decrease or forfeiture of the deferred amount depending on performance, etc.
- 4) The variable compensation intended for professional personnel, etc., appointed from outside the group shall be individually designed based on the duties and characteristics of business responsibilities and market values, etc., of each officer, a system which enables certain amount or a portion of deferred payments and non-monetary payments such as stock, as well as a decrease or forfeiture (clawback) of the deferred amount depending on the performance, etc., of the company and such personnel.

The compensation for Non-Executive Officers Responsible for Management Supervision, in principle, shall be in the form of fixed compensation from the perspective of ensuring the effectiveness of the supervisory function and shall consist of basic salaries and stock compensations.

- 1) The basic salaries shall factor in each officer's function and responsibilities in addition to the basic amount for each of the full-time and part-time non-executive officers.
- 2) The stock compensation shall be paid to full-time internal directors excluding outside directors in accordance with the standard amount based on each position. However, the payment standards shall not fluctuate depending on each officer's level of performance. A system shall be adopted which enables the entire amount of deferred payments of the stock compensation over three years, as well as a decrease or forfeiture of the deferred amount depending on performance, etc.

### ***Compensation Determination Process***

The Compensation Committee shall determine the determination policy of executive compensation for Mizuho Financial Group and the Core Subsidiaries and the executive compensation system, including the system set out in "Compensation System." In addition, the Compensation Committee shall determine the compensation for each individual director and executive officer as defined in the Companies Act of Mizuho Financial Group and approve at Mizuho Financial Group the compensation of each individual director of the Core Subsidiaries.



The President & CEO, pursuant to this policy and regulations and detailed rules, etc., shall determine the compensation for each executive officer as defined in our internal regulations of Mizuho Financial Group and approve at Mizuho Financial Group the compensation of each individual executive officer of the Core Subsidiaries, etc.

All members of the Compensation Committee shall be appointed from among outside directors (or at least non-executive directors) and the chairman thereof shall be an outside director.

The Compensation Committee, where necessary, may have officers who are not members of the committee (including officers of the Core Subsidiaries) such as the President & CEO and external experts, etc., attend its meetings and request their opinion.

### ***Revision and Abolishment of the Policy***

Revision and abolishment of the Policy shall be resolved by the Compensation Committee of Mizuho Financial Group.

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

Under the Companies Act, Companies with Three Committees are required to establish a nominating committee, a compensation committee and an audit committee and the majority of the respective committee members must be outside directors, as defined under the Companies Act. Such companies are also required to appoint executive officers under the Companies Act.

Mizuho Financial Group transformed into a Company with Three Committees from a Company with Audit & Supervisory Board in June 2014. The company believes that, under the current legal system, a Company with Three Committees is the most effective as a system to realize the basic policy regarding our corporate governance system for the following reasons:

- To allow executive officers to make swift and flexible decisions on business execution delegated by the Board of Directors and to implement business execution, and to allow the Board of Directors to focus on determining matters such as basic management policies and effectively supervising management.
- To secure to the fullest extent possible a checks and balances function that fully utilizes the viewpoints of outside parties and objectively secure appropriateness and fairness in decision-making through members of the Nominating Committee, the Compensation Committee and the Audit Committee, which consist mainly of outside directors.
- To make possible the creation of systems that are necessary to realize the fundamental perspectives regarding our corporate governance in a form that takes into account what we aim to be and our challenges.
- To be in line with governance systems that are required globally with a strong recognition that we operate globally and are in a position in which we should play a leading role in the industry as a financial group that is a G-SIFI to continue constructing an even stronger governance system that will agilely respond to domestic and global structural changes and overcome a highly competitive environment; and as a result, to allow us to fulfill our social role and mission, which is to realize continuous and stable corporate growth and improved corporate value and shareholder interests and contribute to domestic and global economic and industrial development and prosperity of society, in response to the demands of our stakeholders.

Pursuant to its articles of incorporation, Mizuho Financial Group has established general meetings of shareholders, individual directors, the Board of Directors, the Nominating Committee, the Compensation Committee, the Audit Committee and an independent accounting auditor as the primary components of its corporate governance system.

## **Board of Directors**

Under the Companies Act, directors are elected by resolution of the general meetings of shareholders, and their term of office ends at the close of the ordinary general meeting of shareholders relating to the fiscal year ending within a year following their appointment.

In addition, under the Companies Act, the duties of the board of directors include making decisions on business execution and supervision of the execution of duties of directors and executive officers, and by its resolution, it may delegate making decisions on business execution (excluding certain specified matters) to the executive officers.

The main roles of the Board of Directors are making decisions on business execution such as basic management policies, which are legally matters to be determined solely by the Board of Directors, and supervising the execution of duties by directors and executive officers. The Board of Directors shall, in principle, delegate to the President & CEO, who is also the Group CEO, decisions on business execution (excluding matters that are legally required to be determined solely by the Board of Directors), for the purpose of realizing swift and flexible decision-making and expeditious corporate management and strengthening the supervision of directors and executive officers by the Board of Directors.

Pursuant to the articles of incorporation, Mizuho Financial Group has no more than 15 directors and maintains the following structure in order to manage the Board of Directors in an effective and stable manner. In light of the role of the Board of Directors to supervise management, (i) outside directors and internal directors who do not concurrently serve as persons performing executive roles (“Internal Non-Executive Directors,” and together with outside directors, “Non-Executive Directors”) comprise a majority of the directors in the Board of Directors and (ii) at least a third of the members of the Board of Directors are outside directors. Currently, the Board of Directors consists of a total of 13 directors (six outside directors, two Internal Non-Executive Directors and five directors concurrently serving as executive officers).

The Chairman of the Board of Directors shall, in principle, be an outside director (or at least a Non-Executive Director) in light of the role of the Board of Directors to supervise management. Currently, Ms. Hiroko Ota serves as the Chairman of the Board of Directors.

## **Nominating Committee**

Under the Companies Act, the nominating committee is required to consist of at least three directors, and the majority of its members is required to consist of outside directors. The duties of the nominating committee include the determination of the contents of proposals regarding the appointment and dismissal of directors to be submitted to the general meetings of shareholders.

The main roles of the Nominating Committee of Mizuho Financial Group are determining the contents of proposals regarding the appointment and dismissal of directors of Mizuho Financial Group to be submitted to the general meetings of shareholders, exercising the approval rights held by Mizuho Financial Group with respect to the appointment and dismissal of directors of each of Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities (the “Core Subsidiaries”), and exercising the approval rights held by Mizuho Financial Group with respect to the appointment and removal of representative directors and senior directors of the Core Subsidiaries.

The Chairman of the Nominating Committee shall be an outside director, and in principle its members shall be appointed from among outside directors (or at least Non-Executive Directors) in order to ensure objectivity and transparency in the appointment of directors. Currently, all members of the Nominating Committee, including the Chairman, are outside directors. As of June 24, 2016, the members of the Nominating Committee are Mr. Mitsuo Ohashi (Chairman), Mr. Takashi Kawamura, Mr. Tatsuo Kainaka and Ms. Hiroko Ota.

## **Compensation Committee**

Under the Companies Act, the compensation committee is required to consist of at least three directors, and the majority of its members is required to consist of outside directors. The duties of the compensation committee include the determination of the compensation for each individual director and executive officer.

The main roles of the Compensation Committee of Mizuho Financial Group are determining the compensation for each individual director and executive officer of Mizuho Financial Group, exercising the approval rights held by Mizuho Financial Group regarding compensation of each individual director of the Core Subsidiaries, and determining the basic policies and compensation system for directors and executive officers of Mizuho Financial Group and the Core Subsidiaries.

The Chairman of the Compensation Committee shall be an outside director, and in principle its members shall be appointed from among the outside directors (or at least Non-Executive Directors) in order to ensure objectivity and transparency in the compensation of directors and executive officers. Currently, all members of the Compensation Committee, including the Chairman, are outside directors. As of June 24, 2016, the members of the Compensation Committee are Mr. Tatsuo Kainaka (Chairman), Mr. Tetsuo Seki and Mr. Takashi Kawamura.

## **Audit Committee**

Under the Companies Act, the audit committee is required to consist of at least three Non-Executive Directors, and the majority of its members is required to consist of outside directors. The duties of the audit committee include the audit of the execution of duties by directors and executive officers and preparation of audit reports.

The main roles of the Audit Committee of Mizuho Financial Group are auditing the execution of duties by the directors and executive officers, monitoring and inspecting the establishment and management of the internal control system of Mizuho Financial Group and its subsidiaries, monitoring and inspecting the condition of the execution of duties with respect to corporate management of subsidiaries and others by executive officers, preparing audit reports, and determining the contents of proposals regarding the appointment, dismissal and non-reappointment of accounting auditors to be submitted to the general meetings of shareholders.

Given that it is necessary for the Audit Committee to gather information through internal directors who are familiar with the financial business and related regulations, share information among the Audit Committee and to have sufficient coordination with internal control departments, Mizuho Financial Group shall in principle appoint one or two Internal Non-Executive Directors as full-time members of the Audit Committee. The majority of its members shall be outside directors. Currently, among the five members of the Audit Committee, two members are appointed among Internal Non-Executive Directors as full-time members of the Audit Committee, and three members are appointed among outside directors. As of June 24, 2016, the members of the Audit Committee are Mr. Hideyuki Takahashi (Chairman), Mr. Tetsuo Seki, Mr. Tatsuo Kainaka, Mr. Hirotake Abe and Mr. Nobukatsu Funaki.

All members of the Audit Committee shall be independent under the provisions of the United States Securities and Exchange Commission and the rules of the New York Stock Exchange. Further, at least one member of the Audit Committee shall be a “financial expert” as defined under U.S. laws and regulations.

Mizuho Financial Group has established committees and other organizations on a voluntary basis in addition to the above legally-required three committees as set forth below:

- Human Resources Review Meeting

Mizuho Financial Group has established the Human Resources Review Meeting that consists of the President & CEO and outside directors who serve as members of the Nominating Committee and the

Compensation Committee as a deliberative body that mainly conducts the deliberation of proposals to appoint executive officers as defined in the Companies Act and executive officers as defined in our internal regulations with title of Mizuho Financial Group and executive officers as defined in our internal regulations with title of Core Subsidiaries and assessment of executive officers.

- Risk Committee

Mizuho Financial Group has established the Risk Committee that in principle fully consists of Non-Executive Directors or external experts as an advisory body that mainly advises the Board of Directors with respect to the supervision of the determination and the implementation relating to risk governance.

- External Director Session

Mizuho Financial Group has established the External Director Session that consists of all outside directors and the President & CEO as a forum for free discussions with an aim to deepen outside directors' understanding of our group and share the top management's awareness of issues through communication among directors.

## **Executive Officers**

Under the Companies Act, Companies with Three Committees are required to appoint at least one executive officer by resolution of the board of directors, and its term of office ends at the close of the meeting of the board of directors initially convened following the close of the ordinary general meeting of shareholders relating to the fiscal year ending within a year following appointment. Executive officers shall decide on the business execution delegated by a resolution of the board of directors and implement business execution.

Executive officers of Mizuho Financial Group take charge of making decisions on business execution delegated by a resolution of the Board of Directors and implementing business execution of Mizuho Financial Group.

Mizuho Financial Group shall appoint as executive officers the Group CEO and, in principle, all heads of In-house Companies, Units and Groups based on the policy that it is necessary to appoint as executive officers people who make decisions on business execution delegated by the Board of Directors as managers of Mizuho Financial Group and who assume a comprehensive role of business execution.

While the President & CEO is responsible for business execution at Mizuho Financial Group, from the perspective of providing a checks and balances function and ensuring sufficient consideration in connection with decision-making, in principle, determination of delegated matters relating to making decisions on business execution following the transformation into a Company with Three Committees shall be based on deliberation of the Executive Management Committee (however, excluding matters ensured to be deliberated and discussed under sufficient checks and balances by Non-Executive Directors such as through the Nominating Committee, the Compensation Committee and the Human Resources Review Meeting).

## **Agreements with Directors, etc.**

None of the directors has service contracts with Mizuho Financial Group providing for benefits upon termination of service.

Mizuho Financial Group's articles of incorporation, in accordance with the Companies Act, allows the company to enter into an agreement with outside directors that limits their liabilities incurred in connection with their service. The limitation of liabilities under such agreement, if the outside director performed his/her duty in good faith without gross negligence, 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 such outside director. Pursuant to the provisions, Mizuho Financial Group has entered into such agreements with all of its outside directors that are in office.

Based on the rules of the Tokyo Stock Exchange, listed companies are required to have at least one member of the board of directors to be “independent.” Currently, five of Mizuho Financial Group’s outside directors meet such independence requirements.

For additional information on directors and the board practices, see “Item 6.A. Directors and Senior Management—Directors” 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 2.2 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 Mizuho Financial Group, are permitted to follow home country practices in lieu of certain provisions of Section 303A, and the company is relying on this exemption. See “Item 16.G. Corporate Governance” for a summary of significant ways in which corporate governance practices of Mizuho Financial Group differ from those followed by NYSE-listed U.S. companies.

### 6.D. Employees

As of March 31, 2014, 2015 and 2016, we had 54,911, 54,784 and 56,375 employees, respectively, on a consolidated basis, including overseas local staff but excluding advisers and temporary employees. We also had an average of approximately 20,584 temporary employees during the fiscal year ended March 31, 2016.

The following tables show our full-time employees as of March 31, 2016 and the average number of temporary employees for the fiscal year ended March 31, 2016, each broken down based on business segment and geographical location:

<u>Business segment</u>	<u>Number of full-time employees</u>	<u>Average number of temporary employees</u>
Mizuho Bank . . . . .	35,382	17,172
Mizuho Trust & Banking . . . . .	4,879	1,310
Mizuho Securities . . . . .	9,182	1,555
Others . . . . .	6,932	547
Total . . . . .	56,375	20,584

<u>Location</u>	<u>Percentage of full-time employees</u>	<u>Average percentage of temporary employees</u>
Japan . . . . .	91.5%	99.9%
Americas . . . . .	2.3	0.0
Europe . . . . .	1.4	0.1
Asia/Oceania (excluding Japan) and others . . . . .	4.8	0.0
Total . . . . .	100.0%	100.0%

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

## 6.E. Share Ownership

The following table shows the number of shares of Mizuho Financial Group's common stock owned by its directors and executive officers as of June 30, 2016:

<u>Directors</u>	<u>Number of shares owned</u>
Yasuhiro Sato . . . . .	38,680
Shusaku Tsuhara . . . . .	388,600
Ryusuke Aya . . . . .	145,080
Koji Fujiwara . . . . .	166,200
Koichi Iida . . . . .	11,520
Hideyuki Takahashi . . . . .	413,160
Nobukatsu Funaki . . . . .	23,800
Mitsuo Ohashi . . . . .	9,700
Tetsuo Seki . . . . .	8,000
Takashi Kawamura . . . . .	130,000
Tatsuo Kainaka . . . . .	9,700
Hirotake Abe . . . . .	8,000
Hiroko Ota . . . . .	5,000

<u>Executive Officers</u>	<u>Number of shares owned</u>
Yasuhiro Sato . . . . .	See above
Toshitsugu Okabe . . . . .	598,100
Daisaku Abe . . . . .	276,380
Kosuke Nakamura . . . . .	591,600
Akira Sugano . . . . .	356,900
Shusaku Tsuhara . . . . .	See above
Junichi Kato . . . . .	573,100
Katsunobu Motohashi . . . . .	227,240
Masayuki Yonetani . . . . .	443,000
Keiichiro Ogushi . . . . .	317,670
Daisuke Yamada . . . . .	22,000
Ryusuke Aya . . . . .	See above
Koji Fujiwara . . . . .	See above
Satoshi Ishii . . . . .	82,100
Koichi Iida . . . . .	See above

None of the directors or executive officers is the owner of more than one percent of Mizuho Financial Group's common stock, and no director or executive officer has voting rights with respect to our common stock that are different from any other holder of our common stock.

For information on our incentive stock options (stock acquisition rights) and performance-based stock compensation for directors, see "Item 6.B Compensation."

We maintain an employee stock ownership plan under which participating employees of the companies listed below is 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 this plan held as of March 31, 2016:

<u>Plan</u>	<u>As of March 31, 2016</u>	
	<u>Employer companies</u>	<u>Number of shares owned</u>
Mizuho Employee Stock Ownership Plan . . . . .	Mizuho Financial Group Mizuho Bank Mizuho Trust & Banking Mizuho Asset Management Mizuho Research Institute Mizuho Information & Research Institute	
Total . . . . .		<u>104,427,162</u>

## 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, 2016:

Name	As of March 31, 2016	
	Number of shares owned	Percentage of outstanding shares
Japan Trustee Services Bank, Ltd. (trustee account) . . . . .	1,129,574,200	4.51%
The Master Trust Bank of Japan, Ltd. (trustee account) . . . . .	821,774,700	3.28
Japan Trustee Services Bank, Ltd. (trustee account 9) . . . . .	559,050,700	2.23
The Bank of New York Mellon SA/NV 10 . . . . .	416,016,531	1.66
State Street Bank West Client – Treaty 505234 . . . . .	374,193,016	1.50
Nomura Securities Co., Ltd. . . . .	303,932,700	1.21
Japan Trustee Services Bank, Ltd. (trustee account 7) . . . . .	299,745,300	1.20
Japan Trustee Services Bank, Ltd. (trustee account 5) . . . . .	285,004,500	1.14
Japan Trustee Services Bank, Ltd. (trustee account 6) . . . . .	284,944,400	1.14
Japan Trustee Services Bank, Ltd. (trustee account 1) . . . . .	283,683,600	1.13
Total . . . . .	<u>4,757,919,647</u>	<u>19.01%</u>

As of March 31, 2016, there were 209 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 11% 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.

#### Preferred Stock

Classes of preferred stock with shares outstanding as of March 31, 2016 consisted of eleventh series class XI preferred stock, which is non-voting. The following tables set forth information about the ownership of shares of eleventh series class XI preferred stock by our major shareholders of the respective preferred stock as of March 31, 2016, as appearing on the register of preferred shareholders:

#### *Eleventh Series Class XI Preferred Stock*

Name	As of March 31, 2016	
	Number of shares owned	Percentage of outstanding shares
Chubu Electric Power Company, Incorporated . . . . .	5,000,000	5.04%
Sapporo Holdings Limited . . . . .	2,000,000	2.02
Sohgo Security Services Co., Ltd. . . . .	2,000,000	2.02
SoftBank Group Corp. . . . .	2,000,000	2.02
Century Tokyo Leasing Corporation . . . . .	2,000,000	2.02
Tosoh Corporation . . . . .	2,000,000	2.02
Matsubara-Kosan Corporation . . . . .	2,000,000	2.02
Ajinomoto Co., Inc. . . . .	1,500,000	1.52
Inpex Corporation . . . . .	1,500,000	1.52
Seihoku Corporation . . . . .	1,500,000	1.52
Total . . . . .	<u>21,500,000</u>	<u>21.73%</u>

Note:

- (1) All of the shares of the eleventh series class XI preferred stock issued by Mizuho Financial Group (914,752,000 shares) were acquired on July 1, 2016 and cancelled on July 13, 2016.



As of March 31, 2016, there were no holders of our preferred stock with addresses in the United States.

To our knowledge, we are not directly or indirectly owned or controlled by any other corporation(s), by any foreign government or by any other natural or legal person(s) severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control.

#### **7.B. Related Party Transactions**

We and our subsidiary banks had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although, for the fiscal year ended March 31, 2016, such transactions included, but were not limited to, call money, loans, deposits, guarantees and foreign exchange transactions, those transactions were immaterial and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

During the fiscal year ended March 31, 2016, none of the directors or executive officers, 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, 2016.

During the fiscal year ended March 31, 2016, no loans were made to the directors or executive officers other than loans in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and involving no more than the normal risk of collectability or presenting other unfavorable features.

#### **7.C. Interests of Experts and Counsel**

Not applicable.

## **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. In addition, we are involved in the following legal proceedings.

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 a dispute 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 a lawsuit brought by the obligors under the bonds in Indonesia. Our consolidated financial statements do not include a reserve in relation to this dispute 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 been implementing disciplined capital management by pursuing the optimal balance between strengthening of stable capital base and steady returns to shareholders.

Based on the above policy, we paid annual cash dividends for the fiscal year ended March 31, 2016 of ¥7.5 per share of common stock (interim cash dividends of ¥3.75 per share of common stock and year-end cash dividends of ¥3.75 per share of common stock), which was the same amount as the annual cash dividend per share of common stock of the fiscal year ended March 31, 2015. With respect to eleventh series class XI preferred stock, we made dividend payments for the fiscal year ended March 31, 2016 as prescribed.

We intend to distribute dividends twice per year to shareholders of record as of March 31 and September 30 in each year as year-end dividends and as interim dividends, respectively, to return profits to shareholders in a timely way.

In accordance with our articles of incorporation, we determine dividend payments of surplus not by a resolution at a general meeting of shareholders but by a resolution of our Board of Directors, unless otherwise provided for in laws or regulations.

We continuously consider the optimal balance between strengthening of stable capital base and steady returns to shareholders. We will comprehensively consider the business environment such as the Mizuho group’s business results, profit base, capital, and domestic and international regulation trends such as the Basel framework and determine cash dividend payments for each term.

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

Except as disclosed in note 34 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.

## 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:

<u>Fiscal years ended/ending March 31,</u>	<u>Price per ADS</u>		<u>Average daily trading volume</u> (shares)
	<u>High</u>	<u>Low</u>	
2012 .....	3.42	2.43	779,986
2013 .....	4.68	2.80	478,892
2014 .....	4.55	3.62	556,105
2015 .....	4.17	3.22	352,911
2016 .....	4.51	2.72	608,446
2015:			
First quarter .....	4.17	3.82	266,474
Second quarter .....	4.11	3.55	203,813
Third quarter .....	3.83	3.32	412,518
Fourth quarter .....	3.80	3.22	536,075
2016:			
First quarter .....	4.51	3.53	414,585
Second quarter .....	4.50	3.41	608,347
Third quarter .....	4.27	3.72	709,587
Fourth quarter .....	4.05	2.72	702,651
2017:			
First quarter .....	3.30	2.69	814,598
Most recent six months:			
January .....	4.05	3.24	386,448
February .....	3.21	2.72	1,166,235
March .....	3.24	2.90	554,297
April .....	3.30	2.69	1,367,552
May .....	3.15	2.93	571,276
June .....	3.16	2.83	519,040
July (through July 8) .....	2.88	2.76	455,957

## Market Prices Information for Our Shares

See “Item 9.C. The Offer and Listing—Markets” for information on the stock exchanges on which our common stock is listed.

The following table sets forth, for the periods indicated, the high and low trading prices and average daily trading volume on the First Section of the Tokyo Stock Exchange for our common stock:

<u>Fiscal years ended/ending March 31,</u>	<u>Price per share<sup>(1)</sup></u>		<u>Average daily trading volume</u> (shares)
	<u>High</u>	<u>Low</u>	
2012 .....	146	98	107,266,520
2013 .....	221	110	142,901,584
2014 .....	240	180	186,546,095
2015 .....	226.6	178.1	132,018,080
2016 .....	280.4	149.3	200,523,432
2015:			
First quarter .....	213	193	97,798,018
Second quarter .....	209.0	193.1	119,048,543
Third quarter .....	208.8	178.1	150,495,787
Fourth quarter .....	226.6	191.0	162,211,157
2016:			
First quarter .....	280.4	208.6	241,085,838
Second quarter .....	272.8	215.7	218,526,590
Third quarter .....	263.2	222.6	138,586,887
Fourth quarter .....	244.4	149.3	203,599,279
2017:			
First quarter .....	185.7	142.6	160,817,541
Most recent six months:			
January .....	244.4	198.4	177,732,342
February .....	199.7	149.3	253,423,595
March .....	188.8	163.8	180,644,073
April .....	185.7	149.3	203,818,240
May .....	175.0	159.6	128,746,479
June .....	175.9	142.6	149,423,732
July (through July 8) .....	150.2	142.0	154,588,017

Note:

- (1) Since July 22, 2014, Tokyo Stock Exchange has introduced sub-yen tick sizes for the shares of TOPIX 100 constituents, which contain decimals. Our shares are included in the TOPIX 100 constituents.

### 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, under the code “8411,” since our establishment as the holding company of the Mizuho group on March 12, 2003, as the successor to Mizuho Holdings.

Our ADSs have been listed on the New York Stock Exchange since November 8, 2006 and are quoted under the ticker symbol “MFG.”

**9.D. Selling Shareholders**

Not applicable.

**9.E. Dilution**

Not applicable.

**9.F. Expenses of the Issue**

Not applicable.

## **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, specialized securities companies and other companies which we may own as our subsidiaries under the Banking Act, and any other business incidental thereto; and
- any other business that a bank holding company may engage in under the Banking Act.

#### **Our Board of Directors**

Under the Companies Act, because we have adopted the “Company with Three Committees” system, our directors have no power to execute our business except in limited circumstances as permitted by law. If a director also serves concurrently as an executive officer, then he or she can execute our business in the capacity of executive officer. 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 Companies Act, however, requires such director to refrain from voting on such matters at meetings of the board of directors.

The amount of compensation to each our director is determined by the Compensation Committee, which consists of our directors, the majority of whom are outside directors (See “Item 6.C. Board Practices”).

The borrowing powers have been delegated to the executive officers by the Board of Directors in accordance with the Companies Act.

Neither the Companies Act 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 Companies Act 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 Companies Act (Kaisha Hou) (Act No. 86 of 2005, as amended) relating to joint stock corporations (kabushiki kaisha) and certain related legislation, all as currently in effect.

Under our articles of incorporation, we are authorized to issue 48,000,000,000 shares of common stock.

As of March 31, 2016, 25,030,525,657 shares of common stock were issued.

Where relevant to the common stock, provisions of our preferred stock are also described below.

## *Distribution of Surplus*

### *General*

Under the Companies Act, 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 year, subject to certain limitations described in “—Restriction on Distribution of Surplus.” Under the Companies Act and our articles of incorporation, distributions of Surplus are in principle permitted by a resolution of the Board of Directors as long as 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. Distributions of Surplus are, however, required to be authorized by a resolution of a general meeting of shareholders if the aforementioned condition is not met.

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 the Board of Directors or a general meeting of shareholders 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 the Board of Directors or (as the case may be) a general meeting of shareholders, 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 second business day prior to the record date. Under our articles of incorporation, we are not obligated to pay any distribution of Surplus to be made in cash which has not been received after the lapse of five years from the commencement date of such distribution.

### *Restriction on Distribution of Surplus*

Payment of annual dividends on shares of common stock is subject to the prior payment of dividends on shares of preferred stock of ¥20 per share of eleventh series class XI preferred stock. 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 series of preferred stock. In making a distribution of Surplus, we must set aside in our additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

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

In the above formula:

“A” = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year

“B” = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof

“C” = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

“D” = (if we have reduced our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

“E” = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock

“F” = (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed

“G” = certain other amounts set forth in an ordinance of the Ministry of Justice, including:

- if we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year, the amount of such reduction; and
- if we have distributed Surplus to shareholders after the end of the last fiscal year, the amount set aside in our additional paid-in capital or legal reserve, if any, as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by us may not exceed a prescribed distributable amount (the “Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be the amount of Surplus less the aggregate of (a) the book value of our treasury stock, (b) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year and (c) certain other amounts set forth in an ordinance of the Ministry of Justice, including (if the sum of one-half of our goodwill and deferred assets exceeds the total of the stated capital, additional paid-in capital and legal reserve, each such amount being the amount in our non-consolidated balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If we have become at our option a company with respect to which its consolidated balance sheet should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), we shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of the shareholders’ equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of the shareholders’ equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year. We did not opt for becoming such a company with respect to the fiscal year ended March 31, 2016.

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 Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. We may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by us must be audited by our corporate auditors and/or outside accounting auditor, as required by an ordinance of the Ministry of Justice.

### ***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 determination by executive officers under the authority delegated 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.

### ***Unit Share System***

We have adopted the unit share system under which shareholders will have one voting right for each unit of shares consisting of 100 shares held by them at general meetings of shareholders or at meetings of holders of a particular class of shares, and shares constituting less than a full unit will carry no voting rights. See “—Preferred Stock—Voting Rights” for information on the voting rights that holders of preferred stock may have at general meetings of shareholders. Our articles of incorporation provide that the holders of shares constituting less than a full unit will not have shareholder rights, except for those specified in an ordinance of the Ministry of Justice which include rights (i) to receive dividends, (ii) to receive cash or other assets in case of a consolidation or split of shares, share exchange or share transfer, or merger or (iii) to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request us to purchase such shares constituting less than a full unit (a) at the current market price as determined pursuant to the Companies Act in cases of such shares having a market price (such as our common stock) or (b) at the price as determined through negotiations between the holders of shares constituting less than a full unit and us in cases where such shares have no market price (such as our preferred stock), which request may not be withdrawn without our consent. In addition, holders of shares constituting less than a full unit may require us to sell them such number of shares, which, when combined with the number of shares already held by such holder, shall constitute a whole unit of shares; provided that we will be obliged to comply with such request only when we own a sufficient number of shares to accommodate such request. As prescribed in our share handling regulations, such requests shall be made through an account managing institution at which such shareholder has its account and Japan Securities Depository Center, Inc. (“JASDEC”) pursuant to the rules of JASDEC, without going through the notification procedure required for the exercise of shareholders’ rights entitled regardless of record dates as described in “—Transfer of Shares.” The executive officers under the authority delegated by the Board of Directors may reduce the number of shares constituting one unit of shares or cease to use the unit share system by amendments to the articles of incorporation without a special resolution of the general meeting of shareholders which would otherwise be required.

### ***General Meetings of Shareholders***

The ordinary general meeting of shareholders shall be held no later than three months from the last day of each business year and is normally held in June of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating the place, the time and the purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is March 31 of each year.

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a

representative director at least eight weeks prior to the date of such meeting. Any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if our articles of incorporation so provide.

### ***Voting Rights***

Our shareholders have one voting right for each unit of shares held by them (regarding the voting rights held by holders of preferred stock, see “—Preferred Stock—Voting Rights”).

Except as otherwise provided by law or in our articles of incorporation, a resolution shall be adopted at a general meeting of shareholders by a majority of the voting rights held by the shareholders present at the meeting. Our articles of incorporation provide that the quorum for election of directors 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 Companies Act 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 executive officers under the authority delegated by the board of directors under the Companies Act 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. our dissolution, merger or consolidation requiring shareholders’ approval;
3. 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;
4. transfer of the whole or a substantial part of our business;
5. transfer of the whole or a part of our shares in any of our subsidiaries requiring shareholders’ approval;
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 at a “specially favorable” price or 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 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 executive officers under the authority delegated by the Board of Directors determine, subject to the limitations as to the issuance of new shares of common stock at a “specially favorable” price mentioned in “—Voting Rights.”

In the case of an issuance or transfer of shares or stock acquisition rights by way of an allotment to a third party whereby the third party will hold more than 50% of the voting rights of all shareholders, we shall give notice (including a public notice) to our shareholders in advance, and if shareholders who hold one-tenth or more of the voting rights of all shareholders dissent from the third-party allotment, the approval by an ordinary resolution of a general meeting of shareholders is generally required before the payment date for such issuance or transfer pursuant to the Companies Act. In addition, pursuant to the regulations of the stock exchanges in Japan, in the case of an issuance or transfer of shares or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a determination by the executive officers, the approval of the shareholders or an affirmative opinion from a person independent of our management is generally required.

Executive officers under the authority delegated by the Board of Directors may, however, determine that shareholders of a particular class of stock shall be given subscription rights to new shares of the same class, in which case they must be given on uniform terms to all shareholders of that class as of a record date of which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks’ prior notice of the date on which such rights expire (but see “—Preferred Stock—Issue of Additional Shares and Pre-emptive Rights” regarding our preferred stock).

### ***Stock Acquisition Rights***

We may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. We may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by executive officers under the authority delegated by the Board of Directors unless it is made at a “specially favorable” price or under “specially favorable” conditions, as described in “—Voting Rights” and subject to the approval of the shareholders or an affirmative opinion from an independent person in certain cases, as described in “—Issue of Additional Shares and Pre-emptive Rights.”

### ***Record Date***

As mentioned above, March 31 is the record date for the payment of annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. September 30 is the record date for the payment of interim dividends. In addition, by a determination by executive officers under the authority delegated by the Board of Directors and after giving at least two week’s 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.

JASDEC is required to give us notice of the names and addresses of our shareholders, the numbers of shares held by them and other relevant information as of such record date promptly after we set each record date.

### ***Acquisition by Us of Common Stock***

We may acquire shares of common stock:

1. by way of purchase on any Japanese stock exchange on which the shares of our common stock are listed or by way of tender offer (in either case pursuant to a resolution of the Board of Directors as long

as 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);

2. from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a general meeting of shareholders); or
3. from any of our subsidiaries (pursuant to a determination by executive officers under the authority delegated by the Board of Directors).

In the case of 2. above, any other shareholder may make a request to us 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 transfer or cancel such shares by a determination by executive officers under the authority delegated by 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 Act 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. Any such report shall be filed with the Director of the relevant Local Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors’ Network (EDINET) system.

There are other reporting requirements under the Banking Act. See “Item 4.B. Information on the Company—Business Overview—Supervision and Regulation—Japan—Examination and Reporting Applicable to Shareholders.”

#### ***Holding of Shares of Our Common Stock by Foreign Investors***

There are no limitations imposed by the laws of Japan, our articles of incorporation or our other constituent documents on the rights of non-residents or foreign shareholders to hold or exercise voting rights on our shares of common stock or preferred stock.

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

At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of listed shares under the Act on Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Act No. 75 of 2001, including regulations promulgated thereunder; the “Book-entry Act”). Under the clearing system above, in order for any person to hold, sell or otherwise dispose of listed shares, such person must have an account at an account managing institution unless such person has an account at JASDEC. “Account managing institutions” are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Act, and only those financial institutions that meet further stringent requirements of the Book-entry Act can open accounts directly at JASDEC. Under the Book-entry Act, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded at the transferee’s account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account. Under the Companies Act and the Book-entry Act, in order to assert shareholders’ rights to which shareholders as of record dates are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends) against us, a shareholder must have its name and address registered in our register of shareholders. Under the clearing system, such registration is made upon our receipt of necessary information from JASDEC. On the other hand, in order to assert shareholders’ rights to which shareholders are entitled regardless of record dates such as minority shareholders’ rights including the right to propose a matter to be considered at a general meeting of shareholders, except for shareholders’ rights to request us to purchase or sell shares constituting less than a full unit (as described in “—Unit Share System”), upon the shareholder’s request, JASDEC shall issue a notice of certain information, including the name and address of such shareholder, to us. Thereafter, such shareholder is required to present us a receipt of the request of the notice in accordance with our share handling regulations. Under the Book-entry Act, the shareholder shall exercise such shareholders’ right within four weeks after the notice above. Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account managing institution. Such notice will be forwarded to us through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Under the clearing system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on Japanese stock exchanges.

Our transfer agent is Mizuho Trust & Banking, located at 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan.

The registered holder of deposited shares underlying the ADSs is the depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert their shareholders’ rights against us.

### **Preferred Stock**

The following is a summary of information concerning the shares of our preferred stock, including brief summaries of the relevant provisions of our articles of incorporation, our share handling regulations and the Companies Act 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 or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant series of preferred stock.

## ***General***

Under our articles of incorporation, we are authorized to issue 914,752,000 shares of class XI preferred stock, 900,000,000 shares of each of the first to fourth series of class XIV preferred stock (provided that the aggregate number of shares authorized to be issued with respect to the four series of class XIV preferred stock may not exceed 900,000,000 shares), 900,000,000 shares of each of the first to fourth series of class XV preferred stock (provided that the aggregate number of shares authorized to be issued with respect to the four series of class XV preferred stock may not exceed 900,000,000 shares), 1,500,000,000 shares of each of the first to fourth series of class XVI preferred stock (provided that the aggregate number of shares authorized to be issued with respect to the four series of class XVI preferred stock may not exceed 1,500,000,000 shares).

As of March 31, 2016, 914,752,000 shares of eleventh series class XI preferred stock were issued. On July 1, 2016, 75,091,100 shares of eleventh series class XI preferred stock, which were then all the outstanding shares of such series (excluding our treasury shares), were mandatorily acquired by us in consideration of 265,433,368 shares of common stock, which number of shares was calculated at ¥282.90 per share.

## ***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 series of the preferred stock is as follows:

- Eleventh series class XI preferred stock bears an annual non-cumulative dividend of ¥20 per share, and in the event we pay an interim dividend, holders are entitled to receive ¥10 per share in preference to common stock.
- Each of the first to fourth series of class XIV preferred stock (currently not in issue) bears an annual non-cumulative dividend of the amount to be determined by resolution of the Board of Directors or determination by executive officer(s) under the authority delegated by the Board of Directors at the time of issuance, up to a maximum of ¥100 per share, and in the event we pay an interim dividend, holders are entitled to receive one half of such amount per share in preference to common stock.
- Each of the first to fourth series of class XV preferred stock (currently not in issue) bears an annual non-cumulative dividend of the amount to be determined by resolution of the Board of Directors or determination by executive officer(s) under the authority delegated by the Board of Directors at the time of issuance, up to a maximum of ¥100 per share, and in the event we pay an interim dividend, holders are entitled to receive one half of such amount per share in preference to common stock.
- Each of the first to fourth series of class XVI preferred stock (currently not in issue) bears an annual non-cumulative dividend of the amount to be determined by resolution of the Board of Directors or determination by executive officer(s) under the authority delegated by the Board of Directors at the time of issuance, up to a maximum of ¥100 per share, and in the event we pay an interim dividend, holders are entitled to receive one half of such amount per share in preference to common stock.

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

No payment of dividends on our preferred stock or any other stock may be made unless we have sufficient Distributable Amount and a resolution to pay such dividend is obtained at the Board of Directors or at the relevant general meeting of shareholders, as the case may be.

Dividends on our preferred stock are non-cumulative. If the full amount of any dividend is not declared on our preferred stock in respect of any fiscal year, holders of our preferred stock 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 stock 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 our preferred stock will be entitled, equally in rank as among themselves and in preference over shares of common stock, to receive a distribution of ¥1,000 per share out of our residual assets upon our liquidation.

Holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of our residual assets upon our liquidation.

### ***Voting Rights***

No holder of preferred stock has a right to receive notice of, or to vote at, a general meeting of shareholders, except as otherwise specifically provided under the Companies Act or other applicable law or our articles of incorporation. Under our articles of incorporation, holders of units of our preferred stock will be entitled to receive notice of, and to vote at, general meetings of shareholders:

- from the commencement of any ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting (except in the case where a resolution of the Board of Directors to pay the preferred dividends is made pursuant to our articles of incorporation between the last day of the business year and the date of 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 such time as a resolution of the Board of Directors to pay the preferred dividends is made pursuant to our articles of incorporation or 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 to shareholders;
- (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.

A separate resolution of a meeting of the holders of the common stock is also required in cases where the above matters would prejudice the interests of the holders of the common stock.

Under our articles of incorporation, in cases where a matter to be resolved at an ordinary general meeting of shareholders is required to be approved by such separate resolution, the record date for the relevant meeting of the holders of the common stock or the preferred stock, as the case may be, is the same date as the record date for the ordinary general meeting of shareholders, when is March 31 of each year.

### ***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 Companies Act.

### ***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—Restriction on Distribution of Surplus”). On or after the date to be determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock, we may also acquire all or a portion of each series of the first to fourth series of class XV (currently not in issue) or the first to fourth series of class XVI preferred stock (currently not in issue) at the acquisition price to be determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock on the date separately determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors, without consent of the holders 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, the first to fourth series of class XIV (currently not in issue) or the first to fourth series of class XV (currently not in issue) preferred stock may, at their option, convert their shares to common stock by requesting us to acquire such shares and issue or transfer common stock to them. Other classes of our preferred stock are non-convertible.

Our articles of incorporation also provide that class XI, the first to fourth series of class XIV (currently not in issue) or the first to fourth series of class XV (currently not in issue) preferred stock outstanding on the last



day of the acquisition period will be mandatorily acquired by us on the immediately following day (the “mandatory conversion date”) in consideration of shares of common stock of which number shall be calculated at the then-current market price per share of our common stock (the “mandatory conversion price”).

Eleventh series class XI preferred stock was able to, at the option of the holder thereof, be acquired at any time from July 1, 2008 to June 30, 2016 in consideration of shares of common stock of which number was calculated at ¥282.90 per share, subject to anti-dilution adjustments due to, among other things, issuance of new shares of our common stock at issue price below the market price. On July 1, 2016, which was the mandatory conversion date, 75,091,100 shares of eleventh series class XI preferred stock, which were then all the outstanding shares of such series (excluding our treasury shares), were mandatorily acquired by us in consideration of 265,433,368 shares of common stock. Such number of shares was calculated at ¥282.90 per share as the mandatory conversion price which was the average price of daily closing prices of our common stock on the Tokyo Stock Exchange for the 30 consecutive trading days commencing on the 45th trading day prior to the mandatory conversion date.

#### ***Acquisition of Preferred Stock without Consideration or in Exchange for Common Stock***

In order to enable the relevant preferred stock to meet the criteria for inclusion in Additional Tier 1 capital under the capital adequacy guidelines of the Financial Services Agency under the Basel III rules, the first to fourth series of class XIV (currently not in issue), the first to fourth series of class XV (currently not in issue) and the first to fourth series of class XVI (currently not in issue) preferred stock have the following feature.

In respect of the first and second series of class XIV (currently not in issue), the first and second series of class XV (currently not in issue) and the first and second series of class XVI (currently not in issue) preferred stock, upon the occurrence of an event determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock as an event where a write-off of the relevant preferred stock or a conversion of the relevant preferred stock into common stock, or financial support or other similar measures taken by a public sector, without which we would become non-viable, is determined to be necessary, we shall mandatorily acquire the relevant preferred stock, in whole, free of consideration, on a date which falls after the occurrence of such event as determined by the resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock and which date shall be separately determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors after the issuance of the relevant preferred stock, or a date which falls after the occurrence of the relevant certain event and which date shall be determined by the resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock, giving due consideration to the capital adequacy requirements applicable to us and other factors.

In respect of the third and fourth series of class XIV (currently not in issue), the third and fourth series of class XV (currently not in issue) and the third and fourth series of class XVI (currently not in issue) preferred stock, upon the occurrence of an event determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock as an event where a write-off of the relevant preferred stock or a conversion of the relevant preferred stock into common stock, or financial support or other similar measures taken by a public sector, without which we would become non-viable, is determined to be necessary, we shall mandatorily acquire the relevant preferred stock, in whole, on a date which falls after the occurrence of such event as determined by the resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock and which date shall be separately determined by a resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of Directors after the issuance of the relevant preferred stock, or a date which falls after the occurrence of the relevant certain event and which date shall be determined by the resolution of the Board of Directors or a determination by executive officer(s) under the authority delegated by the Board of

Directors relating to the issuance of the relevant preferred stock, giving due consideration to the capital adequacy requirements applicable to us and other factors, and instead, we shall deliver our own common stock to holders of the relevant preferred stock. In this case, the terms of acquisition, including the number of shares of the common stock to be delivered in exchange for the acquisition of one (1) share of the relevant preferred stock, shall be determined by the resolution of the relevant Board of Directors or the determination by relevant executive officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock, giving due consideration to the market price of common stock, the subscription price of the relevant preferred stock and other factors.

### **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 Act**

The Foreign Exchange and Foreign Trade Act of Japan and the cabinet orders and ministerial ordinances incidental thereto, collectively the Foreign Exchange Act, set forth, among other matters, the regulations relating to the receipt by non-residents of Japan of payment with respect to shares to be issued by us and the acquisition and holding of shares by non-residents of Japan and foreign investors, both as defined below. It also applies in some cases to the acquisition and holding of ADSs representing such shares acquired and held by non-residents of Japan and by foreign investors. Generally, the Foreign Exchange Act 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 in 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 not resident in Japan.

#### **Dividends and Proceeds of Sales**

Under the Foreign Exchange Act, 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 of Japan by way of a stock split is not subject to any notification or reporting requirements.

#### **Acquisition of Shares**

In general, a non-resident of Japan who acquires shares from a resident of Japan is not subject to any prior filing requirement, although the Foreign Exchange Act 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 or the date of the payment for such transfer, whichever is later, unless the transfer is made through a bank or financial instruments business operator licensed or registered 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 on or before the 15th day of the month following the month in which the acquisition was made, 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 Bank, in its capacity as custodian and agent for the depositary, in Tokyo, the issuance of ADSs by the depositary to a non-resident of Japan in respect of the deposit and the withdrawal of the underlying shares upon the surrender of the ADR are not subject to any of the formalities or restrictions referred to above. However, where as a result of a deposit or withdrawal the aggregate number of shares held by the depositary, including shares deposited with Mizuho 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 and treaties in force and as interpreted by the Japanese tax authorities as at the date of this Annual Report and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements, or interpretations thereof, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

For the purpose of Japanese tax law and the tax treaty between the United States and Japan, a U.S. holder of ADSs will generally be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares of our common stock or ADSs is subject to Japanese income tax collected by way of withholding on dividends paid by us, and such tax will be withheld prior to payment of dividends. Stock splits are, in general, not a taxable event.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese 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 20.42% 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

shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned 20.42% withholding tax rate is reduced to 15.315% for dividends due and payable on or before December 31, 2037. Due to the imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 15% and 20%, as applicable, has been effectively increased, respectively, to 15.315% and 20.42%, during the period beginning on January 1, 2013 and ending on December 31, 2037.

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 and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance, through the withholding agent, to the relevant tax authority before payment of dividends. A standing proxy for a non-resident holder may provide such application service. In addition, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption will be applicable to non-resident holders of ADSs if the depository or its Agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends, together with certain other documents). To claim this reduced rate or exemption, non-resident holders of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depository. 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, 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 so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale or other disposition of shares of our common stock or ADSs outside Japan by a non-resident holder, who is a portfolio investor, are not, in general, subject to Japanese income tax or corporation tax.

Any deposits or withdrawals of shares of our common stock by a non-resident holder in exchange for ADSs are, in general, not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired our shares of our common stock or ADSs from an individual, as a legatee, heir or donee, even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

## **U.S. Taxation**

The following sets forth the material United States federal income tax consequences of the ownership of shares and ADSs as of the date hereof. The discussion set forth below is applicable to U.S. holders (as defined below) (i) who are residents of the United States for purposes of the current income tax treaty between Japan and the United States (the “Treaty”), (ii) whose shares or ADSs are, for purposes of the Treaty, neither effectively connected with nor attributable to a permanent establishment in Japan and (iii) who otherwise qualify for the full benefits of the Treaty.

The following summary is not a complete analysis or description of all potential U.S. federal income tax consequences to a particular U.S. holder. It does not address all U.S. federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, insurance companies, dealers in securities or currencies, tax-exempt entities, non-U.S. persons, persons holding a share or an ADS as part of a “straddle,” “hedge,” conversion or integrated transaction, partnerships or other pass-through entities for U.S. federal income tax purposes, traders in securities who have elected the mark-to-market method of accounting for their securities, regulated investment companies, real estate investment trusts, holders whose “functional currency” is not the U.S. dollar, holders liable for alternative minimum tax and holders of 10% or more of our voting shares) are subject to special tax treatment. This summary does not address any foreign, state, local or other tax consequences of investments in our shares or ADSs.

This summary addresses only shares or ADSs held as capital assets.

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

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons as described in Section 7701(a)(30) of the Code or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

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

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

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

## *ADSs*

If a U.S. holder holds ADSs, for U.S. federal income tax purposes, such holder will generally be treated as the owner of the underlying shares that are represented by such ADSs. Accordingly, deposits or withdrawals of shares in exchange for ADSs are not subject to U.S. federal income tax.

## *Taxation of Dividends*

Subject to the discussion under “—U.S. Taxation—Passive Foreign Investment Company Rules” below, the gross amount of any distribution received with respect to our shares or ADSs (including amounts withheld to reflect Japanese withholding taxes), will be taxable as dividends, to the extent paid out of the current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of distribution of property other than cash will be the fair market value of such property on the date of the distribution. Such cash or non-cash income, including withheld taxes, will be includable in a U.S. holder’s gross income as ordinary income on the day actually or constructively received by such U.S. holder in the case of shares, or by the depository, in the case of ADSs. Such dividends received by a U.S. holder will not be eligible for the “dividends-received deduction” allowed to U.S. corporations in respect of dividends received from other U.S. corporations. To the extent that an amount received by a U.S. holder exceeds such holder’s allocable share of our current and accumulated earnings and profits, such excess will be applied first to reduce such holder’s tax basis in its shares or ADSs, thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent disposition of the shares or ADSs. Then, to the extent such distribution exceeds such U.S. holder’s tax basis, such excess will be treated as capital gain. However, we do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, U.S. holders should expect that a distribution will generally be treated as a dividend.

The amount of the dividend paid in yen will be the U.S. dollar value of the yen payments received. This value will be determined at the spot yen/U.S. dollar rate on the date the dividend is received by the depository in the case of U.S. holders of ADSs, or by the shareholder in the case of U.S. holders of shares, regardless of whether the dividend payment is in fact converted into U.S. dollars at that time. If the 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 yen equal to their dollar value on the date of receipt, and any foreign currency gains or losses resulting from the conversion of the yen will generally be treated as U.S. source ordinary income or loss.

The maximum rate of withholding tax on dividends paid to you pursuant to the treaty is 10%. As discussed under “—Japanese Taxation” above, if the Japanese statutory rate is lower than the maximum applicable Treaty rate, the Japanese statutory rate will be applicable. If the statutory rate applicable to you is higher than the maximum Treaty rate, you will be required to properly demonstrate to us and the Japanese tax authorities your entitlement to the reduced withholding rate under the Treaty. Subject to certain limitations, the Japanese tax withheld may be creditable against the U.S. holder’s U.S. federal income tax liability or may be claimed as a deduction from the U.S. holder’s federal adjusted gross income provided that the U.S. holder elects to deduct all foreign taxes paid on the same taxable year. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we pay will generally constitute “passive category income.” Further, in certain circumstances, if a U.S. holder:

- has held shares or ADSs for less than a specified minimum period during which such U.S. holder is not protected from the risk of loss; or
- is obligated to make payments related to the dividends,

such U.S. holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on shares or ADSs. The rules governing U.S. foreign tax credits are very complex and U.S. holders should consult their tax advisors regarding the availability of foreign tax credits under their particular circumstances.

With respect to non-corporate U.S. investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The U.S. Treasury Department has determined that the Treaty meets these requirements. In addition, it is expected that we will be eligible for the benefits of the Treaty. A foreign corporation is also treated as a qualified foreign corporation with respect to individuals paid by that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the New York Stock Exchange), but not the shares, are readily tradable on an established securities market in the United States. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders who do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. holders should consult their own tax advisors regarding the application of the foregoing rules to their particular circumstances.

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

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

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

Based on our projected composition of income and valuation of assets, including goodwill, we do not believe that we will be a passive foreign investment company (“PFIC”) for this year and do not expect to become one in the future, although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in valuation or composition of our income or assets. In addition, this determination is based in part upon certain proposed U.S. Treasury regulations that are not yet in effect (the “Proposed Regulations”) and are subject to change in the future. The Proposed Regulations and other administrative pronouncements from the Internal Revenue Service (the “IRS”) provide special rules for determining the character of income and assets derived in the banking business for purposes of the PFIC rules. Although we believe we have adopted a reasonable interpretation of the Proposed Regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation.

In general, a foreign corporation is considered a PFIC for any taxable year if either:

- at least 75% of its gross income is passive income; or
- at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

The 50% of value test is based on the average of the value of our assets for each quarter during the taxable year. If we own at least 25% by value of another company's stock, we will be treated, for purposes of the PFIC rules, as owning the proportionate share of the assets and receiving our proportionate share of the income of that company.

If we are a PFIC for any taxable year during which a U.S. holder holds shares or ADSs, the U.S. holder will be subject to special tax rules with respect to any "excess distribution" that the U.S. holder receives and any gain the U.S. holder realizes from the sale or other disposition (including a pledge) of shares or ADSs. Additionally, non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us 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.

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 shares because we do not intend to comply with the requirements necessary to permit U.S. holders to make this election.

If a U.S. holder holds shares or ADSs in any year in which we are classified as a PFIC, such holder may be required to file IRS Form 8621.

U.S. holders should consult their own tax advisors concerning the determination of our PFIC status and the U.S. federal income tax consequences of holding shares or ADSs if we are considered a PFIC in any taxable year.

### ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to dividends in respect of the shares or ADSs or the proceeds from the sale, exchange or redemption of the shares or ADSs paid within the United States, and, in some cases, outside of the United States, to you, unless you are an exempt recipient. 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.



Certain U.S. holders are required to report information with respect to their investment in shares or ADSs not held in an account maintained by certain financial institution to the IRS. Investors who fail to report required information by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, on their tax return for each year in which they hold shares or ADSs could become subject to substantial penalties. Potential investors are urged to consult with their own tax advisors regarding the possible implications of these rules on their investment in shares or ADSs.

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

Not applicable.

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

Not applicable.

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

We file annual reports on Form 20-F with, and furnish periodic reports on Form 6-K to, 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.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Amid the growing diversity and complexity of banking operations, financial institutions are exposed 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. All yen figures and percentages in this item are truncated. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

### *Approach to the Basel Regulatory Framework*

Basel III Framework, the regulations for international standards of the health of banks, is being phased in from 2013, which consists of minimum capital requirements, a leverage ratio and a global liquidity standard. Basel III is based on the Basel II framework which requires the observance of “three pillars.” “Pillar 1” is minimum requirements relating to risk which should be maintained by banks. “Pillar 2” is the self-disciplined risk management by financial institutions with a supervisory review process. “Pillar 3” is market discipline allowing for assessment by the market through appropriate disclosure.

We have been calculating our capital adequacy ratios by applying the advanced internal rating based approach (the “AIRB”) for the calculation of credit risk from March 31, 2009 and the advanced measurement approach (the “AMA”) for the calculation of operational risk from September 30, 2009. In Japan, from March 31, 2013, the minimum capital requirements based on Basel III began to be phased in, and we have been calculating capital adequacy ratios based on the revisions to capital adequacy guidelines published by the Financial Services Agency. The Basel Committee continues to review the treatments related to capital requirements. We will comply with new requirements appropriately. We have been identified as a G-SIB by the Financial Stability Board in November 2015, and the stricter capital requirements began to be phased in from March 31, 2016.

A leverage ratio also has been implemented under “Pillar 3” from March 31, 2015, and we began disclosing it accordingly. Also a global liquidity standard has been implemented under “Pillar 1” from March 31, 2015 in Japan, and we have been calculating our liquidity coverage ratio pursuant to such standard.

## **Overview of 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. At Mizuho Financial Group, the Risk Management Committee chaired by the Group Chief Risk Officer provides integrated monitoring and management of the overall risk for the Mizuho group. The Group Chief Risk Officer reports the risk management situation to the Board of Directors, the Audit Committee, the Risk Committee, the Executive Management Committee and the President & Group CEO, on a regular basis and as needed. 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.

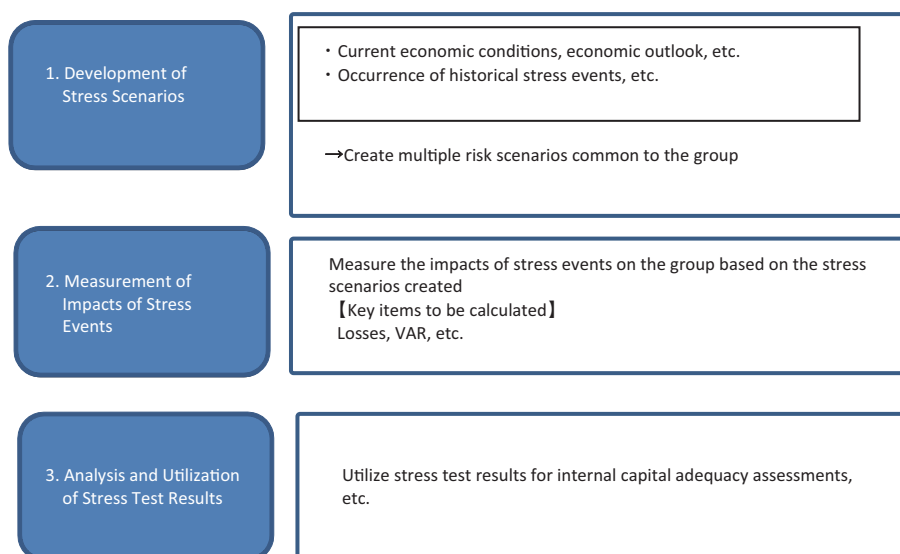
### **Risk Capital Allocation**

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 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 Bank, Mizuho Trust & Banking, Mizuho Securities and Mizuho Americas by risk category, and is further allocated within their respective business units based on established frameworks.

As part of our risk capital allocation management, we create multiple risk scenarios common to the group, based on which we and our principal banking subsidiaries calculate potential losses and risk amount arising from assumed stress events across all risk types. The calculated losses and risk amount are used for assessing internal capital adequacy and verifying whether they balance with the group's capital.

The risk scenarios for stress testing are formulated by taking into account the current economic conditions and the economic outlook and by assuming historical stress events, etc. from a risk management perspective to measure the impacts of stress events by scenario.

#### (Assessment of Balance between Risk under Stressed Condition and Capital)



## **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 (including off-balance-sheet instruments), as a result of deterioration in obligors' financial position. We have established the methods and structures necessary for grasping and managing credit risk. 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 risks and respond appropriately.

### ***Credit Risk Management Structure***

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

Our Board of Directors determines the Mizuho group's basic matters pertaining to credit risk management. In addition, the Risk Management Committee of Mizuho Financial Group broadly discusses and coordinates matters relating to basic policies and operations in connection with credit risk management and matters relating to credit risk monitoring for the Mizuho group. Under the control of the Group Chief Risk Officer of Mizuho Financial Group, the Risk Management Department and the Credit Risk Management Department 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. The Board of Directors of each company determines key matters pertaining to credit risk management. Their respective business policy committees are responsible for discussing and coordinating overall management of their individual credit portfolios and transaction policies towards obligors. The Chief Risk Officer of each principal banking subsidiary and core group company is responsible for matters relating to planning and implementing credit risk management. The credit risk management department of each principal banking subsidiary is responsible for planning and administering credit risk management and conducting credit risk measuring and monitoring, and such department regularly presents reports regarding its risk management situation to Mizuho Financial Group. Each credit department determines policies and approves/disapproves individual transactions in terms of credit review, credit management and collection from customers in accordance with the lines of authority set forth by each principal banking subsidiary. In addition, each of our principal banking subsidiaries has established internal audit groups that are independent of the business departments in order to ensure appropriate credit risk management.

### ***Individual Credit Management***

#### *Credit Codes*

The basic code of conduct for all of our officers and employees engaged in the credit business is set forth in our credit code. 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 an 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 department 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 departments specified for each type of asset, including loan portfolios and securities, in executing and managing self-assessments.

#### *Credit Review*

Prevention of new impaired loans through routine credit management is important in maintaining the quality of our overall loan assets. Credit review involves analysis and screening of each potential transaction within the relevant business department. In case the screening exceeds the authority of the department, the credit group at headquarters carries out the review. The credit group 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 department. In addition, in the case of obligors with low credit ratings and high downside risks, the business department and credit department jointly clarify their credit policy and in appropriate cases assist obligors at an early stage in working towards credit soundness.

#### *Corporate Restructuring, Collection and Disposal of Impaired Loans*

With respect to collection and disposal of impaired loans, our specialist unit maintains central control and pursues corporate restructuring or collection efforts, as appropriate, toward taking the impaired loans off-balance. Specifically, we believe that supporting the restructuring efforts of corporations is an important role for financial institutions, and we support corporations undergoing restructuring by reviewing business plans, advising on restructuring methods and utilizing corporate restructuring 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. In the case of debt forgiveness, we examine the borrower's condition carefully and make a determination based on the possible impact on the interests of shareholders and depositors. We provide debt forgiveness as per industry guidelines that are shared among members of the Japanese Bankers Association.

### ***Portfolio Management***

#### *Risk Measurement*

We use statistical methods to manage the possibility of losses by measuring the expected average loss for a one-year risk horizon ("Expected Loss") and the maximum loss within a certain confidence interval ("credit VaR"). The difference between expected loss and credit VaR is measured as the credit risk amount ("Unexpected Loss").

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

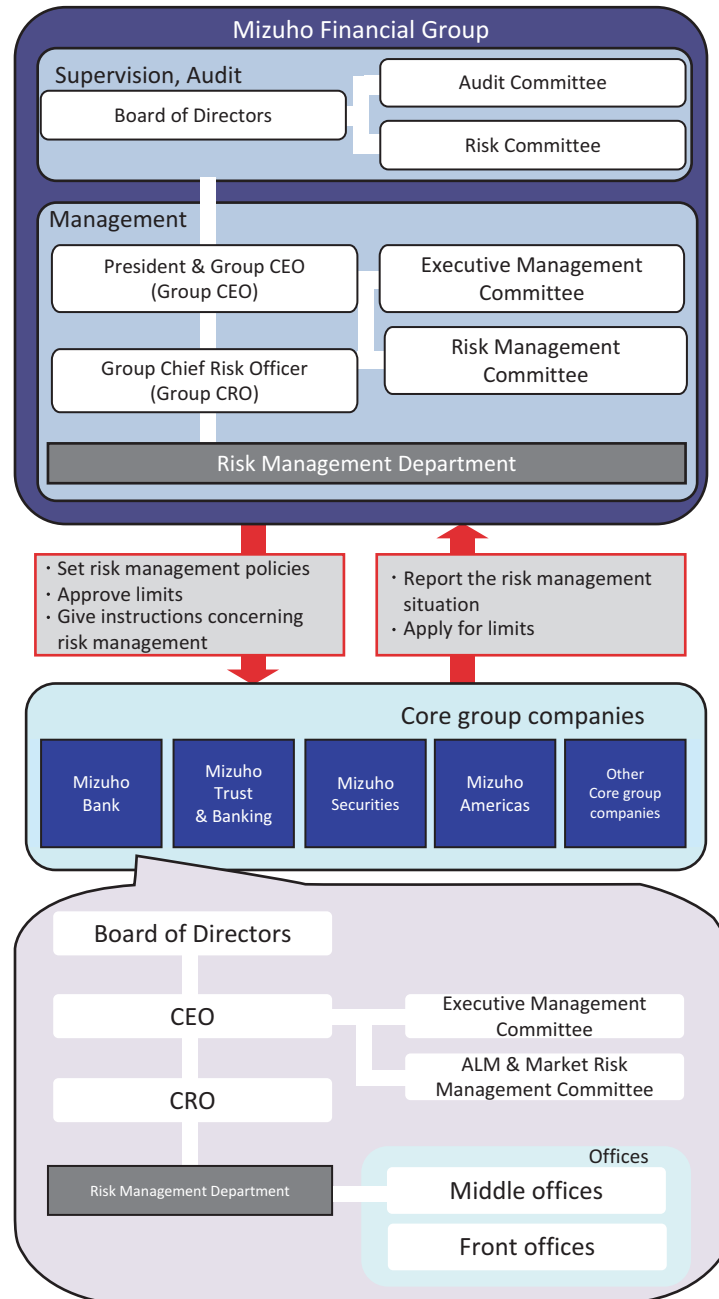
#### *Risk Control Methods*

We recognize two types of risk arising from allowing unexpected loss to become too large. One type is "credit concentration risk," which stems from granting excessive credit to certain individual counterparties or corporate groups. The other type is "chain-reaction default risk," which arises from granting excessive credit to certain areas, industrial sectors and other groupings. We make appropriate management to control these risks in line with our specific guidelines for each. The individual risk management departments of our principal banking subsidiaries are responsible for monitoring adherence to these guidelines and reporting to their respective business policy committees.

## 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:



## ***Market Risk Management Structure***

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

Our Board of Directors determines basic matters pertaining to market risk management policies. The Risk Management Committee of Mizuho Financial Group broadly discusses and coordinates matters relating to basic policies in connection with market risk management, market risk operations and market risk monitoring. The Group Chief Risk Officer of Mizuho Financial Group is responsible for matters relating to market risk management planning and operations.

The Risk Management Department 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 Department assesses and manages the 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 President & Group CEO 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 Risk Management Committee, discussed further by the Executive Management Committee, then determined by the President & Group CEO. 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 other core group companies, 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. The Chief Risk Officer of each subsidiary is responsible for matters pertaining to planning and implementing market risk management. Based on a common Mizuho group risk capital allocation framework, the above-mentioned companies 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 departments 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 departments of each company submit reports on the status of market risk management to their respective Chief Executive Officers and top management on a daily basis, and to their Board of Directors and Executive Management Committee on a regular basis. They also provide regular reports to Mizuho Financial Group. To provide a system of mutual checks and balances in market operations, they have established middle offices specializing in risk management that are independent of their front offices, which engage in market transactions, and their back offices, which are responsible for book entries and settlements. When VaR is not adequate to control risk, the middle offices manage risk using



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

### **Value-at-Risk**

We use the value-at-risk (the “VaR”) method, supplemented with stress testing, as our principal tool to measure market risk. The VaR 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, which are simply aggregated to determine total risk;
- confidence interval: one-tailed 99.0%;
- holding period of one day; and
- historical observation period of one year.

The following tables show the VaR related to our trading activities by risk category for the fiscal years ended March 31, 2014, 2015 and 2016 and as of March 31, 2014, 2015 and 2016:

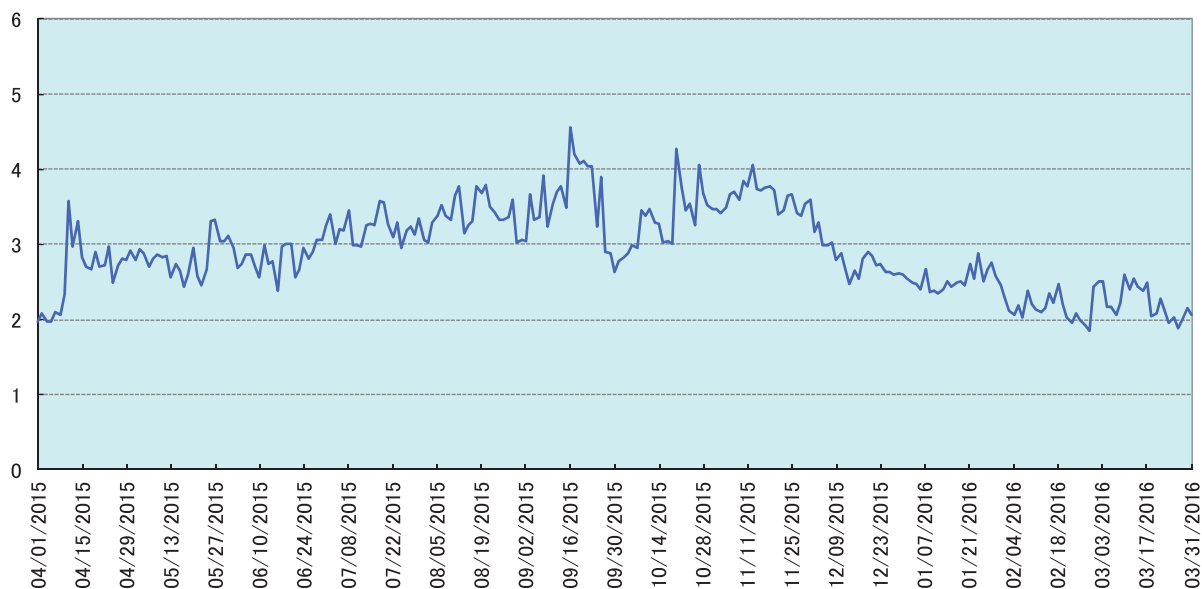
<u>Risk category</u>	<u>Fiscal year ended March 31, 2014</u>			<u>As of March 31, 2014</u>
	<u>Daily average</u>	<u>Maximum</u>	<u>Minimum</u>	
	(in billions of yen)			
Interest rate .....	¥2.0	¥2.7	¥1.5	¥1.6
Foreign exchange .....	4.1	5.6	1.1	4.8
Equities .....	1.0	3.1	0.2	0.4
Commodities .....	0.0	0.0	0.0	0.0
Total .....	¥5.7	¥7.4	¥3.3	¥5.4

<u>Risk category</u>	<u>Fiscal year ended March 31, 2015</u>			<u>As of March 31, 2015</u>
	<u>Daily average</u>	<u>Maximum</u>	<u>Minimum</u>	
	(in billions of yen)			
Interest rate .....	¥1.8	¥2.6	¥1.4	¥1.5
Foreign exchange .....	3.0	5.8	1.6	5.6
Equities .....	0.5	1.3	0.2	0.3
Commodities .....	0.0	0.0	0.0	0.0
Total .....	¥4.4	¥7.1	¥3.1	¥6.5

<u>Risk category</u>	<u>Fiscal year ended March 31, 2016</u>			<u>As of March 31, 2016</u>
	<u>Daily average</u>	<u>Maximum</u>	<u>Minimum</u>	
	(in billions of yen)			
Interest rate .....	¥1.8	¥3.7	¥0.6	¥1.1
Foreign exchange .....	0.9	2.3	0.2	0.3
Equities .....	0.6	2.5	0.1	0.3
Commodities .....	0.0	0.0	0.0	0.0
Total .....	¥2.9	¥4.5	¥1.8	¥2.0

The following graph shows VaR figures of our trading activities for the fiscal year ended March 31, 2016:

(VaR: billions of yen)



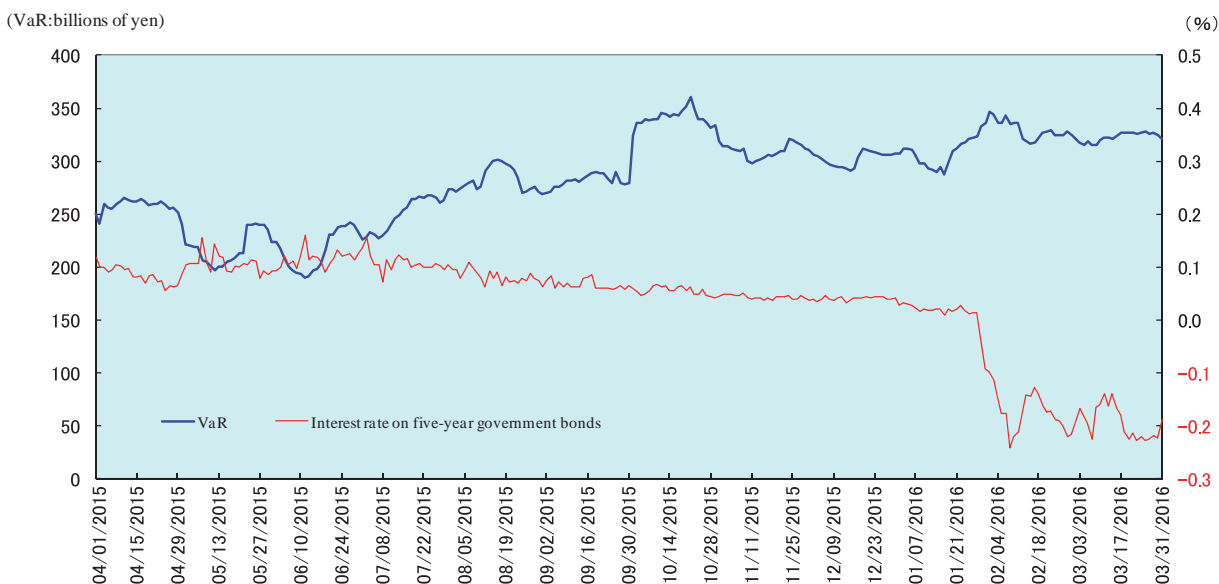
The following table shows VaR figures of our trading activities for the fiscal years indicated:

	Fiscal years ended March 31,			Change
	2014	2015	2016	
As of fiscal year end	¥5.4	¥6.5	¥2.0	¥(4.5)
Maximum	7.4	7.1	4.5	(2.5)
Minimum	3.3	3.1	1.8	(1.3)
Average	5.7	4.4	2.9	(1.5)

### Non-trading Activities

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

The graph below shows the VaR related to our banking activities excluding our strategically-held equity portfolio for the year ended March 31, 2016:



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

	Fiscal years ended March 31,			
	2014	2015	2016	Change
	(in billions of yen)			
As of fiscal year end	¥281.7	¥325.6	¥321.5	¥ (4.0)
Maximum	300.7	349.0	360.6	11.5
Minimum	186.8	265.0	190.0	(75.0)
Average	253.5	307.9	284.9	(23.0)

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. Interest rate sensitivity (10 BPV) shows how much net present value varies when interest rates rise by 10 basis points (0.1%), and it explains the impact of interest rate movements on net present value when short- and long-term interest rates behave differently.

	As of March 31,			Change
	2014	2015	2016	
	(in billions of yen)			
Up to one year . . . . .	¥ (2)	¥ (1)	¥ (2)	¥ (1)
From one to five years . . . . .	(47)	(35)	(21)	14
Over five years . . . . .	(12)	(14)	(25)	(11)
Total . . . . .	¥(62)	¥(51)	¥(50)	¥ 1

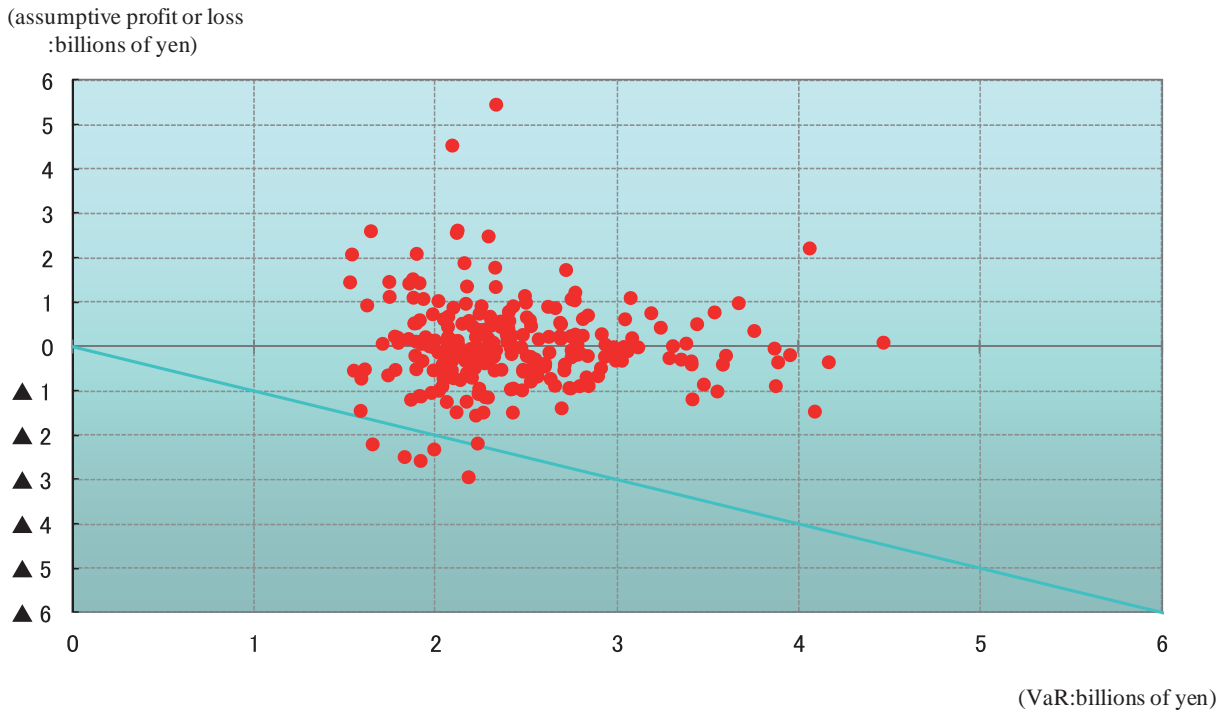
***Cross-shareholdings Portfolio Management Activities***

We take the market risk management approach with use of VaR and risk indices for cross-shareholdings portfolio management activities as well as for trading activities and non-trading activities. The risk index for strategically-held equity portfolio management for the fiscal year ended March 31, 2016, consisting of the sensitivity of the strategically-held equity portfolio to a 1% change in the equity index of TOPIX, was ¥29.7 billion.

**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, 2016 and the corresponding paired distribution of profits and losses. We had five cases where losses exceeded value-at-risk during the period. In addition, we conduct evaluations of the assumptions related to the value-at-risk models. Based on the number of times losses exceeded VaR through back testing and the results of the evaluation of the model assumptions, we changed our VaR models to the Historical Simulation method, which has been used since the beginning of the fiscal year ending March 31, 2017. Changes to fundamental portions of the VaR models are subject to the approval of our Group Chief Risk Officer.

Back Testing for the fiscal year ended March 31, 2016



Note: We conduct our back testing and assess the number of cases where losses exceed VaR based on a 250 business day year. The expected average number of instances where one-day trading losses exceeded VaR at the 99% confidence level is 2.5.

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. The table below shows the assumed maximum loss results of stress testing in trading activities using the methods described above:

<u>Assumed maximum loss results</u>	<u>As of March 31, 2016</u> (in billions of yen)
Assumed maximum loss result calculated by stress testing (holding period: one month) . . . .	¥30.6

### ***Outlier Criteria***

As part of the capital adequacy requirements under the Basel Regulatory Framework, the losses arising from a banking book in hypothetical interest rate shock scenarios under certain stress conditions are calculated and compared with broadly-defined capital. If the interest rate risk of the banking book leads to an economic value decline of more than 20% of broadly-defined 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 5.3% 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.

<u>Results of calculations under the outlier framework</u>	<u>Amount of loss</u>	<u>Broadly-defined capital</u>	<u>Loss ratio to capital</u>
	(in billions of yen, except percentages)		
As of March 31, 2014 . . . . .	¥386.6	¥8655.9	4.4%
As of March 31, 2015 . . . . .	529.2	9508.4	5.5
As of March 31, 2016 . . . . .	516.6	9638.6	5.3
Effect of yen interest rate . . . . .	73.5		
Effect of dollar interest rate . . . . .	340.4		
Effect of euro interest rate . . . . .	73.2		

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.

### ***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 expressed as the sum of:

- The higher of (i) VaR on the calculation date and (ii) the average of 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; and
- The higher of (i) stressed VaR on the calculation date and (ii) the average of stressed VaR for the preceding 60 business days (including the calculation date) multiplied by the same multiplication factor as used in the bullet point above.

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

	<b>As of March 31,</b>		<b>Change</b>
	<b>2015</b>	<b>2016</b>	
	(in billions of yen)		
Calculated using standardized measurement method . . . . .	¥ 78.8	¥ 70.6	¥ (8.1)
Calculated using internal models . . . . .	199.0	65.0	(134.0)
Total market risk equivalent . . . . .	<u>¥277.9</u>	<u>¥135.6</u>	<u>¥(142.2)</u>

Note:

VaR and stressed 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, which are simply aggregated to determine total risk;
- confidence interval: one-tailed 99.0%;
- holding period of 10 days; and
- historical observation period of one year.

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

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

Our Board of Directors determines basic matters pertaining to liquidity risk management policies. The Risk Management Committee of Mizuho Financial Group broadly discusses and coordinates matters relating to basic policies in connection with liquidity risk management, operations, monitoring and proposes responses to emergencies such as sudden market changes.

The Group Chief Risk Officer of Mizuho Financial Group is responsible for matters relating to liquidity risk management planning and operations. The Risk Management Department of Mizuho Financial Group is responsible for monitoring liquidity risk, reports and analyses, proposals, and formulating and implementing plans relating to liquidity risk management.

In addition, the Group Chief Financial Officer of Mizuho Financial Group is additionally responsible for matters relating to planning and running cash flow management operations, and the Financial Planning Department is responsible for monitoring and adjusting the cash flow management situation and for planning and implementing cash flow management to maintain appropriate funding liquidity. Reports on the liquidity risk management are submitted to the Risk Management Committee, the Executive Management Committee and the President & Group CEO on a regular basis.

To manage liquidity risk, we use indices pertaining to cash flow, such as limits on funds raised in the market that are set based on a number of time horizons. Limits on liquidity risk set for yen and foreign currencies taking into account characteristics and strategies of each principal banking subsidiary, are discussed and coordinated by the Risk Management Committee, discussed further by the Executive Management Committee and determined by the President & Group CEO. In addition, our principal banking subsidiaries set limits on liquidity risk for several currencies. Moreover, they are working on measures to reduce their liquidity risk such as enhancing management related to local currencies.

We have established a group-wide framework of liquidity risk stage such as “Normal,” “Anxious” and “Crisis,” which reflects funding conditions. In addition, we set Early Warning Indicators (“EWIs”) and monitor on a daily basis to manage liquidity conditions. As EWIs, we select stock prices, credit ratings, amount of liquidity reserve assets such as Japanese government bonds, our funding situations and so on.

We have established a liquidity contingency funding plan for emergency situations which are deemed to fall into the “Anxious” or “Crisis.” In emergency situations, we will consider measures such as a reduction in the amount of investments made, an expansion of funding from financial markets and deposits, the sale of investment securities and borrowings from the central bank.

In order to evaluate the sufficiency of liquidity reserve assets and the effectiveness of liquidity contingency funding plan, we conduct stress testing under market-wide, idiosyncratic and combined scenario. Furthermore, we utilizing stress testing for evaluate appropriateness of our annual funding plan.

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

Our principal banking subsidiaries and other core group companies 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 liquidity risk management while their Chief Executive Officers are responsible for controlling liquidity risk. Their respective business policy committees, including their ALM & Market Risk Management Committees, are responsible for overall discussion and coordination of liquidity risk management. Specifically, these committees discuss and coordinate matters relating to risk planning, cash flow management planning and propose responses to emergencies such as sudden market changes. The Chief Risk Officer is responsible for matters relating to liquidity risk management planning and operations and 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 that are set based on a number of time horizons. As with Mizuho Financial Group, the above-mentioned companies have established liquidity risk stage, such as “Normal” to “Anxious” and “Crisis,” which reflects funding conditions and have established liquidity contingency funding plan for emergency situations which are deemed to fall into the “Anxious” or “Crisis” 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.

## 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 for each kind of risk. Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, Trust & Custody Services Bank, Mizuho Americas, etc., respectively manage operational risk in an appropriate manner pursuant to risk management policies determined by Mizuho Financial Group.

Mizuho Financial Group, Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, Trust & Custody Services Bank, etc., 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.

	<u>Definition</u>	<u>Principal Risk Management Methods</u>
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.	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Ensure ongoing project management in systems development and quality control.</li> <li>• Strengthen security to prevent information leaks.</li> <li>• Improve effectiveness of emergency responses by improving backup systems and holding drills.</li> </ul>
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.	<ul style="list-style-type: none"> <li>• Establish clearly defined procedures for handling operations.</li> <li>• Periodically check the status of operational processes.</li> <li>• Conduct training and development programs by headquarters.</li> <li>• Introduce information technology, office automation and centralization for operations.</li> <li>• Improve the effectiveness of emergency responses by holding drills.</li> </ul>

	<u>Definition</u>	<u>Principal Risk Management Methods</u>
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.	<ul style="list-style-type: none"> <li>• Review and confirm legal issues, including the legality of material decisions, agreements and external documents, etc.</li> <li>• Collect and distribute legal information and conduct internal training programs.</li> <li>• Analyze and manage issues related to lawsuits.</li> </ul>
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.	<ul style="list-style-type: none"> <li>• Conduct employee satisfaction surveys.</li> <li>• Understand the status of vacation days taken by personnel.</li> <li>• Understand the status of voluntary resignations.</li> </ul>
Tangible Asset Risk	Risk that the group may incur losses from damage to tangible assets or a decline in the quality of working environment as a result of disasters, criminal actions or defects in asset maintenance.	<ul style="list-style-type: none"> <li>• Manage the planning and implementation of construction projects related to the repair and replacement of facilities.</li> <li>• Identify and evaluate the status of damage to tangible assets caused by natural disasters, etc., and respond appropriately to such damage.</li> </ul>
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.	<ul style="list-style-type: none"> <li>• Understand important changes in regulations or systems that have significant influence on our business operations or financial condition in a timely and accurate manner.</li> <li>• Analyze degree of influence of regulatory changes and establish countermeasures.</li> <li>• Continuously monitor our regulatory change risk management mentioned above.</li> </ul>
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.	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Swiftly identify rumors and devise appropriate responses depending on the urgency and possible impact of the situation to minimize possible losses.</li> </ul>

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.

## *Measurement of operational risk equivalent*

### *Implementation of the AMA*

We have adopted the AMA from September 30, 2009, for the calculation of operational risk equivalent in association with capital adequacy ratios based on Basel II. However, we use the Basic Indicator Approach for entities that are deemed to be less important in the measurement of operational risk equivalent and for entities that are preparing to implement the AMA. The measurement results under the AMA are used not only as the operational risk equivalent in the calculation of capital adequacy ratios but also as Operational VAR for internal risk management purposes for implementing action plans to reduce operational risk, etc.

### *Outline of the AMA*

- Outline of measurement system

We have established the model by taking account of four elements: internal loss data; external loss data; scenario analysis and business environment; and internal control factors (BEICFs). We calculate the operational risk equivalent amount by estimating the maximum loss using a 99.9th percentile one-tailed confidence interval and a one-year holding period etc., employing both internal loss data (i.e., actually experienced operational loss events) and scenario data to reflect unexperienced potential future loss events in the measurement.

In the measurement of operational risk equivalent as of March 31, 2016, we did not exclude expected losses and also did not recognize the risk mitigating impact of insurance. In addition, we did not take into account the events related to credit risk in measuring operational risk equivalent.

- Outline of measurement model

Operational risk equivalent is calculated as a simple sum of those related to the seven loss event types defined by Basel II, large-scale natural disasters and litigation. In the measurement of operational risk equivalent as of March 31, 2016, we did not reflect the correlation effects among operational risk related to each of the seven loss event types.

- Operational risk by the loss event type

Loss Distribution (Compound Poisson Distribution) Approach (LDA) is adopted for the calculation of operational risk. LDA is based on the assumption that Poisson Distribution applies to the occurrence frequency of operational risk events, and loss severity is expressed through a separate distribution. Operational risk is calculated for each of the seven loss event types employing both internal loss data, based on our actual experience as operational loss events and scenario data. Scenario data, expressed as numerical values of occurrence frequency and loss severity, reflects external loss data and BEICFs, in order to estimate unexperienced potential future loss events (of low frequency and high severity).

“Frequency Distribution” and “Severity Distribution” are estimated employing the above mentioned internal loss data and scenario data, and Monte-Carlo simulations are then applied to these distributions to measure operational risk. The detailed steps of creation of scenario data are explained later in “Scenario Analysis.”

- Estimation of “Frequency Distribution” and “Loss Severity Distribution”

“Frequency Distribution” is estimated by applying information on occurrence frequency of both internal loss data and scenario data to Poisson Distribution. “Loss Severity Distribution” is generated as the result of combining, through a statistical approach (Extreme Value Theory), of the actual distribution for the low severity distribution portion created by internal loss data and another loss distribution (Log-normal Distribution or Generalized Pareto Distribution) for the high severity distribution portion created by scenario data.

- Operational risk of large-scale natural disasters  
Monte-Carlo simulation is applied to the datasets expressed as a combination of the probability of occurrence of large-scale natural disasters and the probable loss amount in case of such occurrence, as opposed to estimating “Frequency Distribution” and “Loss Severity Distribution.”
- Operational risk of litigation  
Each litigation is converted into data according to the profile of the individual litigation to which Monte-Carlo simulation is applied, as opposed to estimating “Frequency Distribution” and “Loss Severity Distribution.” In the measurement process, we assume that final decisions will be made on all litigation within one year.
- Verification  
We confirm the appropriateness of the measurement model by verifying it, in principle, semi-annually.

### *Scenario Analysis*

- Outline of scenario analysis  
In the process of scenario analysis, scenario data is created as numerical values of occurrence frequency and loss severity reflecting external loss data and BEICFs, in order to estimate unexperienced potential future operational risk events (of low frequency and high severity).  
As for external loss data, we refer to data publicly reported by domestic and overseas media, and such data are reflected in the estimation of occurrence frequency and loss severity distribution in the process of scenario analysis. In addition, BEICFs are utilized as indices to adjust occurrence frequency and loss severity distribution in the process of scenario analysis.  
We categorize scenario analysis into four approaches in accordance with the characteristics of each loss event type and risk management structures.

<b><u>Approach</u></b>	<b><u>Loss event type(s) to be applied</u></b>
A	Internal fraud / External fraud / Clients, products and business practices / Execution, delivery and process management
B	Employment practices and workplace safety
C	Damage to physical assets
D	Business disruption and system failure

At Mizuho Financial Group, loss event types to which Approach A is applied account for a considerable amount of operational risk. The detailed process of Approach A is explained below as a typical example of scenario analysis.

- Setting units for scenario analysis  
In order to ensure completeness and sufficiency, we set units that are commonly applied across group entities that adopt AMA (the “Group Entities”) by referencing and categorizing risk scenarios recognized through control self-assessment, internal loss data of the Group Entities and external loss data, etc. Then each of the Group Entities selects the unit on which scenario analysis is conducted from the units established on a groupwide basis in accordance with its business activities and operational risk profile.
- Estimation of occurrence frequency  
Basic occurrence frequency (once a year) is calculated for each scenario analysis unit. If a certain scenario analysis unit has relevant internal loss data of a pre-determined threshold amount or above, its basic occurrence frequency is calculated based on such data, and if not, the basic occurrence frequency (the occurrence frequency per year of losses at or above a pre-determined threshold) is calculated with

reference to the situation of occurrence of internal loss data of less than the threshold amount and/or external loss data. The basic occurrence frequency is then adjusted within a pre-determined range for the purpose of reflecting the most recent BEICFs to determine the final occurrence frequency.

- Estimation of loss severity distribution

In order to estimate loss severity distribution, we use a pre-determined series of severity ranges. Basic loss severity distribution is calculated for each scenario analysis unit as an occurrence ratio (in percentile figures) of loss at each severity range when losses at or above a pre-determined threshold occurred, with reference to transaction amount data, external loss data, etc. Then the basic severity distribution is adjusted, if necessary, from the viewpoint of statistical data processing to determine the final loss severity distribution.

- Creation of scenario data

For each scenario analysis unit, scenario data is generated as a series of combinations of occurrence frequency per year at each severity range, based on the final occurrence frequency and the final loss severity distribution.

## **Compliance**

As the leading Japanese financial services group with a global presence and a broad customer base, 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 Bank, Mizuho Trust & Banking and Mizuho Securities each generally oversees compliance matters of the respective company, and the chief executive officer, etc., also head their respective compliance committees at which important matters concerning compliance are discussed. The four 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 four 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 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.

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 & Group CEO 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 Bank and Mizuho Trust & Banking*

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

Both banks have established internal audit departments and credit review departments (Credit Assessment and Auditing Office at Mizuho Trust & Banking) to conduct internal audits at their respective domestic and overseas business offices, head office departments and group companies. Specifically, the internal audit departments assess the suitability and effectiveness of business activities associated with compliance and risk management. The credit review departments (Credit Assessment and Auditing Office at Mizuho Trust & Banking) 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*

Other core group companies have also established effective and efficient internal audit structures adapted to the characteristics of their respective businesses.



## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

### 12.A. Debt Securities

Not applicable.

### 12.B. Warrants and Rights

Not applicable.

### 12.C. Other Securities

Not applicable.

### 12.D. American Depositary Shares

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The table below sets out such fees payable to the depositary:

<u>Persons depositing or withdrawing shares must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	– Execution and delivery of ADRs and the surrender of ADRs
\$.02 (or less) per ADS	– Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	– Distribution of securities distributed to holders of deposited securities that are distributed by the depositary to ADS registered holders
Registration or transfer fees	– Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	– Cable, telex and facsimile transmissions expenses (as are expressly provided in the deposit agreement) – Converting foreign currency to U.S. dollars
Taxes and other governmental charges	– As necessary
Any other charge incurred by the depositary or its agents in connection with the servicing of the deposited securities	– As necessary

The Bank of New York Mellon (“BNYM”), as depositary, has agreed to reimburse us annually for expenses related to the administration and maintenance of the depositary receipt facility including, but not limited to, investor relations expenses, legal fees, New York Stock Exchange continue listing fees or any other direct or non-direct depositary receipt program related expenses. There are limits on the amount of expenses for which the depositary will reimburse us, and the terms and conditions of the annual reimbursement are subject to be reviewed by us and BNYM on an annual basis. In the fiscal year ended March 31, 2016, the depositary reimbursed us \$75,000 as portion of our investor relations expenses and legal fees.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

#### *Disclosure Controls and Procedures*

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2016. 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, 2016 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 Rule 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, 2016 based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of

Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on the evaluation, management has concluded that we maintained effective internal control over financial reporting as of March 31, 2016.

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, 2016, 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 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Messrs. Hirotake Abe and Hideyuki Takahashi each qualifies as an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended. In addition, both are determined to be independent as defined under the New York Stock Exchange (“NYSE”) Corporate Governance Standards.

**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, our independent registered public accounting firm, and its affiliates, for the fiscal years ended March 31, 2015 and 2016 are presented in the following table:

	<b>Fiscal years ended March 31,</b>	
	<b>2015</b>	<b>2016</b>
	<b>(in millions of yen)</b>	
Audit fees <sup>(1)</sup> . . . . .	¥4,486	¥4,608
Audit-related fees <sup>(2)</sup> . . . . .	765	485
Tax fees <sup>(3)</sup> . . . . .	117	131
All other fees <sup>(4)</sup> . . . . .	12	1
Total . . . . .	<u>¥5,380</u>	<u>¥5,225</u>

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.
- (2) Audit-related fees include fees for services relating to agreed-upon procedures on internal controls, due diligence services related to our securitization business and services related to the implementation of Section 404 of the Sarbanes-Oxley Act.

- (3) Tax fees include fees for services relating to the preparation of tax returns and tax advice.
- (4) All other fees include fees for services relating to education to improve the financial business knowledge of our employees.

**Pre-Approval Policies and Procedures**

We established the pre-approval policies and procedures required by the Sarbanes-Oxley Act on April 1, 2006. Under the procedures, Mizuho Financial Group and its subsidiaries must apply to our audit committee members for pre-approval before entering into an agreement regarding audit and permitted non-audit services with Ernst & Young ShinNihon LLC.

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 audit committee reviews the specific maximum fee amount for new services and the maximum amount of increase/decrease from previous fee amounts for the same type of services as those performed in the past 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 audit committee members is required prior to each engagement. With respect to such services, two full-time audit committee members must provide pre-approval and report such pre-approval at the monthly meeting of the audit committee.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable

**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, 2016:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April 1 to April 30, 2015 . . . . .	3,809	¥217.1	—	—
May 1 to May 31, 2015 . . . . .	3,560	236.7	—	—
June 1 to June 30, 2015 . . . . .	9,554	262.3	—	—
July 1 to July 31, 2015 . . . . .	7,768	265.5	—	—
August 1 to August 31, 2015 . . . . .	5,429	261.7	—	—
September 1 to September 30, 2015 . . . . .	2,751	237.8	—	—
October 1 to October 31, 2015 . . . . .	2,260	236.0	—	—
November 1 to November 30, 2015 . . . . .	3,236	255.3	—	—
December 1 to December 31, 2015 . . . . .	9,073	244.6	—	—
January 1 to January 31, 2016 . . . . .	3,511	229.9	—	—
February 1 to February 29, 2016 . . . . .	1,952	179.4	—	—
March 1 to March 31, 2016 . . . . .	2,449	177.6	—	—
Total . . . . .	55,352	¥243.6	—	—

Note:

- (1) A total of 55,352 shares were purchased other than through a publicly announced plan or program during the fiscal year ended March 31, 2016, due to our purchase of shares constituting less than one (1) unit from registered holders of shares constituting less than one (1) unit at the current market price of those shares.

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

None.

**ITEM 16G. CORPORATE GOVERNANCE**

Mizuho Financial Group’s corporate governance practices are governed by applicable Japanese laws, specifically the Companies Act and Financial Instruments and Exchange Act of Japan, and its articles of incorporation and corporate governance guidelines. The company transformed itself from a Company with Audit & Supervisory Board to a Company with Three Committees as of June 24, 2014.

Because Mizuho Financial Group’s shares are registered with the U.S. Securities and Exchange Commission and are listed on the New York Stock Exchange (“NYSE”), the company is also subject to corporate governance requirements applicable to NYSE-listed foreign private issuers. NYSE-listed companies that are foreign private issuers meeting certain criteria are permitted to follow home country practices in lieu of certain provisions of Section 303A, and Mizuho Financial Group is relying on this exemption.

A NYSE-listed foreign private issuer is required to provide to its U.S. investors a brief, general summary of the significant differences of corporate governance practices that differ from those followed by NYSE-listed U.S. companies. The following is a summary of the significant ways in which Mizuho Financial Group’s corporate governance practices differ from NYSE listing standards followed by U.S. companies:

- A NYSE-listed U.S. company is required to have a majority of directors that meet the independence requirements under Section 303A of the NYSE’s Listed Company Manual. The Companies Act does not

require Mizuho Financial Group to have a majority of “independent” directors on the board; rather, it requires the company to have a majority of “outside” directors on each of the Nominating Committee, the Compensation Committee and the Audit Committee, each established as a committee, pursuant to the requirements that apply to a Company with Three Committees. An outside director is defined under the Companies Act as a director who (a) does not currently assume, and has never assumed for the period of ten years prior to becoming a director, the position of, in the case of a parent company, its director, executive officer or employee, and in the case of a sister company, its executive director, executive officer or employee, and (b) is not a spouse or close relative of a director, executive officer or manager of the company. In addition to the requirements under the Companies Act, Mizuho Financial Group’s independence standards for outside directors set forth additional independence requirements on a voluntary basis. Such additional requirements include, but are not limited to, restrictions against persons that are related to a principal business counterparty of Mizuho Financial Group and its Core Subsidiaries, entities to which Mizuho Financial Group and its Core Subsidiaries are a principal business counterparty, entities that receive more than a specified amount of donations from Mizuho Financial Group or its Core Subsidiaries, entities to which directors have been transferred from us, our accounting auditor, as well as law firms and consulting firms that receive more than a specified amount of fees from Mizuho Financial Group or its Core Subsidiaries who otherwise are likely to give rise to consistent substantive conflicts of interest in relation to general shareholders. Mizuho Financial Group may, however, appoint a person as an outside director who does not satisfy the additional independence requirements but who the company believes to be suitable for the position with sufficient independence in consideration of such person’s character and insight, provided that it externally provides an explanation as to the reason the company believes such person qualifies as an outside director with sufficient independence.

Currently, Mizuho Financial Group has six outside directors among the thirteen directors.

- A NYSE-listed U.S. company is required to have an audit committee composed entirely of independent directors. Currently, the Audit Committee consists of three outside directors and two internal non-executive directors in compliance with the requirements under the Companies Act, and all such committee members are independent under Rule 10A-3 under the U.S. Securities Exchange Act of 1934 with two members qualified as audit committee financial experts.
- A NYSE-listed U.S. company is required to have a nominating/corporate governance committee and a compensation committee, both of which must be composed entirely of independent directors. Currently, the Nominating Committee and the Compensation Committee consist solely of outside directors in compliance with the requirements under the Companies Act.
- A NYSE-listed U.S. company must hold regularly scheduled executive sessions where participants are limited to non-executive directors. Under the Companies Act, Japanese corporations are not obligated to hold executive sessions where participants are limited to non-executive directors. Mizuho Financial Group, however, has established the External Director Session that consists of all outside directors and the President & CEO as a forum for free discussions with an aim to deepen outside directors’ understanding of our group and share the top management’s awareness of issues through communication among directors. Among the External Director Session meetings, one meeting was held where only outside directors attended and conducted an interim evaluation, the result of which the Board of Directors took into consideration for the purpose of the self-evaluation on the effectiveness of the Board of Directors for the fiscal year ended March 31, 2016.
- A NYSE-listed U.S. company must adopt corporate governance guidelines and a code of business conduct and ethics and must post those on its website. While Mizuho Financial Group is not required to adopt such guidelines and code under applicable Japanese laws or the rules of the stock exchange in Japan on which it is listed, the company established in June 2014 and has been updating its corporate governance guidelines that sets forth the basic policy, framework and governing policies regarding the

corporate governance system in Mizuho Financial Group and also maintains the “Mizuho Code of Conduct” as its standard for corporate conduct to be observed by the directors, officers and employees.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

## 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

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
1.1	Articles of Incorporation of Mizuho Financial Group, Inc., dated June 24, 2016 (English Translation)
1.2	Regulations of the Board of Directors of Mizuho Financial Group, Inc., as amended on May 13, 2016 (English Translation)
1.3	Share Handling Regulations of Mizuho Financial Group, Inc., dated January 4, 2013 (English Translation)*
2.1	Form of American Depositary Receipt**
2.2	Form of Deposit Agreement among the registrant, The Bank of New York Mellon (formerly The Bank of New York) as Depositary and all owners and holders from time to time of American Depositary Receipts issued thereunder**
8	List of significant subsidiaries of Mizuho Financial Group, Inc.—see “Item 4.C. Information on the Company—Organizational Structure.”
11	Code of Ethics of Mizuho Financial Group, Inc., as amended on April 1, 2016 (English Translation)
12.1	CEO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
12.2	CFO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
13.1	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 23, 2013.

\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 23, 2015.



## **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 and globally integrated, 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.

## I. Distribution of assets, liabilities and 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, 2014, 2015 and 2016. 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.

	2014			2015			2016		
	Average balance	Interest and dividend income	Average yield	Average balance	Interest and dividend income	Average yield	Average balance	Interest and dividend income	Average yield
(in billions of yen, except percentages)									
<b>Assets:</b>									
Interest-earning assets:									
Interest-bearing deposits in other banks:									
Domestic	10,995	12	0.10%	15,900	20	0.12%	29,485	30	0.10%
Foreign	4,878	22	0.45%	5,689	29	0.51%	6,639	38	0.57%
Total	15,873	34	0.21%	21,589	49	0.23%	36,124	68	0.19%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic	4,048	8	0.21%	4,771	8	0.17%	4,309	10	0.22%
Foreign	11,961	34	0.28%	10,862	33	0.30%	10,465	50	0.48%
Total	16,009	42	0.26%	15,633	41	0.26%	14,774	60	0.41%
Trading account assets:									
Domestic	6,937	24	0.35%	6,755	32	0.47%	5,262	16	0.31%
Foreign	11,780	137	1.16%	11,950	142	1.19%	11,602	135	1.16%
Total	18,717	161	0.86%	18,705	174	0.93%	16,864	151	0.90%
Investments:									
Domestic	34,481	155	0.45%	31,690	127	0.40%	25,625	88	0.34%
Foreign	1,910	48	2.52%	2,850	79	2.77%	3,058	102	3.34%
Total	36,391	203	0.56%	34,540	206	0.59%	28,683	190	0.66%
Loans <sup>(1)</sup> :									
Domestic	54,230	634	1.17%	54,207	593	1.09%	52,866	565	1.07%
Foreign	17,420	349	2.00%	21,634	395	1.83%	24,279	466	1.92%
Total	71,650	983	1.37%	75,841	988	1.30%	77,145	1,031	1.34%
Total interest-earning assets:									
Domestic	110,691	833	0.75%	113,323	780	0.69%	117,547	709	0.60%
Foreign	47,949	590	1.23%	52,985	678	1.28%	56,043	791	1.41%
Total	158,640	1,423	0.90%	166,308	1,458	0.88%	173,590	1,500	0.86%
Noninterest-earning assets:									
Cash and due from banks	2,877			4,012			2,285		
Other noninterest-earning assets <sup>(2)</sup>	18,872			19,856			21,449		
Allowance for loan losses	(686)			(558)			(478)		
Total noninterest-earning assets	21,063			23,310			23,256		
Total average assets	179,703			189,618			196,846		

### Notes:

- (1) Average balances of loans include all nonaccrual loans. The amortized portion of net loan origination fees (costs) is included in interest income on loans.
- (2) The fair value carrying amounts of derivative contracts are reported in Other noninterest-earning assets.

Within total average assets, the percentage attributable to foreign activities was 31.3%, 33.0% and 33.2%, respectively, for the fiscal years ended March 31, 2014, 2015 and 2016.

	2014			2015			2016		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
(in billions of yen, except percentages)									
<b>Liabilities and equity:</b>									
Interest-bearing liabilities:									
Deposits:									
Domestic	73,858	53	0.07%	77,126	50	0.06%	81,090	60	0.07%
Foreign	14,695	80	0.55%	19,801	100	0.51%	20,958	154	0.73%
Total	88,553	133	0.15%	96,927	150	0.15%	102,048	214	0.21%
Short-term borrowings <sup>(1)</sup> :									
Domestic	20,471	29	0.14%	17,342	24	0.14%	15,139	22	0.15%
Foreign	20,598	28	0.13%	20,326	28	0.14%	18,982	58	0.31%
Total	41,069	57	0.14%	37,668	52	0.14%	34,121	80	0.24%
Trading account liabilities:									
Domestic	2,836	12	0.42%	2,629	14	0.52%	2,092	13	0.61%
Foreign	1,319	19	1.44%	1,692	17	1.05%	1,195	8	0.69%
Total	4,155	31	0.74%	4,321	31	0.73%	3,287	21	0.64%
Long-term debt:									
Domestic	9,046	178	1.97%	11,730	175	1.49%	14,242	176	1.23%
Foreign	764	3	0.39%	268	4	1.66%	1,441	4	0.26%
Total	9,810	181	1.84%	11,998	179	1.49%	15,683	180	1.15%
Total interest-bearing liabilities:									
Domestic	106,211	272	0.26%	108,827	263	0.24%	112,563	271	0.24%
Foreign	37,376	130	0.35%	42,087	149	0.36%	42,576	224	0.53%
Total	143,587	402	0.28%	150,914	412	0.27%	155,139	495	0.32%
Noninterest-bearing liabilities <sup>(2)</sup>	30,843			32,736			35,176		
Equity	5,273			5,968			6,531		
Total average liabilities and equity	179,703			189,618			196,846		
Net interest income and average interest rate spread		1,021	0.62%		1,046	0.61%		1,005	0.54%
Net interest income as a percentage of average total interest-earning assets			0.64%			0.63%			0.58%

Notes:

- (1) Short-term borrowings consist of Due to trust accounts, Call money and funds purchased, Payables under repurchase agreements and securities lending transactions, and Other short-term borrowings.
- (2) The fair value carrying amounts of derivative contracts are reported in Noninterest-bearing liabilities.

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 27.2%, 28.5% and 28.2%, respectively, for the fiscal years ended March 31, 2014, 2015 and 2016.

*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, 2015 compared to the fiscal year ended March 31, 2014 and the fiscal year ended March 31, 2016 compared to the fiscal year ended March 31, 2015. 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, 2015 versus fiscal year ended March 31, 2014			Fiscal year ended March 31, 2016 versus fiscal year ended March 31, 2015		
	Increase (decrease) due to changes in		Net change	Increase (decrease) due to changes in		Net change
	Volume	Yield		Volume	Yield	
(in billions of yen)						
Interest and dividend income:						
Interest-bearing deposits in other banks:						
Domestic .....	6	2	8	13	(3)	10
Foreign .....	4	3	7	5	4	9
Total .....	<u>10</u>	<u>5</u>	<u>15</u>	<u>18</u>	<u>1</u>	<u>19</u>
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic .....	1	(1)	—	(1)	3	2
Foreign .....	(3)	2	(1)	(1)	18	17
Total .....	<u>(2)</u>	<u>1</u>	<u>(1)</u>	<u>(2)</u>	<u>21</u>	<u>19</u>
Trading account assets:						
Domestic .....	(1)	9	8	(6)	(10)	(16)
Foreign .....	2	3	5	(4)	(3)	(7)
Total .....	<u>1</u>	<u>12</u>	<u>13</u>	<u>(10)</u>	<u>(13)</u>	<u>(23)</u>
Investments:						
Domestic .....	(11)	(17)	(28)	(22)	(17)	(39)
Foreign .....	26	5	31	6	17	23
Total .....	<u>15</u>	<u>(12)</u>	<u>3</u>	<u>(16)</u>	<u>—</u>	<u>(16)</u>
Loans:						
Domestic .....	—	(41)	(41)	(15)	(13)	(28)
Foreign .....	77	(31)	46	51	20	71
Total .....	<u>77</u>	<u>(72)</u>	<u>5</u>	<u>36</u>	<u>7</u>	<u>43</u>
Total interest and dividend income:						
Domestic .....	(5)	(48)	(53)	(31)	(40)	(71)
Foreign .....	<u>106</u>	<u>(18)</u>	<u>88</u>	<u>57</u>	<u>56</u>	<u>113</u>
Total .....	<u>101</u>	<u>(66)</u>	<u>35</u>	<u>26</u>	<u>16</u>	<u>42</u>

	Fiscal year ended March 31, 2015 versus fiscal year ended March 31, 2014			Fiscal year ended March 31, 2016 versus fiscal year ended March 31, 2015		
	Increase (decrease) due to changes in		Net change	Increase (decrease) due to changes in		Net change
	Volume	Rate		Volume	Rate	
Interest expense:	(in billions of yen)					
Deposits:						
Domestic .....	2	(5)	(3)	3	7	10
Foreign .....	<u>26</u>	<u>(6)</u>	<u>20</u>	<u>6</u>	<u>48</u>	<u>54</u>
Total .....	<u>28</u>	<u>(11)</u>	<u>17</u>	<u>9</u>	<u>55</u>	<u>64</u>
Short-term borrowings:						
Domestic .....	(4)	(1)	(5)	(3)	1	(2)
Foreign .....	<u>(1)</u>	<u>1</u>	<u>—</u>	<u>(2)</u>	<u>32</u>	<u>30</u>
Total .....	<u>(5)</u>	<u>—</u>	<u>(5)</u>	<u>(5)</u>	<u>33</u>	<u>28</u>
Trading account liabilities:						
Domestic .....	(1)	3	2	(3)	2	(1)
Foreign .....	<u>4</u>	<u>(6)</u>	<u>(2)</u>	<u>(4)</u>	<u>(5)</u>	<u>(9)</u>
Total .....	<u>3</u>	<u>(3)</u>	<u>—</u>	<u>(7)</u>	<u>(3)</u>	<u>(10)</u>
Long-term debt:						
Domestic .....	40	(43)	(3)	31	(30)	1
Foreign .....	<u>(2)</u>	<u>3</u>	<u>1</u>	<u>3</u>	<u>(3)</u>	<u>—</u>
Total .....	<u>38</u>	<u>(40)</u>	<u>(2)</u>	<u>34</u>	<u>(33)</u>	<u>1</u>
Total interest expense:						
Domestic .....	37	(46)	(9)	28	(20)	8
Foreign .....	<u>27</u>	<u>(8)</u>	<u>19</u>	<u>3</u>	<u>72</u>	<u>75</u>
Total .....	<u>64</u>	<u>(54)</u>	<u>10</u>	<u>31</u>	<u>52</u>	<u>83</u>
Net interest income:						
Domestic .....	(42)	(2)	(44)	(59)	(20)	(79)
Foreign .....	<u>79</u>	<u>(10)</u>	<u>69</u>	<u>54</u>	<u>(16)</u>	<u>38</u>
Total .....	<u>37</u>	<u>(12)</u>	<u>25</u>	<u>(5)</u>	<u>(36)</u>	<u>(41)</u>

## II. Investment portfolio

The following table shows the amortized cost, fair value and net unrealized gains (losses) of available-for-sale and held-to-maturity securities at March 31, 2014, 2015 and 2016:

	2014			2015			2016		
	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)									
Available-for-sale securities:									
Domestic:									
Japanese government bonds . . . . .	22,040	22,056	16	17,391	17,414	23	15,672	15,763	91
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	842	855	13	717	734	17	751	780	29
Corporate bonds and other debt securities . . . . .	2,696	2,717	21	2,578	2,597	19	2,696	2,721	25
Equity securities (marketable) . . . . .	1,648	3,402	1,754	1,697	4,396	2,699	1,610	3,726	2,116
Total domestic . . . . .	<u>27,226</u>	<u>29,030</u>	<u>1,804</u>	<u>22,383</u>	<u>25,141</u>	<u>2,758</u>	<u>20,729</u>	<u>22,990</u>	<u>2,261</u>
Foreign:									
U.S. Treasury bonds and federal agency securities . . . . .	158	154	(4)	116	117	1	436	438	2
Other foreign government bonds . . . . .	719	721	2	962	966	4	940	942	2
Agency mortgage-backed securities <sup>(2)</sup> . . . . .	113	106	(7)	90	88	(2)	169	169	—
Corporate bonds and other debt securities . . . . .	599	618	19	747	758	11	852	859	7
Equity securities (marketable) . . . . .	20	20	—	1	1	—	54	55	1
Total foreign . . . . .	<u>1,609</u>	<u>1,619</u>	<u>10</u>	<u>1,916</u>	<u>1,930</u>	<u>14</u>	<u>2,451</u>	<u>2,463</u>	<u>12</u>
Total . . . . .	<u>28,835</u>	<u>30,649</u>	<u>1,814</u>	<u>24,299</u>	<u>27,071</u>	<u>2,772</u>	<u>23,180</u>	<u>25,453</u>	<u>2,273</u>
Held-to-maturity securities:									
Domestic:									
Japanese government bonds . . . . .	4,040	4,058	18	4,360	4,389	29	3,760	3,817	57
Total domestic . . . . .	<u>4,040</u>	<u>4,058</u>	<u>18</u>	<u>4,360</u>	<u>4,389</u>	<u>29</u>	<u>3,760</u>	<u>3,817</u>	<u>57</u>
Foreign:									
Agency mortgage-backed securities <sup>(3)</sup> . . . . .	—	—	—	1,287	1,289	2	1,059	1,056	(3)
Total foreign . . . . .	—	—	—	<u>1,287</u>	<u>1,289</u>	<u>2</u>	<u>1,059</u>	<u>1,056</u>	<u>(3)</u>
Total . . . . .	<u>4,040</u>	<u>4,058</u>	<u>18</u>	<u>5,647</u>	<u>5,678</u>	<u>31</u>	<u>4,819</u>	<u>4,873</u>	<u>54</u>

### Notes:

- (1) All domestic agency mortgage-backed securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) Foreign agency mortgage-backed securities primarily consist of Government National Mortgage Association (“Ginnie Mae”) securities, which are guaranteed by the United States government.
- (3) All foreign agency mortgage-backed securities presented in the above table are Ginnie Mae securities.

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, 2016. 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.

	Maturity									
	One year or less		After one year through five years		After five years through ten years		After ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in billions of yen, except percentages)									
Available-for-sale securities:										
Domestic:										
Japanese government bonds . . . . .	2,433	0.00%	11,758	0.02%	1,572	0.14%	—	—	15,763	0.03%
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	780	1.16%	780	1.16%
Corporate bonds and other debt securities . . . . .	404	0.26%	1,443	0.41%	528	0.51%	346	1.17%	2,721	0.50%
Total domestic . . . . .	<u>2,837</u>	0.04%	<u>13,201</u>	0.06%	<u>2,100</u>	0.23%	<u>1,126</u>	1.16%	<u>19,264</u>	0.14%
Foreign:										
U.S. Treasury bonds and federal agency securities . . . . .	327	0.14%	—	—	111	1.78%	—	—	438	0.55%
Other foreign government bonds . . . . .	777	1.68%	157	2.46%	8	0.96%	—	—	942	1.80%
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	169	2.92%	169	2.92%
Corporate bonds and other debt securities . . . . .	196	2.22%	514	1.84%	58	1.64%	91	0.46%	859	1.77%
Total foreign . . . . .	<u>1,300</u>	1.37%	<u>671</u>	1.99%	<u>177</u>	1.70%	<u>260</u>	2.05%	<u>2,408</u>	1.64%
Total . . . . .	<u>4,137</u>	0.46%	<u>13,872</u>	0.16%	<u>2,277</u>	0.35%	<u>1,386</u>	1.34%	<u>21,672</u>	0.31%
Held-to-maturity securities:										
Domestic:										
Japanese government bonds . . . . .	700	0.32%	2,580	0.19%	480	0.67%	—	—	3,760	0.28%
Total domestic . . . . .	<u>700</u>	0.32%	<u>2,580</u>	0.19%	<u>480</u>	0.67%	<u>—</u>	<u>—</u>	<u>3,760</u>	0.28%
Foreign:										
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	1,059	3.73%	1,059	3.73%
Total foreign . . . . .	<u>—</u>	—	<u>—</u>	—	<u>—</u>	—	<u>1,059</u>	3.73%	<u>1,059</u>	3.73%
Total . . . . .	<u>700</u>	0.32%	<u>2,580</u>	0.19%	<u>480</u>	0.67%	<u>1,059</u>	3.73%	<u>4,819</u>	1.03%

Other than Japanese government bonds, the MHFG Group did not have any securities of individual issuers with respect to which their aggregate book value exceeded 10% of the Group's shareholders' equity at March 31, 2016.

In addition to Available-for-sale securities and Held-to-maturity securities, the MHFG Group's Investments also include Other investments. See Note 3 "Investments" to the consolidated financial statements included elsewhere in this annual report for information regarding Other investments.

### III. Loan portfolio

#### Types of loans

The following table shows loans outstanding by domicile and industry of borrower at March 31, 2012, 2013, 2014, 2015 and 2016:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in billions of yen)				
Domestic:					
Manufacturing . . . . .	7,587	8,079	8,026	8,224	8,345
Construction and real estate . . . . .	7,271	7,478	7,205	7,354	7,734
Services . . . . .	3,981	3,972	3,957	4,273	4,656
Wholesale and retail . . . . .	5,295	5,356	5,351	5,587	5,409
Transportation and communications . . . . .	3,201	3,147	3,247	3,157	3,268
Banks and other financial institutions . . . . .	3,501	3,143	3,460	3,853	3,632
Government and public institutions . . . . .	6,912	6,907	6,734	4,612	3,395
Other industries <sup>(Note)</sup> . . . . .	4,319	4,522	4,983	5,080	4,619
Individuals:					
Mortgage loans . . . . .	11,191	11,234	11,187	11,022	10,590
Other . . . . .	719	742	788	848	924
Total domestic . . . . .	<u>53,977</u>	<u>54,580</u>	<u>54,938</u>	<u>54,010</u>	<u>52,572</u>
Foreign:					
Commercial and industrial . . . . .	8,146	10,481	12,938	16,688	17,320
Banks and other financial institutions . . . . .	3,343	4,089	4,610	6,077	6,382
Government and public institutions . . . . .	522	596	883	1,011	1,175
Other <sup>(Note)</sup> . . . . .	91	199	255	426	274
Total foreign . . . . .	<u>12,102</u>	<u>15,365</u>	<u>18,686</u>	<u>24,202</u>	<u>25,151</u>
Total . . . . .	<u>66,079</u>	<u>69,945</u>	<u>73,624</u>	<u>78,212</u>	<u>77,723</u>
Less: Unearned income and deferred loan fees—net . . . . .	90	112	139	164	168
Total loans before allowance for loan losses . . . . .	<u>65,989</u>	<u>69,833</u>	<u>73,485</u>	<u>78,048</u>	<u>77,555</u>

Note: 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.



*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, 2016:

	Maturity			Total
	One year or less	After one year through five years	After five years	
	(in billions of yen)			
Domestic:				
Manufacturing . . . . .	4,018	3,446	881	8,345
Construction and real estate . . . . .	1,998	3,041	2,695	7,734
Services . . . . .	1,829	2,129	698	4,656
Wholesale and retail . . . . .	3,330	1,665	414	5,409
Transportation and communications . . . . .	823	1,819	626	3,268
Banks and other financial institutions . . . . .	1,731	1,391	510	3,632
Government and public institutions . . . . .	2,570	430	395	3,395
Other industries . . . . .	2,492	1,357	770	4,619
Individuals . . . . .	<u>1,447</u>	<u>2,488</u>	<u>7,579</u>	<u>11,514</u>
Total domestic . . . . .	20,238	17,766	14,568	52,572
Foreign:				
Total foreign . . . . .	<u>11,122</u>	<u>11,232</u>	<u>2,797</u>	<u>25,151</u>
Total . . . . .	<u><u>31,360</u></u>	<u><u>28,998</u></u>	<u><u>17,365</u></u>	<u><u>77,723</u></u>

Of the above loans due after one year, loans which had floating rates and fixed rates at March 31, 2016 were as follows:

	(in billions of yen)
Floating rates . . . . .	36,667
Fixed rates . . . . .	<u>9,696</u>
Total . . . . .	<u><u>46,363</u></u>

### Impaired loans

The MHFG Group considers loans to be impaired when it is probable that the Group will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loans. The Group classifies loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans. Impaired loans include loans past due for 90 days or more and restructured loans that meet the definition of troubled debt restructuring in accordance with ASC 310 “Receivables”. All of the Group’s impaired loans are designated as nonaccrual loans. The Group does not have any loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as impaired loans. The following table shows the distribution of impaired loans at March 31, 2012, 2013, 2014, 2015 and 2016 by domicile and industry of borrower:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in billions of yen)				
Domestic:					
Manufacturing . . . . .	297	336	229	480	374
Construction and real estate . . . . .	205	249	138	101	77
Services . . . . .	119	90	79	71	66
Wholesale and retail . . . . .	201	173	156	150	147
Transportation and communications . . . . .	53	59	48	36	29
Banks and other financial institutions . . . . .	12	14	11	5	3
Other industries . . . . .	4	5	1	1	4
Individuals . . . . .	<u>264</u>	<u>235</u>	<u>195</u>	<u>143</u>	<u>123</u>
Total domestic . . . . .	1,155	1,161	857	987	823
Foreign:					
Total foreign . . . . .	<u>155</u>	<u>303</u>	<u>288</u>	<u>188</u>	<u>167</u>
Total impaired loans . . . . .	<u>1,310</u>	<u>1,464</u>	<u>1,145</u>	<u>1,175</u>	<u>990</u>

Had interest on nonaccrual loans been accrued at the original contractual terms, gross interest income on domestic and foreign nonaccrual loans outstanding during the fiscal year ended March 31, 2016 would have been ¥17 billion and ¥4 billion, respectively. The MHFG group recognized interest income on these domestic and foreign loans of ¥16 billion and ¥2 billion, respectively, in the consolidated statements of income for the fiscal year ended March 31, 2016.

*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, 2014, 2015 and 2016:

	<u>Public institutions</u>	<u>Banks</u>	<u>Others</u>	<u>Total</u>	<u>% of total assets</u>	<u>Undrawn commitments</u>
	<i>(in billions of yen, except percentages)</i>					
<b>2014</b>						
United States .....	3,425	344	3,400	7,169	4.08%	3,682
France .....	1,447	283	166	1,896	1.08%	549
Germany .....	1,376	97	240	1,713	0.98%	330
China .....	107	740	631	1,478	0.84%	55
Korea .....	93	406	911	1,410	0.80%	48
<b>2015</b>						
United States .....	4,666	341	5,338	10,345	5.44%	8,357
Germany .....	1,206	192	279	1,677	0.88%	316
France .....	1,183	294	197	1,674	0.88%	543
China .....	108	639	767	1,514	0.80%	82
<b>2016</b>						
United States .....	3,928	261	4,352	8,541	4.41%	8,531
Germany .....	1,392	224	266	1,882	0.97%	338
France .....	1,276	304	214	1,794	0.93%	540
United Kingdom .....	15	264	1,258	1,537	0.79%	954
Korea .....	212	340	932	1,484	0.77%	92

#### 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, 2012, 2013, 2014, 2015 and 2016:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in billions of yen, except percentages)				
Allowance for loan losses at beginning of fiscal year . . . . .	735	683	773	626	520
Provision (credit) for loan losses . . . . .	<u>(23)</u>	<u>140</u>	<u>(126)</u>	<u>(60)</u>	<u>35</u>
Charge-offs:					
Domestic:					
Manufacturing . . . . .	18	25	20	8	37
Construction and real estate . . . . .	7	5	1	3	2
Services . . . . .	7	10	3	2	4
Wholesale and retail . . . . .	14	11	13	15	14
Transportation and communications . . . . .	2	2	7	1	5
Banks and other financial institutions . . . . .	1	—	—	—	—
Other industries . . . . .	2	—	—	—	—
Individuals . . . . .	<u>19</u>	<u>17</u>	<u>13</u>	<u>10</u>	<u>8</u>
Total domestic . . . . .	70	70	57	39	70
Total foreign . . . . .	<u>10</u>	<u>25</u>	<u>8</u>	<u>40</u>	<u>42</u>
Total charge-offs . . . . .	<u>80</u>	<u>95</u>	<u>65</u>	<u>79</u>	<u>112</u>
Recoveries:					
Domestic:					
Manufacturing . . . . .	12	4	6	2	2
Construction and real estate . . . . .	12	8	5	4	1
Services . . . . .	4	3	3	2	2
Wholesale and retail . . . . .	9	3	3	3	8
Transportation and communications . . . . .	2	1	3	1	1
Banks and other financial institutions . . . . .	1	1	—	—	—
Other industries . . . . .	—	—	1	1	—
Individuals . . . . .	<u>3</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total domestic . . . . .	43	24	24	16	16
Total foreign . . . . .	<u>9</u>	<u>8</u>	<u>2</u>	<u>7</u>	<u>5</u>
Total recoveries . . . . .	<u>52</u>	<u>32</u>	<u>26</u>	<u>23</u>	<u>21</u>
Net charge-offs . . . . .	<u>28</u>	<u>63</u>	<u>39</u>	<u>56</u>	<u>91</u>
Others <sup>(Note)</sup> . . . . .	(1)	13	18	10	(13)
Balance at end of fiscal year . . . . .	<u>683</u>	<u>773</u>	<u>626</u>	<u>520</u>	<u>451</u>
Ratio of net charge-offs to average loans outstanding . . . . .	<u>0.04%</u>	<u>0.09%</u>	<u>0.05%</u>	<u>0.07%</u>	<u>0.12%</u>

Note: Others includes primarily foreign exchange translation.

The following table shows an allocation of the MHFG Group's allowance for loan losses by domicile and industry of borrower at March 31, 2012, 2013, 2014, 2015 and 2016:

	2012		2013		2014		2015		2016	
	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 billions of yen, except percentages)										
Domestic:										
Manufacturing . . . . .	132	11.48%	210	11.55%	177	10.90%	187	10.52%	154	10.74%
Construction and real estate ..	83	11.00%	79	10.69%	51	9.79%	33	9.40%	25	9.95%
Services . . . . .	51	6.03%	35	5.68%	30	5.37%	26	5.46%	26	5.99%
Wholesale and retail . . . . .	101	8.01%	84	7.66%	65	7.27%	66	7.14%	58	6.96%
Transportation and communications . . . . .	27	4.84%	26	4.50%	22	4.41%	14	4.04%	9	4.20%
Banks and other financial institutions . . . . .	20	5.30%	28	4.49%	21	4.70%	18	4.93%	14	4.67%
Other industries <sup>(Note)</sup> . . . . .	12	17.00%	12	16.34%	5	15.92%	5	12.39%	5	10.31%
Individuals . . . . .	127	18.03%	109	17.12%	95	16.26%	59	15.18%	42	14.82%
Mortgage loans . . . . .	102	16.94%	86	16.06%	74	15.19%	51	14.09%	35	13.63%
Other . . . . .	25	1.09%	23	1.06%	21	1.07%	8	1.09%	7	1.19%
Total domestic . . . . .	553	81.69%	583	78.03%	466	74.62%	408	69.06%	333	67.64%
Total foreign . . . . .	130	18.31%	190	21.97%	160	25.38%	112	30.94%	118	32.36%
Total allowance for loan losses . . .	683	100.00%	773	100.00%	626	100.00%	520	100.00%	451	100.00%

Note: Other industries includes government and public institutions.

## 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, 2014, 2015 and 2016:

	2014		2015		2016	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(in billions of yen, except percentages)					
Domestic offices:						
Noninterest-bearing demand deposits . . . . .	11,836	— %	12,378	— %	13,268	— %
Interest-bearing demand deposits . . . . .	33,399	0.02%	35,585	0.02%	38,254	0.02%
Deposits at notice <sup>(Note)</sup> . . . . .	668	0.02%	682	0.02%	674	0.02%
Time deposits . . . . .	28,751	0.13%	28,984	0.11%	30,658	0.14%
Certificates of deposit . . . . .	11,040	0.09%	11,875	0.09%	11,504	0.08%
Foreign offices:						
Noninterest-bearing demand deposits . . . . .	995	— %	1,179	— %	1,429	— %
Interest-bearing deposits, principally time deposits . . . . .	10,496	0.60%	13,647	0.59%	16,276	0.77%
Certificates of deposit . . . . .	4,199	0.41%	6,154	0.31%	4,682	0.60%
Total . . . . .	101,384	0.13%	110,484	0.14%	116,745	0.18%

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 total amounts of deposits by foreign depositors in domestic offices at March 31, 2014, 2015 and 2016 were ¥726 billion, ¥871 billion and ¥719 billion, respectively.

At March 31, 2016, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$89 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2016) or more and the balances of these deposits issued by foreign offices in amounts of US\$100,000 or more are shown in the following table:

	Time deposits	Certificates of deposit	Total
	(in billions of yen)		
Domestic offices:			
Due in three months or less . . . . .	9,926	5,823	15,749
Due after three months through six months . . . . .	3,822	284	4,106
Due after six months through twelve months . . . . .	3,969	299	4,268
Due after twelve months . . . . .	1,493	26	1,519
Total . . . . .	19,210	6,432	25,642
Foreign offices . . . . .	12,708	5,395	18,103
Total . . . . .	31,918	11,827	43,745

## 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, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in billions of yen, except percentages)		
Due to trust accounts:			
Average balance outstanding during the fiscal year . . . . .	742	726	1,239
Maximum balance outstanding at any month-end during the fiscal year . . . . .	840	1,257	4,467
Balance at end of fiscal year . . . . .	742	1,241	4,467
Weighted average interest rate during the fiscal year . . . . .	0.19%	0.17%	0.09%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.20%	0.12%	0.02%
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the fiscal year . . . . .	32,335	33,938	31,009
Maximum balance outstanding at any month-end during the fiscal year . . . . .	40,347	36,530	35,541
Balance at end of fiscal year . . . . .	30,259	27,165	22,199
Weighted average interest rate during the fiscal year . . . . .	0.14%	0.13%	0.24%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.11%	0.18%	0.35%
Other short-term borrowings:			
Average balance outstanding during the fiscal year . . . . .	7,992	3,004	1,873
Maximum balance outstanding at any month-end during the fiscal year . . . . .	9,790	6,007	2,391
Balance at end of fiscal year . . . . .	6,024	1,583	2,080
Weighted average interest rate during the fiscal year . . . . .	0.13%	0.21%	0.31%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.13%	0.25%	0.43%

**MIZUHO FINANCIAL GROUP, INC.**  
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## **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, 2016 and 2015, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended March 31, 2016. 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, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2016, 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), Mizuho Financial Group, Inc. and subsidiaries’ internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 21, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
July 21, 2016

## 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, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). The Mizuho Financial Group, Inc. and subsidiaries' 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, 2016, 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, 2016 and 2015, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended March 31, 2016 and our report dated July 21, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
July 21, 2016

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2015 AND 2016**

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
<b>Assets:</b>		
Cash and due from banks (Note 8) .....	1,528,306	1,322,597
Interest-bearing deposits in other banks (Note 8) .....	27,852,853	35,327,408
Call loans and funds sold .....	444,115	893,545
Receivables under resale agreements (Note 28) .....	8,582,026	7,805,643
Receivables under securities borrowing transactions (Note 28) .....	4,059,341	3,407,391
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥7,645,031 million in 2015 and ¥7,020,645 million in 2016) (Notes 8, 27 and 28) .....	29,416,024	30,020,743
Investments (Notes 3, 8 and 27):		
Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥776,660 million in 2015 and ¥513,054 million in 2016) .....	27,070,710	25,452,525
Held-to-maturity securities (including assets pledged that secured parties are permitted to sell or repledge of ¥1,272,433 million in 2015 and ¥1,238,965 million in 2016) .....	5,647,341	4,818,961
Other investments .....	697,687	613,446
Loans (Notes 4, 5, 8 and 27) .....	78,048,276	77,555,369
Allowance for loan losses .....	(520,259)	(451,247)
Loans, net of allowance .....	77,528,017	77,104,122
Premises and equipment—net (Note 6) .....	1,632,485	1,837,990
Due from customers on acceptances .....	139,011	109,567
Accrued income .....	280,010	274,226
Goodwill (Note 7) .....	11,703	19,097
Intangible assets (Note 7) .....	53,580	48,651
Deferred tax assets (Note 19) .....	57,921	57,349
Other assets (Notes 4, 8, 12, 20, 22 and 27) .....	5,118,604	4,702,285
Total assets .....	<u>190,119,734</u>	<u>193,815,546</u>

The following table presents the assets of consolidated variable interest entities (“VIE”s), which are included in the consolidated balance sheets above. The assets in the table below can be used only to settle obligations of consolidated VIEs.

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
<b>Assets of consolidated VIEs:</b>		
Cash and due from banks .....	79,408	51,304
Interest-bearing deposits in other banks .....	12,267	85,976
Trading account assets .....	1,877,877	1,639,050
Investments .....	47,505	40,732
Loans, net of allowance .....	2,817,142	2,255,409
Other .....	1,050,504	620,008
Total assets .....	<u>5,884,703</u>	<u>4,692,479</u>

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**  
**MARCH 31, 2015 AND 2016**

	<b>2015</b>	<b>2016</b>
	(in millions of yen)	
<b>Liabilities and equity:</b>		
Deposits (Notes 8 and 9):		
Domestic:		
Noninterest-bearing deposits . . . . .	13,576,340	16,108,032
Interest-bearing deposits . . . . .	78,187,584	79,596,483
Foreign:		
Noninterest-bearing deposits . . . . .	1,358,121	1,601,417
Interest-bearing deposits . . . . .	21,084,396	20,631,790
Due to trust accounts (Note 10) . . . . .	1,241,101	4,467,305
Call money and funds purchased . . . . .	5,091,198	2,521,009
Payables under repurchase agreements (Notes 28 and 29) . . . . .	19,612,021	16,833,263
Payables under securities lending transactions (Notes 28 and 29) . . . . .	2,462,315	2,844,653
Other short-term borrowings (Note 11) . . . . .	1,582,597	2,080,039
Trading account liabilities (Notes 27 and 28) . . . . .	16,471,857	17,111,142
Bank acceptances outstanding . . . . .	139,011	109,567
Income taxes payable . . . . .	158,748	96,710
Deferred tax liabilities (Note 19) . . . . .	293,956	201,859
Accrued expenses . . . . .	153,541	181,441
Long-term debt (including liabilities accounted for at fair value of ¥739,727 million in 2015, and ¥1,055,626 million in 2016) (Notes 11 and 27) . . . . .	14,582,241	14,770,922
Other liabilities (Notes 12, 20, 22, 23 and 27) . . . . .	5,934,863	6,476,723
<b>Total liabilities</b> . . . . .	<b>181,929,890</b>	<b>185,632,355</b>
Commitments and contingencies (Note 23)		
<b>Equity:</b>		
MHFG shareholders' equity:		
Preferred stock (Note 13) . . . . .	213,121	98,924
Common stock (Note 14)—no par value, authorized 48,000,000,000 shares in 2015 and 2016, and issued 24,621,897,967 shares in 2015, and 25,030,525,657 shares in 2016 . . . . .	5,590,396	5,703,144
Retained earnings . . . . .	89,432	746,785
Accumulated other comprehensive income, net of tax (Note 16) . . . . .	2,041,005	1,469,308
Less: Treasury stock, at cost—Common stock 11,649,262 shares in 2015, and 10,929,211 shares in 2016 . . . . .	(3,616)	(3,610)
<b>Total MHFG shareholders' equity</b> . . . . .	<b>7,930,338</b>	<b>8,014,551</b>
Noncontrolling interests . . . . .	259,506	168,640
<b>Total equity</b> . . . . .	<b>8,189,844</b>	<b>8,183,191</b>
<b>Total liabilities and equity</b> . . . . .	<b>190,119,734</b>	<b>193,815,546</b>

The following table presents the liabilities of consolidated VIEs, which are included in the consolidated balance sheets above. The creditors or investors of the consolidated VIEs have no recourse to the MHFG Group, except where the Group provides credit enhancement through guarantees or other means.

	<b>2015</b>	<b>2016</b>
	(in millions of yen)	
<b>Liabilities of consolidated VIEs:</b>		
Other short-term borrowings . . . . .	311,334	292,614
Trading account liabilities . . . . .	2,293	—
Long-term debt . . . . .	250,448	411,679
Other . . . . .	1,492,914	967,141
<b>Total liabilities</b> . . . . .	<b>2,056,989</b>	<b>1,671,434</b>

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2014, 2015 AND 2016**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
<b>Interest and dividend income:</b>			
Loans, including fees .....	982,402	988,236	1,030,802
Investments:			
Interest .....	131,295	130,626	110,411
Dividends .....	72,052	74,673	79,600
Trading account assets .....	161,212	174,458	151,278
Call loans and funds sold .....	5,949	7,555	6,983
Receivables under resale agreements and securities borrowing transactions .....	36,281	33,379	53,007
Deposits .....	33,608	48,732	68,090
Total interest and dividend income .....	<u>1,422,799</u>	<u>1,457,659</u>	<u>1,500,171</u>
<b>Interest expense:</b>			
Deposits .....	133,140	149,776	213,601
Trading account liabilities .....	30,746	31,402	21,031
Call money and funds purchased .....	7,664	7,545	7,830
Payables under repurchase agreements and securities lending transactions .....	36,906	36,641	66,579
Other short-term borrowings .....	12,120	7,490	6,791
Long-term debt .....	180,989	179,128	179,575
Total interest expense .....	<u>401,565</u>	<u>411,982</u>	<u>495,407</u>
Net interest income .....	1,021,234	1,045,677	1,004,764
Provision (credit) for loan losses (Notes 4 and 5) .....	(126,230)	(60,223)	34,560
Net interest income after provision (credit) for loan losses .....	<u>1,147,464</u>	<u>1,105,900</u>	<u>970,204</u>
<b>Noninterest income:</b>			
Fee and commission income (Note 25) .....	675,763	715,657	742,953
Foreign exchange gains (losses)—net (Note 26) .....	25,631	(34,520)	113,553
Trading account gains (losses)—net (Note 26) .....	(59,687)	689,959	559,139
Investment gains (losses)—net (Note 3) .....	237,556	271,174	263,793
Equity in earnings (losses) of equity method investees—net .....	27,975	17,502	28,969
Gains on disposal of premises and equipment .....	10,460	2,754	10,223
Other noninterest income (Note 22) .....	165,136	138,689	165,264
Total noninterest income .....	<u>1,082,834</u>	<u>1,801,215</u>	<u>1,883,894</u>
<b>Noninterest expenses:</b>			
Salaries and employee benefits (Note 20) .....	586,737	605,454	633,557
General and administrative expenses .....	486,772	530,365	548,027
Impairment of goodwill (Note 7) .....	3,792	—	6,222
Occupancy expenses .....	172,566	189,004	195,898
Fee and commission expenses .....	122,419	134,395	146,107
Provision (credit) for losses on off-balance-sheet instruments (Note 23) .....	12,095	(2,827)	(16,447)
Other noninterest expenses (Notes 4 and 22) .....	119,574	183,071	144,129
Total noninterest expenses .....	<u>1,503,955</u>	<u>1,639,462</u>	<u>1,657,493</u>
Income before income tax expense .....	726,343	1,267,653	1,196,605
Income tax expense (Note 19) .....	226,108	437,420	346,542
Net income .....	500,235	830,233	850,063
Less: Net income (loss) attributable to noncontrolling interests .....	1,751	27,185	(429)
Net income attributable to MHFG shareholders .....	<u>498,484</u>	<u>803,048</u>	<u>850,492</u>
<b>Earnings per common share (Note 18):</b>		<b>(in yen)</b>	
Basic net income per common share .....	20.33	32.75	34.19
Diluted net income per common share .....	<u>19.64</u>	<u>31.64</u>	<u>33.50</u>

Note: Certain income for the fiscal year ended March 31, 2014 has been reclassified to conform to the current year's presentation.

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2014, 2015 AND 2016**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Net income .....	500,235	830,233	850,063
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on available-for-sale securities, net of tax (Note 3) .....	137,128	622,975	(338,822)
Foreign currency translation adjustments, net of tax .....	76,104	136,299	(123,221)
Pension liability adjustments, net of tax (Note 20) .....	136,942	163,338	(111,599)
Total other comprehensive income (loss), net of tax .....	<u>350,174</u>	<u>922,612</u>	<u>(573,642)</u>
Total comprehensive income .....	850,409	1,752,845	276,421
Less: Total comprehensive income (loss) attributable to noncontrolling interests .....	<u>12,045</u>	<u>26,669</u>	<u>(2,373)</u>
Total comprehensive income attributable to MHFG shareholders .....	<u>838,364</u>	<u>1,726,176</u>	<u>278,794</u>

Note: The amounts that have been reclassified out of Accumulated other comprehensive income, net of tax into net income are presented in Note 16 “Accumulated other comprehensive income”.

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2014, 2015 AND 2016**

	2014	2015	2016
	(in millions of yen)		
<b>Preferred stock (Note 13):</b>			
Balance at beginning of fiscal year	377,354	312,651	213,121
Conversion to common stock	(28,013)	(99,530)	(114,197)
Cancellation of preferred stock	(36,690)	—	—
Balance at end of fiscal year	<u>312,651</u>	<u>213,121</u>	<u>98,924</u>
<b>Common stock (Note 14):</b>			
Balance at beginning of fiscal year	5,460,821	5,489,295	5,590,396
Issuance of new shares of common stock due to conversion of preferred stock	28,013	99,530	114,197
Issuance of new shares of common stock due to exercise of stock acquisition rights	—	864	772
Gains (losses) on disposal of treasury stock	(31)	67	82
Stock-based compensation (Note 21)	492	640	(1,058)
Change in ownership interest in consolidated subsidiaries	—	—	(1,245)
Balance at end of fiscal year	<u>5,489,295</u>	<u>5,590,396</u>	<u>5,703,144</u>
<b>Retained earnings (Accumulated deficit):</b>			
Balance at beginning of fiscal year	(883,390)	(537,479)	89,432
Net income attributable to MHFG shareholders	498,484	803,048	850,492
Dividends declared	(152,265)	(176,137)	(195,265)
Cancellation of preferred stock	(308)	—	—
Other	—	—	2,126
Balance at end of fiscal year	<u>(537,479)</u>	<u>89,432</u>	<u>746,785</u>
<b>Accumulated other comprehensive income, net of tax (Note 16):</b>			
Balance at beginning of fiscal year	777,997	1,117,877	2,041,005
Change during year	339,880	923,128	(571,697)
Balance at end of fiscal year	<u>1,117,877</u>	<u>2,041,005</u>	<u>1,469,308</u>
<b>Treasury stock, at cost:</b>			
Balance at beginning of fiscal year	(4,662)	(3,874)	(3,616)
Purchases of treasury stock	(37,387)	(274)	(653)
Disposal of treasury stock	1,177	532	659
Cancellation of treasury stock	36,998	—	—
Balance at end of fiscal year	<u>(3,874)</u>	<u>(3,616)</u>	<u>(3,610)</u>
Total MHFG shareholders' equity	<u>6,378,470</u>	<u>7,930,338</u>	<u>8,014,551</u>
<b>Noncontrolling interests:</b>			
Balance at beginning of fiscal year	128,975	242,901	259,506
Effect of other increase/decrease in consolidated subsidiaries	113,887	(6,128)	(85,809)
Dividends paid to noncontrolling interests	(12,006)	(3,936)	(2,683)
Net income (loss) attributable to noncontrolling interests	1,751	27,185	(429)
Net unrealized gains (losses) on available-for-sale securities attributable to noncontrolling interests	8,980	(1,360)	(674)
Foreign currency translation adjustments attributable to noncontrolling interests	118	686	(352)
Pension liability adjustments attributable to noncontrolling interests	1,196	158	(919)
Balance at end of fiscal year	<u>242,901</u>	<u>259,506</u>	<u>168,640</u>
Total equity	<u>6,621,371</u>	<u>8,189,844</u>	<u>8,183,191</u>

Note: The amounts that have been reclassified out of Accumulated other comprehensive income, net of tax into net income are presented in Note 16 "Accumulated other comprehensive income".

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2014, 2015 AND 2016**

	2014	2015	2016
	(in millions of yen)		
<b>Cash flows from operating activities:</b>			
Net income	500,235	830,233	850,063
Less: Net income (loss) attributable to noncontrolling interests	1,751	27,185	(429)
Net income attributable to MHFG shareholders	498,484	803,048	850,492
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	161,258	166,528	167,930
Provision (credit) for loan losses	(126,230)	(60,223)	34,560
Investment losses (gains)—net	(237,556)	(271,174)	(263,793)
Equity in losses (earnings) of equity method investees—net	(27,975)	(17,502)	(28,969)
Foreign exchange losses (gains)—net	127,254	357,103	(225,130)
Deferred income tax expense (benefit)	90,375	181,990	123,125
Net change in trading account assets	7,205,841	(2,121,400)	(778,204)
Net change in trading account liabilities	(2,359,775)	1,333,577	916,958
Net change in loans held for sale	(53,291)	56,549	(27,347)
Net change in accrued income	21,735	(7,531)	(2,441)
Net change in accrued expenses	12,262	87,157	(26,425)
Other—net	638,926	697,804	(499,046)
Net cash provided by operating activities	5,951,308	1,205,926	241,710
<b>Cash flows from investing activities:</b>			
Proceeds from sales of investments	64,003,905	58,629,117	19,830,288
Proceeds from maturities of investments	9,862,926	6,107,552	8,669,730
Purchases of investments	(65,822,738)	(61,507,248)	(25,046,188)
Proceeds from sales of loans	215,419	651,339	197,898
Net change in loans	(2,313,291)	(2,800,196)	(1,923,627)
Net change in interest-bearing deposits in other banks	(7,417,572)	(8,189,150)	(7,750,251)
Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	2,306,310	1,813,089	385,134
Proceeds from sales of premises and equipment	39,324	41,521	47,506
Purchases of premises and equipment	(456,980)	(419,912)	(388,565)
Net cash provided by (used in) investing activities	417,303	(5,673,888)	(5,978,075)
<b>Cash flows from financing activities:</b>			
Net change in deposits	657,308	9,460,669	5,441,731
Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions	(6,771,338)	(5,376,701)	(3,900,502)
Net change in due to trust accounts	122,765	499,065	3,226,204
Net change in other short-term borrowings	(724,788)	(4,480,378)	571,901
Proceeds from issuance of long-term debt	1,999,764	6,537,703	2,723,168
Repayment of long-term debt	(1,097,627)	(2,196,492)	(2,307,082)
Proceeds from noncontrolling interests	43,083	891	1,354
Payment to noncontrolling interests	(1)	(1)	(86)
Proceeds from issuance of common stock	—	6	5
Proceeds from sales of treasury stock	11	3	3
Purchases of treasury stock	(37,013)	(12)	(13)
Dividends paid	(152,163)	(176,186)	(195,283)
Dividends paid to noncontrolling interests	(12,006)	(3,936)	(2,683)
Net cash provided by (used in) financing activities	(5,972,005)	4,264,631	5,558,717
Effect of exchange rate changes on cash and due from banks	31,831	34,758	(28,061)
Net increase (decrease) in cash and due from banks	428,437	(168,573)	(205,709)
Cash and due from banks at beginning of fiscal year	1,268,442	1,696,879	1,528,306
Cash and due from banks at end of fiscal year	1,696,879	1,528,306	1,322,597

See the accompanying Notes to the Consolidated Financial Statements.



**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2014, 2015 AND 2016**

	2014	2015	2016
	(in millions of yen)		
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid .....	408,803	419,070	435,584
Income taxes paid .....	122,619	172,022	269,364
Noncash investing activities:			
Transfer of loans into other investments .....	—	2,414	63,420
Investment in capital leases .....	7,901	8,184	16,123

See the accompanying Notes to the Consolidated Financial Statements.

**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. Mizuho Bank, Ltd. (“MHBK”) is a banking subsidiary and offers a wide range of financial products and services mainly in relation to deposits, lending and exchange settlement to individuals, small and medium enterprises (“SMEs”), large corporations, financial institutions, public sector entities and foreign corporations, including foreign subsidiaries of Japanese corporations. Mizuho Trust & Banking Co., Ltd. (“MHTB”) is a trust bank subsidiary and offers mainly trust-related products and consulting services. Mizuho Securities Co., Ltd. (“MHSC”) is a securities and investment banking subsidiary and offers full-line securities services to corporations, financial institutions, public sector entities and individuals. Other major subsidiaries include Trust & Custody Services Bank, Ltd. (“TCSB”), Mizuho Capital Co., Ltd., and Mizuho Asset Management Co., Ltd. See Note 31 “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. MHFG’s fiscal year ends on March 31 and fiscal year of certain subsidiaries ends on December 31. The necessary adjustments have been made to the consolidated financial statements if significant transactions took place during the three-month period. When determining whether to consolidate investee entities, the MHFG Group performed a careful analysis of the facts and circumstances of the particular relationships between the MHFG Group and the investee entities as well as the ownership of voting shares. The consolidated financial statements also include the accounts of the VIEs for which MHFG or its subsidiaries have been determined to be the primary beneficiary in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, “Consolidation” (“ASC 810”). All significant intercompany transactions and balances have been eliminated upon consolidation. The MHFG Group accounts for investments in entities over which it has significant influence by 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 Equity in earnings (losses) of equity method investees—net.

*Use of estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Specific areas, among others, requiring the application of management’s estimates and judgment include assumptions pertaining to the allowance for loan losses, allowance for losses on off-balance-sheet instruments, deferred tax assets, derivative financial instruments, investments and pension and other employee benefits. Actual results could differ from estimates and assumptions made.

*Definition of cash and due from banks*

For purposes of the consolidated statements of cash flows, Cash and due from banks includes cash on hand, cash items in the process of collection and noninterest-bearing deposits with banks.

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

*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 are translated 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 (“AOCI”). The tax effects of gains and losses related to the 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. Foreign currency denominated income and expenses are translated using the average exchange rates for the period.

*Call loans and call money*

Call loans and call money represent lending/borrowing, primarily 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 ASC 860, “Transfers and Servicing” (“ASC 860”).

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 in respect of such collateral are presented in Note 8 “Pledged assets and collateral”. With respect to repurchase agreements, securities lending, 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 these pledged securities in the consolidated balance sheets.

The MHFG Group monitors credit exposure arising from resale agreements, repurchase agreements, securities borrowing and securities lending transactions on a daily basis, and additional collateral is obtained from or returned to counterparties, as appropriate.

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

Trading securities consist of securities and money market instruments that are bought and held principally for the purpose of reselling in the near term with the objective of generating profits on short-term fluctuations in price. Trading securities sold, not yet purchased, are securities and money market instruments sold to third parties that the MHFG Group does not own and is obligated to purchase at a later date to cover the short position. Trading securities and trading securities sold, not yet purchased, are recorded on the trade date. Trading securities and

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

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 (losses)—net in the consolidated statements of income. Interest and dividends on trading 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 and any marketable equity securities, other than those classified as trading securities, are classified as Available-for-sale securities, and are carried at fair value, with unrealized gains and losses reported in AOCI.

The credit component of an other-than-temporary impairment of a debt security is reported in Investment gains (losses)—net, and the noncredit component is reported in Other comprehensive income (loss). See Note 3 “Investments” for further discussion of impairment. 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 their remaining maturities 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.

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 carried 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, foreign currency, equity, commodity and credit default swap agreements, options, caps and floors, and financial futures and forward contracts.

Derivatives bought and held for trading purposes are recorded in the consolidated balance sheets at fair value in Trading account assets and Trading account liabilities. The fair values of derivatives in a gain position and a 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 ASC 815, “Derivatives and Hedging” (“ASC 815”). To be eligible for hedge accounting, derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows of 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 ASC 815 are treated as trading positions and are accounted for as such. The fair value amounts recognized for all derivatives are not offset against the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under the master netting agreement with the same counterparty.

The fair values of derivative financial instruments are determined based on quoted market prices or broker-dealer quotes, if available. If not available, the fair values are estimated using quoted market prices for similar instruments, option or binomial pricing models or a present value cash flow analysis, utilizing current observable market information, where available. In determining the fair values, the Group considers various factors such as

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

exchange or over-the-counter market quotes, time value of money and volatility factors for options and warrants, observed prices for similar or synthetic instruments, and counterparty credit quality including potential exposure.

Changes in the fair values of all derivatives are recorded in earnings, except for derivatives qualifying as net investment hedges under ASC 815 which are recorded in AOCI. The changes in the fair values of all derivatives relating to foreign currency exchange rates are included in Foreign exchange gains (losses)—net and Trading account gains (losses)—net. Other elements of the changes in the fair values, including interest rate, equity and credit related components except that of certain credit derivatives hedging the credit risk in the corporate loan portfolio, are recognized in Trading account gains (losses)—net. The net gain (loss) resulting from changes in the fair values of certain credit derivatives where the Group purchases protection to mitigate its credit risk exposure related to its corporate loan portfolio is recorded in Other noninterest income (expenses).

Certain financial and hybrid instruments often contain embedded derivative instruments that possess implicit or explicit contract terms similar to those of a derivative instrument. Such derivative instruments are required to be fair-valued separately from the host contracts if they meet the bifurcation criteria of an embedded derivative. Such criteria include that the entire instrument is not marked to market through earnings, the economic characteristics and risks of the embedded contract terms are not clearly and closely related to those of the host contract and the embedded contract 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. 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 loans. 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. Impaired loans include loans past due for 90 days or more and restructured loans that meet the definition of a troubled debt restructuring (“TDR”) in accordance with ASC 310, “Receivables” (“ASC 310”).

All of the MHFG Group’s impaired loans are designated as nonaccrual loans and thus interest accruals and the amortization of net origination fees are suspended and capitalized interest is written off. Cash received on nonaccrual loans is accounted for as a 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. Impaired loans are restored to non-impaired loans and accrual status, when the MHFG Group determines that the borrower poses no concerns regarding current certainty of debt fulfillment. In general, such determination is made if the borrower qualifies for an obligor rating of E2 or above and is not classified as a special attention obligor. With respect to loans restructured in a TDR, in general, such loans are restored to non-impaired loans, and accrual status, when the borrower qualifies for an obligor rating of D or above. See Note 4 “Loans” for the definitions of obligor ratings.

Loans that have been identified for sale are classified as loans held for sale within Other assets and are accounted for at the lower of cost or fair value on an individual loan basis. If management decides to retain certain loans held for sale for the foreseeable future or until maturity or payoff, such items are transferred to Loans at the lower of cost or fair value.

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

*Allowance and provision (credit) for loan losses*

The MHFG Group maintains an appropriate 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 that management judges to be uncollectible, based on detailed loan reviews and a credit quality assessment, is charged off against the allowance for loan losses. In general, the MHFG Group charges off loans when the Group determines that the obligor should be classified as substantially bankrupt or bankrupt. See Note 4 “Loans” for the definitions of obligor categories. Obligors in the retail portfolio segment are generally determined to be substantially bankrupt when they are past due for more than six months, and as for other obligors, the Group separately monitors the credit quality of each obligor without using time-based triggers. Subsequent recoveries of previously charged-off loan balances are recorded as an increase to the allowance for loan losses as the recoveries are received.

The credit quality review process and the credit rating process serve as the basis for determining the allowance for loan losses. Through such processes loans are categorized into groups to reflect the probability of default, whereby the MHFG Group’s management assesses the ability of borrowers to service their debt, taking into consideration current financial information, ability to generate cash, historical payment experience, analysis 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 ASC 310 and ASC 450, “Contingencies” (“ASC 450”). The MHFG Group measures the impairment of a loan when it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the loan agreement, based on (1) the present value of expected future cash flows, after considering the restructuring effect and subsequent payment default with respect to TDRs, discounted at the loan’s initial effective interest rate, or (2) the loan’s observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. The collateral that the Group obtains for loans consists primarily of real estate or listed securities. In obtaining the collateral, the Group evaluates the fair value of the collateral and its legal enforceability. The Group also performs subsequent re-evaluations at least once a year. As it pertains to real estate collateral, valuation is generally performed by an appraising subsidiary which is independent from the Group’s loan origination departments by using generally accepted valuation techniques such as (1) the replacement cost approach, or (2) the sales comparison approach or (3) the income approach. In the case of large real estate collateral, the Group generally engages third-party appraisers to perform the valuation. As it pertains to listed securities collateral, observable market prices are used for valuation.

The formula allowance is applied to groups of small balance, homogeneous loans that are collectively evaluated for impairment and to non-homogeneous loans that have not been identified as impaired. The evaluation of the inherent loss in respect of 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 such as the number of corporate default cases which is updated once a year. In determining the allowance amount, the Group analyzes (1) the probability of default: (a) by using the most recently available data since April 2008 for the fiscal years ended March 31, 2014, 2015 and 2016 for the corporate portfolio segment, which resulted in using the data for the past six, seven and eight years, respectively, and the most recently available data for the past six years for the retail portfolio segment, respectively, in the case of normal obligors; and (b) by using the most recently available data since April 2002, in the case of watch obligors; and (2) the loss given default by using the most recently available data for the past six years. As it pertains to TDR loans in the retail portfolio segment, which are subject to collective evaluation for impairment, the restructuring itself, as well as subsequent payment defaults, if any, are considered in determining obligor ratings.

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

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. When determining the length of the period to calculate the probability of default, the Group considers the uncertainty in the economic and business conditions. 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.

*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 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 in accordance with the straight-line method with respect to buildings and leasehold improvements and in accordance with the declining-balance method with respect to other premises and equipment.

The useful lives of premises and equipment are as follows:

	<u>Years</u>
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 of an asset are charged to expense as incurred. Upon sale or disposition of premises and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts, and any gains or losses on disposal are included in Gains on disposal of premises and equipment or Occupancy expenses.

*Impairment of long-lived assets*

The MHFG Group's long-lived assets that are held for use are reviewed periodically for events or changes in circumstances that indicate possible impairment. The Group's impairment review is based on an undiscounted cash flow analysis of a group of assets, combined with associated liabilities, at the lowest level for which identifiable cash flows exist. Impairment occurs when the carrying value of the asset group exceeds the future undiscounted cash flows that the asset group is expected to generate. When impairment is identified, the future cash flows are then discounted to determine the estimated fair value of the asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value of the asset group. The long-lived assets to be disposed of by sale are carried at the lower of the carrying amount or fair value, less estimated cost to sell.

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

*Software*

Internal and external costs incurred in connection with developing and obtaining software for internal use during the application development stage are capitalized. Such costs include salaries and benefits for employees directly involved with and who devote time to the project, to the extent such time is incurred directly on the internal use software project. The capitalization of software ceases when the software project has been substantially completed. The capitalized software is amortized on a straight-line basis over the estimated useful life, generally 5 to 10 years. Internal use software is reviewed for impairment when triggering events occur.

*Goodwill*

Goodwill represents the excess of the total fair value of the acquired company, which consists of the consideration transferred, the fair value of any interest in the acquiree already held by the acquirer and the fair value of any noncontrolling interest in the acquiree over the fair value of net identifiable assets acquired at the date of acquisition in a business combination. The MHFG Group accounts for goodwill in accordance with ASC 350, “Intangibles—Goodwill and Other” (“ASC 350”). Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its estimated fair value.

*Intangible assets*

Intangible assets having definite useful lives are amortized over their estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed. Intangible assets acquired in connection with the merger of MHSC and Shinko Securities Co., Ltd. (“Shinko”) consist primarily of customer relationship intangibles, and are amortized over a weighted-average amortization period of 16 years. Intangible assets having indefinite useful lives are not amortized and are subject to impairment tests. An impairment loss is recorded to the extent that the carrying amount of the indefinite-lived intangible asset exceeds its estimated fair value. For intangible assets subject to amortization, an impairment loss is recorded if the carrying amount is not recoverable and exceeds its estimated fair value.

*Pension and other employee benefits*

MHFG and certain subsidiaries sponsor severance indemnities and pension plans, which provide defined benefits to retired employees. Periodic expense and accrued liabilities are computed based on the actuarial present value of benefits, net of investment returns expected from plan assets and their fair values at the balance sheet date. Net periodic expense is charged to Salaries and employee benefits. Net actuarial gains and losses that arise from differences between actual experience and assumptions are generally amortized over the average remaining service period of participating employees if it exceeds the corridor, which is defined as the greater of 10% of plan assets or the projected benefit obligation.

*Stock-based compensation*

The compensation cost associated with stock options is measured at fair value using the Black-Scholes option pricing model.

In May, 2015, MHFG announced the discontinuance of the current stock option program along with the introduction of performance payments and performance-based stock compensation, see Note 21 “Stock-based compensation” for further details of the performance-based stock compensation.



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

*Long-term debt*

Premiums, discounts and issuance costs of long-term debt are amortized based on a method that approximates the interest method over the respective terms of the long-term debt.

*Obligations under guarantees*

The MHFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protection, and liquidity facilities. The MHFG Group recognizes guarantee fee income over the guarantee period. The MHFG Group receives such a guarantee fee at the inception of the guarantee or in installments and, in either case, the present value of the total fees approximates the fair value of the guarantee.

*Fair Value Measurements*

The MHFG Group carries certain of its financial assets and liabilities at fair value on a recurring basis. These financial assets and liabilities are primarily composed of trading account assets, trading account liabilities and available-for-sale securities. In addition, the Group measures certain financial assets and liabilities, at fair value on a non-recurring basis. Those assets and liabilities primarily include items that are measured at the lower of cost or fair value such as loans held for sale, and items that were initially measured at cost and have been written down to fair value due to impairments, such as loans and other investments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASC 820, “Fair Value Measurement” (“ASC 820”), the Group classifies its financial assets and liabilities into the fair value hierarchy (Level 1, 2, and 3). See Note 27 “Fair value” for the detailed definition of each level.

When determining fair value, the MHFG Group considers the principal or most advantageous market in which the Group would transact and considers assumptions that market participants would use when pricing the asset or liability. The Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. See Note 27 “Fair value” for descriptions of valuation methodologies used for its assets and liabilities by product.

*Fee and commission income*

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. Fees in respect of securities-related business and fees on funds transfer and collection services are generally recognized as revenue when the related services are performed. Fees on credit-related business, excluding loan origination fees which are deferred and recognized over the loan period as a yield adjustment, are generally recognized either at one time when the service is rendered or over the related transaction period. Fee and commission income is presented on a gross basis and exclusive of consumption taxes.

*Income taxes*

Income taxes are accounted for in accordance with ASC 740, “Income Taxes” (“ASC 740”). 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 corresponding amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance is recorded for any portion of the deferred tax assets unless it is more likely than not that the deferred tax assets will be realized. Deferred income tax benefit or expense is recognized for the changes in the net deferred tax asset or liability between periods.

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

*Earnings per common share*

Basic earnings per common share are computed by dividing net income attributable to MHFG common shareholders by the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per common share reflect the possible exercise of all convertible securities, such as convertible preferred stock to the extent they are not anti-dilutive. See Note 18 “Earnings per common share” for the computation of basic and diluted earnings per common share.

**2. Recently issued accounting pronouncements**

*Recently adopted accounting pronouncements*

In December 2011, the FASB issued Accounting Standards Update (“ASU”) No.2011-10, “Property, Plant, and Equipment (Topic 360)—Derecognition of in Substance Real Estate—a Scope Clarification” (“ASU No.2011-10”). The ASU clarifies that, even when a reporting entity ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary’s nonrecourse debt, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary’s operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The ASU is effective for fiscal years and interim periods within those years, beginning on or after June 15, 2012. The adoption of ASU No.2011-10 did not have a material impact on the MHFG Group’s consolidated results of operations or financial condition.

In July 2012, the FASB issued ASU No.2012-02, “Intangibles—Goodwill and Other (Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment” (“ASU No.2012-02”). The ASU permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. Under this ASU, an entity has an option not to calculate annually the fair value of an indefinite-lived intangible asset if the entity determines that it is not more likely than not that its fair value is less than its carrying amount. The ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of ASU No.2012-02 did not have a material impact on the MHFG Group’s consolidated results of operations or financial condition.

In February 2013, the FASB issued ASU No.2013-02, “Comprehensive Income (Topic 220)—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income” (“ASU No.2013-02”). The ASU requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The ASU also requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The ASU is effective for reporting periods beginning after December 15, 2012. ASU No.2013-02 is an accounting principle which expands disclosure requirements, and had no impact on the MHFG Group’s consolidated results of operations or financial condition.

In June 2013, the FASB issued ASU No.2013-08, “Financial Services—Investment Companies (Topic 946)—Amendments to the Scope, Measurement, and Disclosure Requirements” (“ASU No.2013-08”). The ASU changes the approach to the investment company assessment and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value. The ASU also requires additional disclosures of (a) the fact that the entity is an investment company and is applying the guidance in ASC 946, “Financial Services—Investment Companies” (“ASC 946”), (b) information about changes, if any, in an entity’s status as an investment company, and (c) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The ASU is effective for an entity’s interim and annual reporting periods in fiscal years that begin after December 15, 2013. The adoption of ASU No.2013-08 did not have a material impact on the MHFG Group’s consolidated results of operations or financial condition.

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

In June 2014, the FASB issued ASU No.2014-11, “Transfers and Servicing (Topic 860)—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures” (“ASU No.2014-11”). The ASU changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. For repurchase financing arrangements, the ASU requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The ASU requires disclosures for certain transactions comprising (1) a transfer of a financial asset accounted for as a sale and (2) an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. The ASU also requires an entity to disclose certain information, including risks related to collateral pledged, for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The ASU is effective for the first interim or annual period beginning after December 15, 2014, except for interim disclosure requirements related to secured borrowings, which are effective for interim periods beginning after March 15, 2015. The adoption of ASU No.2014-11 did not have a material impact on the MHFG Group’s consolidated results of operations or financial condition.

*Accounting pronouncements issued but not yet effective*

In May 2014, the FASB issued ASU No.2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU No.2014-09”). The ASU provides a comprehensive guidance of revenue recognition, in convergence with International Financial Reporting Standards (“IFRS”), to improve financial reporting in U.S. GAAP by replacing the current complex guidance for recognizing revenue. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU was effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. In August 2015, the FASB issued ASU No.2015-14, “Revenue from Contracts with Customers (Topic 606)—Deferral of the Effective Date” (“ASU No.2015-14”) to defer the effective date of ASU No.2014-09 by one year. Therefore, ASU No.2014-09 is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2014-09 and ASU No.2015-14 will have on its consolidated results of operations and financial condition.

In November 2014, the FASB issued ASU No.2014-16, “Derivatives and Hedging (Topic 815)—Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity” (“ASU No.2014-16”). The ASU clarifies that an entity that issues or invests in a hybrid financial instrument should determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for bifurcation. The ASU also clarifies that an entity should assess the substance of the relevant terms and features in evaluating the nature of a host contract when considering how to weight those terms and features. Specifically, the assessment of the substance of the relevant terms and features should incorporate a consideration of (1) the characteristics of the terms and features themselves, (2) the circumstances under which the hybrid financial instrument was issued or acquired, and (3) the potential outcomes of the hybrid financial instrument, as well as the likelihood of those potential outcomes. The ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The MHFG Group does not expect that the adoption of ASU No.2014-16 will have a material impact on its consolidated results of operations and financial condition.

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

In February 2015, the FASB issued ASU No.2015-02, “Consolidation (Topic 810)—Amendments to the Consolidation Analysis” (“ASU No.2015-02”). The ASU amends following provisions about the current accounting for consolidation of certain legal entities: (1) modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (2) eliminate the presumption that a general partner should consolidate a limited partnership, (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015, and may be applied retrospectively or applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. Early adoption is permitted including adoption in an interim period. The MHFG Group does not expect that the adoption of ASU No.2015-02 will have a material impact on its consolidated results of operations and financial condition.

In April 2015, the FASB issued ASU No.2015-03, “Interest—Imputation of Interest (Subtopic 835-30)—Simplifying the Presentation of Debt Issuance Costs” (“ASU No.2015-03”). The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years, and should be applied retrospectively. Early adoption is permitted for financial statements that have not been previously issued. The MHFG Group does not expect that the adoption of ASU No.2015-03 will have a material impact on its consolidated results of operations or financial condition.

In May 2015, the FASB issued ASU No.2015-07, “Fair Value Measurement (Topic 820)—Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (“ASU No.2015-07”). The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Earlier application is permitted. The MHFG Group does not expect that the adoption of ASU No.2015-07 will have a material impact on its consolidated results of operations or financial condition.

In January 2016, the FASB issued ASU No.2016-01, “Financial Instruments—Overall (Subtopic 825-10)—Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU No.2016-01”). The ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The ASU also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and should be applied using a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early application by public business entities is permitted for financial statements of fiscal years or interim periods that have not yet been issued. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2016-01 will have on its consolidated results of operations and financial condition.

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

In February 2016, the FASB issued ASU No.2016-02, “Leases (Topic 842)” (“ASU No.2016-02”). The ASU requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. Lessees should recognize liabilities to make lease payments and right-of-use assets representing its right to use the underlying assets for the lease term. This recognition applies to leases classified as operating leases and finance leases, and the update retains a distinction between finance leases and operating leases. However, the ASU has not changed the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee significantly. The ASU also requires qualitative disclosures along with specific quantitative disclosures including the amount, timing, and uncertainty of cash flows arising from leases. In transition, an entity is required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2016-02 will have on its consolidated results of operations and financial condition.

In June 2016, the FASB issued ASU No.2016-13, “Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments” (“ASU No.2016-13”). The ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of information such as relevant information about past events including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount, for the purpose of informing credit loss estimates. The ASU requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The ASU also requires that credit losses on available-for-sale debt securities be presented as an allowance for credit losses rather than as a write-down, and limits the amount of the allowance for credit losses on available-for-sale to the amount by which fair value is below amortized cost. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and will be applied using a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Early application is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2016-13 will have on its consolidated results of operations and financial condition.

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

**3. Investments**

*Available-for-sale and held-to-maturity securities*

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale and held-to-maturity securities at March 31, 2015 and 2016 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
	(in millions of yen)			
<b>2015</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds . . . . .	17,391,144	25,110	2,587	17,413,667
Japanese local government bonds . . . . .	234,421	4,183	16	238,588
U.S. Treasury bonds and federal agency securities . . . . .	116,408	1,259	454	117,213
Other foreign government bonds . . . . .	961,684	4,437	237	965,884
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	806,877	17,280	2,427	821,730
Residential mortgage-backed securities . . . . .	260,456	4,426	1,408	263,474
Commercial mortgage-backed securities . . . . .	169,342	889	961	169,270
Japanese corporate bonds and other debt securities <sup>(2)</sup> . . . . .	1,930,054	13,366	1,496	1,941,924
Foreign corporate bonds and other debt securities <sup>(3)</sup> . . . . .	730,910	12,026	1,133	741,803
Equity securities (marketable) . . . . .	<u>1,697,628</u>	<u>2,700,714</u>	<u>1,185</u>	<u>4,397,157</u>
Total . . . . .	<u>24,298,924</u>	<u>2,783,690</u>	<u>11,904</u>	<u>27,070,710</u>
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds . . . . .	4,360,126	29,001	173	4,388,954
Agency mortgage-backed securities <sup>(4)</sup> . . . . .	<u>1,287,215</u>	<u>2,259</u>	<u>621</u>	<u>1,288,853</u>
Total . . . . .	<u>5,647,341</u>	<u>31,260</u>	<u>794</u>	<u>5,677,807</u>
	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
	(in millions of yen)			
<b>2016</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds . . . . .	15,672,171	91,420	1,015	15,762,576
Japanese local government bonds . . . . .	234,587	6,097	3	240,681
U.S. Treasury bonds and federal agency securities . . . . .	436,792	1,720	32	438,480
Other foreign government bonds . . . . .	939,808	2,740	153	942,395
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	920,375	29,804	1,293	948,886
Residential mortgage-backed securities . . . . .	206,882	4,254	878	210,258
Commercial mortgage-backed securities . . . . .	186,525	788	523	186,790
Japanese corporate bonds and other debt securities <sup>(2)</sup> . . . . .	2,079,599	15,688	420	2,094,867
Foreign corporate bonds and other debt securities <sup>(3)</sup> . . . . .	839,981	8,744	1,421	847,304
Equity securities (marketable) . . . . .	<u>1,663,486</u>	<u>2,121,379</u>	<u>4,577</u>	<u>3,780,288</u>
Total . . . . .	<u>23,180,206</u>	<u>2,282,634</u>	<u>10,315</u>	<u>25,452,525</u>
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds . . . . .	3,760,032	56,620	—	3,816,652
Agency mortgage-backed securities <sup>(4)</sup> . . . . .	<u>1,058,929</u>	<u>3,894</u>	<u>6,266</u>	<u>1,056,557</u>
Total . . . . .	<u>4,818,961</u>	<u>60,514</u>	<u>6,266</u>	<u>4,873,209</u>

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

Notes:

- (1) Agency mortgage-backed securities presented in the above table consist of U.S. agency securities and Japanese agency securities, of which the fair values were ¥87,327 million and ¥734,403 million, respectively, at March 31, 2015, and ¥168,604 million and ¥780,282 million, respectively, at March 31, 2016. U.S. agency securities primarily consist of Government National Mortgage Association (“Ginnie Mae”) securities, which are guaranteed by the United States government. All Japanese agency securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) Other debt securities presented in the above table primarily consist of certificates of deposit (“CDs”) and asset-backed securities (“ABS”), of which the total fair values were ¥165,602 million at March 31, 2015, and ¥158,446 million at March 31, 2016.
- (3) Other debt securities presented in the above table primarily consist of CDs, ABS, and collateralized loan obligations (“CLO”), of which the total fair values were ¥142,543 million at March 31, 2015, and ¥201,952 million at March 31, 2016.
- (4) All Agency mortgage-backed securities presented in the above table are Ginnie Mae securities.

*Contractual maturities*

The amortized cost and fair value of available-for-sale and held-to-maturity debt securities at March 31, 2016 by contractual maturity are shown in the table below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their contractual maturities.

Amortized cost	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
	(in millions of yen)				
Available-for-sale securities:					
Debt securities:					
Japanese government bonds . . . . .	2,431,841	11,699,544	1,540,786	—	15,672,171
Japanese local government bonds . . . . .	20,033	95,266	118,603	685	234,587
U.S. Treasury bonds and federal agency securities . . .	327,513	—	109,279	—	436,792
Other foreign government bonds . . . . .	776,593	155,782	7,433	—	939,808
Agency mortgage-backed securities . . . . .	—	—	—	920,375	920,375
Residential mortgage-backed securities . . . . .	—	—	—	206,882	206,882
Commercial mortgage-backed securities . . . . .	4,585	126,340	55,600	—	186,525
Japanese corporate bonds and other debt securities . .	378,794	1,213,539	344,576	142,690	2,079,599
Foreign corporate bonds and other debt securities . . .	194,987	507,194	57,786	80,014	839,981
Total . . . . .	<u>4,134,346</u>	<u>13,797,665</u>	<u>2,234,063</u>	<u>1,350,646</u>	<u>21,516,720</u>
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds . . . . .	700,001	2,580,182	479,849	—	3,760,032
Agency mortgage-backed securities . . . . .	—	—	—	1,058,929	1,058,929
Total . . . . .	<u>700,001</u>	<u>2,580,182</u>	<u>479,849</u>	<u>1,058,929</u>	<u>4,818,961</u>

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

Fair value	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
	(in millions of yen)				
Available-for-sale securities:					
Debt securities:					
Japanese government bonds	2,433,342	11,757,721	1,571,513	—	15,762,576
Japanese local government bonds	20,051	96,515	123,289	826	240,681
U.S. Treasury bonds and federal agency securities	327,482	—	110,998	—	438,480
Other foreign government bonds	777,144	157,516	7,735	—	942,395
Agency mortgage-backed securities	—	—	—	948,886	948,886
Residential mortgage-backed securities	—	—	—	210,258	210,258
Commercial mortgage-backed securities	4,591	126,265	55,934	—	186,790
Japanese corporate bonds and other debt securities	379,118	1,220,385	348,967	146,397	2,094,867
Foreign corporate bonds and other debt securities	195,753	513,856	57,798	79,897	847,304
Total	<u>4,137,481</u>	<u>13,872,258</u>	<u>2,276,234</u>	<u>1,386,264</u>	<u>21,672,237</u>
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds	701,875	2,604,949	509,828	—	3,816,652
Agency mortgage-backed securities	—	—	—	1,056,557	1,056,557
Total	<u>701,875</u>	<u>2,604,949</u>	<u>509,828</u>	<u>1,056,557</u>	<u>4,873,209</u>

*Other-than-temporary impairment*

The MHFG Group performs periodic reviews to identify impaired securities in accordance with ASC 320, “Investments—Debt and Equity Securities” (“ASC 320”). For debt securities, in the cases where the MHFG Group has the intent to sell a debt security or more likely than not will be required to sell a debt security before the recovery of its amortized cost basis, the full amount of an other-than-temporary impairment loss is recognized immediately through earnings. In other cases, the MHFG Group evaluates expected cash flows to be received and determines if a credit loss exists, and if so, the amount of an other-than-temporary impairment related to the credit loss is recognized in earnings, while the remaining decline in fair value is recognized in other comprehensive income, net of applicable taxes. For equity securities, impairment is evaluated considering the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuers, as well as the MHFG Group’s ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value. If an equity security is deemed other-than-temporarily impaired, it shall be written down to fair value, with the full decline recognized in earnings.

The following table shows the other-than-temporary impairment on available-for-sale securities for the fiscal years ended March 31, 2014, 2015 and 2016. No impairment losses were recognized on held-to-maturity securities for the periods.

	2014	2015	2016
	(in millions of yen)		
Available-for-sale securities:			
Debt securities	1,151	450	4,020
Equity securities	4,193	618	34,041
Total	<u>5,344</u>	<u>1,068</u>	<u>38,061</u>



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

For the fiscal year ended March 31, 2016, the other-than-temporary impairment losses for debt securities were attributable to the decline in the fair value of certain Japanese corporate bonds that the MHFG Group determined that credit losses existed. In accordance with ASC 320-10-35-33A and ASC 320-10-35-34B, the other-than-temporary impairment of these securities was recognized in earnings. There has never been any instance related to credit losses recognized in earnings on debt securities where a portion of an other-than-temporary impairment was recognized in other comprehensive income.

The other-than-temporary impairment losses for equity securities were mainly attributable to the decline in the fair value of certain Japanese equity securities.

*Continuous unrealized loss position*

The following table shows the gross unrealized losses and fair value of available-for-sale and held-to-maturity securities, aggregated by the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2015 and 2016:

	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
(in millions of yen)						
<b>2015</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds	5,646,840	1,739	211,512	848	5,858,352	2,587
Japanese local government bonds	3,579	8	11,944	8	15,523	16
U.S. Treasury bonds and federal agency securities	45,858	454	—	—	45,858	454
Other foreign government bonds	127,535	204	10,421	33	137,956	237
Agency mortgage-backed securities <sup>(1)</sup>	7,968	47	86,973	2,380	94,941	2,427
Residential mortgage-backed securities	—	—	51,897	1,408	51,897	1,408
Commercial mortgage-backed securities	23,468	394	19,238	567	42,706	961
Japanese corporate bonds and other debt securities	270,877	478	54,615	1,018	325,492	1,496
Foreign corporate bonds and other debt securities	11,496	29	60,491	1,104	71,987	1,133
Equity securities (marketable)	11,325	1,156	150	29	11,475	1,185
Total	<u>6,148,946</u>	<u>4,509</u>	<u>507,241</u>	<u>7,395</u>	<u>6,656,187</u>	<u>11,904</u>
Held-to-maturity securities:						
Debt securities:						
Japanese government bonds	99,738	173	—	—	99,738	173
Agency mortgage-backed securities <sup>(2)</sup>	355,560	621	—	—	355,560	621
Total	<u>455,298</u>	<u>794</u>	<u>—</u>	<u>—</u>	<u>455,298</u>	<u>794</u>

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

	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
(in millions of yen)						
<b>2016</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds	1,531,400	692	74,427	323	1,605,827	1,015
Japanese local government bonds	3,434	3	—	—	3,434	3
U.S. Treasury bonds and federal agency securities	315,425	32	—	—	315,425	32
Other foreign government bonds	225,493	139	225	14	225,718	153
Agency mortgage-backed securities <sup>(1)</sup>	15,965	86	58,147	1,207	74,112	1,293
Residential mortgage-backed securities	2,417	3	39,984	875	42,401	878
Commercial mortgage-backed securities	40,471	300	22,465	223	62,936	523
Japanese corporate bonds and other debt securities	360,782	348	20,109	72	380,891	420
Foreign corporate bonds and other debt securities	186,478	972	22,090	449	208,568	1,421
Equity securities (marketable)	71,262	4,515	180	62	71,442	4,577
Total	2,753,127	7,090	237,627	3,225	2,990,754	10,315
Held-to-maturity securities:						
Debt securities:						
Agency mortgage-backed securities <sup>(2)</sup>	394,673	5,384	101,892	882	496,565	6,266
Total	394,673	5,384	101,892	882	496,565	6,266

Notes :

- (1) Agency mortgage-backed securities presented in the above table consist of U.S. agency securities and Japanese agency securities, of which the fair values were ¥86,973 million and ¥7,968 million, respectively, at March 31, 2015, and ¥69,805 million and ¥4,307 million, respectively, at March 31, 2016. U.S. agency securities primarily consist of Ginnie Mae securities, which are guaranteed by the United States government. All Japanese agency securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) All Agency mortgage-backed securities presented in the above table are Ginnie Mae securities.

At March 31, 2016, the MHFG Group did not intend to sell the debt securities in an unrealized loss position and it was not more likely than not that the MHFG Group would be required to sell them before the recovery of their amortized cost bases. For Japanese government bonds, U.S. Treasury bonds and federal agency securities and Agency mortgage-backed securities, their entire amortized cost bases were expected to be recovered since the unrealized losses had not resulted from credit deterioration, but primarily from changes in interest rates. For the debt securities other than those described above, including Japanese corporate bonds with similar credit risks as the other-than-temporarily impaired securities, the MHFG Group determined that their entire amortized cost bases were expected to be recovered, after considering various factors such as the extent to which their fair values were below their amortized cost bases, the external and/or internal ratings and the present values of cash flows expected to be collected. Based on the evaluation above, the MHFG Group determined that the debt securities in an unrealized loss position were not considered other-than-temporarily impaired.

The equity securities in an unrealized loss position were determined not to be other-than-temporarily impaired based on the evaluation of the following factors: (1) the severity and duration of the impairments, (2) the financial condition and near-term prospects of the issuers, and (3) the MHFG Group's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value.

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

*Realized gains and losses*

The following table shows the realized gains and losses on sales of available-for-sale securities for the fiscal years ended March 31, 2014, 2015 and 2016. See “Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2014, 2015 and 2016” for the proceeds from sales of investments, the vast majority of which consists of the proceeds from sales of available-for-sale securities.

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Gross realized gains . . . . .	231,955	220,250	297,344
Gross realized losses . . . . .	(29,387)	(14,670)	(45,376)
Net realized gains (losses) on sales of available-for-sale securities . . . . .	<u>202,568</u>	<u>205,580</u>	<u>251,968</u>

*Other investments*

The following table summarizes the composition of Other investments at March 31, 2015 and 2016:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Equity method investments . . . . .	194,188	258,180
Investments held by consolidated investment companies . . . . .	53,061	42,045
Other equity interests . . . . .	450,438	313,221
Total . . . . .	<u>697,687</u>	<u>613,446</u>

*Equity method investments*

Investments in investees over which the MHFG Group has the ability to exert significant influence are accounted for using the equity method of accounting. Such investments included marketable equity securities with carrying values of ¥84,183 million and ¥124,830 million, at March 31, 2015 and 2016, respectively. The aggregate market values of these marketable equity securities were ¥121,198 million and ¥277,508 million, respectively.

The MHFG Group’s proportionate share of the total outstanding common shares in Orient Corporation as of March 31, 2016 was 49.0%.

*Investments held by consolidated investment companies*

The MHFG Group consolidates certain investment companies over which it has control through either ownership or other means. Investment companies are subject to specialized industry accounting which requires investments to be carried at fair value, with changes in fair value recorded in earnings. The MHFG Group maintains this specialized industry accounting for investments held by consolidated investment companies, which consist of marketable and non-marketable investments.

*Other equity interests*

Other equity interests primarily consist of non-marketable equity securities outside the scope of ASC 320, of which the fair values are not readily determinable, nor practicable to estimate. The MHFG Group has neither significant influence nor control over the investees. Each of these securities is stated at acquisition cost, with an other-than-temporary impairment, if any, included in earnings. The MHFG Group monitors the status of each investee, including its credit rating, to determine whether impairment losses should be recognized.

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

**4. Loans**

The table below presents loans outstanding by domicile and industry of borrower at March 31, 2015 and 2016:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Domestic:		
Manufacturing . . . . .	8,224,361	8,344,808
Construction and real estate . . . . .	7,353,826	7,733,513
Services . . . . .	4,272,968	4,655,704
Wholesale and retail . . . . .	5,586,533	5,408,850
Transportation and communications . . . . .	3,156,855	3,267,902
Banks and other financial institutions . . . . .	3,852,820	3,632,481
Government and public institutions . . . . .	4,611,900	3,395,784
Other industries <sup>(Note)</sup> . . . . .	5,079,922	4,619,336
Individuals:		
Mortgage loans . . . . .	11,021,956	10,589,646
Other . . . . .	848,750	924,408
Total domestic . . . . .	<u>54,009,891</u>	<u>52,572,432</u>
Foreign:		
Commercial and industrial . . . . .	16,688,090	17,319,284
Banks and other financial institutions . . . . .	6,077,144	6,382,449
Government and public institutions . . . . .	1,010,704	1,174,665
Other <sup>(Note)</sup> . . . . .	425,862	273,695
Total foreign . . . . .	<u>24,201,800</u>	<u>25,150,093</u>
Total . . . . .	78,211,691	77,722,525
Less: Unearned income and deferred loan fees—net . . . . .	163,415	167,156
Total loans before allowance for loan losses . . . . .	<u>78,048,276</u>	<u>77,555,369</u>

Note: Other industries of Domestic and Other of Foreign include trade receivables and lease receivables of consolidated VIEs.

Net losses on sales of loans were ¥2,041 million, ¥33,291 million and ¥1,752 million, including unrealized losses related to recording loans held for sale at the lower of cost or fair value of ¥1,510 million, ¥34,262 million, and ¥810 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

*Credit quality information*

In accordance with the MHFG Group's credit risk management policies, the Group uses an internal rating system that consists of credit ratings and pool allocations as the basis of its risk management infrastructure. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the ultimate possibility of incurring losses on individual loans by taking into consideration various factors such as collateral or guarantees involved. In principle, obligor ratings are applied to all obligors except those to which pool allocations are applied, and are subject to regular review at least once a year as well as special review which is required whenever the obligor's credit standing changes. Pool allocations are applied to groups of small balance, homogeneous loans. The Group pools loans with similar risk characteristics, and the risk is assessed and managed according to such pools. The Group generally reviews the appropriateness and effectiveness of the approach to obligor ratings and pool allocations once a year in accordance with predetermined policies and procedures.

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

The table below presents the MHFG Group’s definition of obligor ratings used by MHBK and MHTB:

<u>Obligor category</u>	<u>Obligor rating</u>	<u>Definition</u>
Normal	A	Obligors whose certainty of debt fulfillment is very high, hence their level of credit risk is very low.
	B	Obligors whose certainty of debt fulfillment poses no problems for the foreseeable future, and their level of credit risk is low.
	C	Obligors whose certainty of debt fulfillment and their level of credit risk pose no problems for the foreseeable future.
	D	Obligors whose current certainty of debt fulfillment poses no problems, however, their resistance to future economic environmental changes is low.
Watch	E1	Obligors that require observation going forward because of either minor concerns regarding their financial position, or their somewhat weak or unstable business conditions.
	E2	Obligors that require special observation going forward because of problems with their borrowings such as reduced or suspended interest payments, problems with debt fulfillment such as failure to make principal or interest payments, or problems with their financial position as a result of their weak or unstable business condition.
Intensive control	F	Obligors that are not yet bankrupt but are in financial difficulties and are deemed likely to become bankrupt in the future because of insufficient progress in implementing their management improvement plans or other measures (including obligors that are receiving ongoing support from financial institutions).
Substantially bankrupt	G	Obligors that have not yet become legally or formally bankrupt but are substantially insolvent because they are in serious financial difficulties and are deemed to be incapable of being restructured.
Bankrupt	H	Obligors that have become legally or formally bankrupt.

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

The table below presents credit quality information of loans based on the MHFG Group's internal rating system at March 31, 2015 and 2016:

	Normal obligors				Watch obligors excluding special attention obligors <sup>(1)</sup>			Impaired loans	Total
	A-B	C-D	Retail <sup>(2)</sup>	Other <sup>(3)</sup>	E1-E2	Retail <sup>(2)</sup>	Other <sup>(3)</sup>		
	(in millions of yen)								
<b>2015</b>									
Domestic:									
Manufacturing	4,663,535	2,607,651	109,615	198,621	147,978	16,424	1,019	479,518	8,224,361
Construction and real estate	3,331,659	2,943,178	600,856	165,660	192,124	18,478	562	101,309	7,353,826
Services	2,298,532	1,566,359	201,354	4,150	109,677	22,273	—	70,623	4,272,968
Wholesale and retail	2,261,669	2,695,642	237,050	53,691	148,722	39,189	65	150,505	5,586,533
Transportation and communications	2,310,918	674,273	89,258	422	36,383	10,029	—	35,572	3,156,855
Banks and other financial institutions	2,986,436	830,410	2,360	4,169	23,881	129	—	5,435	3,852,820
Government and public institutions	4,505,893	6,007	—	100,000	—	—	—	—	4,611,900
Other industries	2,018,620	706,882	3,326	2,290,419	10,476	406	49,213	580	5,079,922
Individuals	—	243,904	11,212,723	133,530	32,512	102,149	2,484	143,404	11,870,706
Total domestic	24,377,262	12,274,306	12,456,542	2,950,662	701,753	209,077	53,343	986,946	54,009,891
Foreign:									
Total foreign	15,153,557	5,246,343	8,428	3,160,768	344,533	22	100,018	188,131	24,201,800
Total	39,530,819	17,520,649	12,464,970	6,111,430	1,046,286	209,099	153,361	1,175,077	78,211,691
<b>2016</b>									
Domestic:									
Manufacturing	4,859,256	2,681,958	103,343	148,102	163,213	12,473	2,958	373,505	8,344,808
Construction and real estate	3,956,798	2,709,617	601,251	157,057	215,244	16,408	255	76,883	7,733,513
Services	2,611,296	1,674,328	195,140	2,380	81,704	24,846	—	66,010	4,655,704
Wholesale and retail	2,240,228	2,552,552	223,677	57,865	147,404	39,486	546	147,092	5,408,850
Transportation and communications	2,410,967	695,697	86,094	380	35,090	10,518	—	29,156	3,267,902
Banks and other financial institutions	2,719,047	881,405	2,234	3,788	22,303	264	—	3,440	3,632,481
Government and public institutions	3,181,241	4,047	—	210,496	—	—	—	—	3,395,784
Other industries	1,954,222	685,258	3,501	1,929,712	7,053	329	35,315	3,946	4,619,336
Individuals	—	259,646	10,891,538	107,131	34,744	96,729	1,659	122,607	11,514,054
Total domestic	23,933,055	12,144,508	12,106,778	2,616,911	706,755	201,053	40,733	822,639	52,572,432
Foreign:									
Total foreign	15,540,347	5,748,131	8,382	3,132,856	472,696	10	80,607	167,064	25,150,093
Total	39,473,402	17,892,639	12,115,160	5,749,767	1,179,451	201,063	121,340	989,703	77,722,525

Notes:

- (1) Special attention obligors are watch obligors with debt in TDR or 90 days or more delinquent debt. Loans to such obligors are considered impaired.
- (2) Amounts represent small balance, homogeneous loans which are subject to pool allocations.
- (3) Non-impaired loans held by subsidiaries other than MHBK and MHTB constitute Other, since their portfolio segments are not identical to those of MHBK and MHTB.

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

*Impaired loans*

The MHFG Group considers loans to be impaired when it is probable that the Group will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loans. The Group classifies loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans, and all of the Group's impaired loans are designated as nonaccrual loans. The Group does not have any loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as impaired loans. The table below presents impaired loans information at March 31, 2015 and 2016:

	Recorded investment <sup>(1)</sup>		Total	Unpaid principal balance	Related allowance <sup>(3)</sup>	Average recorded investment	Interest income recognized <sup>(4)</sup>
	Requiring an allowance for loan losses	Not requiring an allowance for loan losses <sup>(2)</sup>					
(in millions of yen)							
<b>2015</b>							
Domestic:							
Manufacturing	469,856	9,662	479,518	487,833	170,864	289,807	9,376
Construction and real estate	77,863	23,446	101,309	119,800	17,479	119,325	1,570
Services	60,606	10,017	70,623	78,470	18,771	77,028	1,449
Wholesale and retail	138,981	11,524	150,505	161,843	54,481	150,525	2,529
Transportation and communications	31,568	4,004	35,572	36,858	10,173	47,224	729
Banks and other financial institutions	5,373	62	5,435	5,448	2,263	7,487	98
Other industries	478	102	580	766	55	682	11
Individuals	68,337	75,067	143,404	158,344	6,202	173,726	2,553
Total domestic	853,062	133,884	986,946	1,049,362	280,288	865,804	18,315
Foreign:							
Total foreign	171,852	16,279	188,131	204,575	71,943	233,123	3,197
Total	1,024,914	150,163	1,175,077	1,253,937	352,231	1,098,927	21,512
<b>2016</b>							
Domestic:							
Manufacturing	365,361	8,144	373,505	379,642	138,676	410,491	7,930
Construction and real estate	59,883	17,000	76,883	87,516	10,130	89,075	1,246
Services	56,695	9,315	66,010	72,603	19,095	69,525	1,292
Wholesale and retail	134,425	12,667	147,092	157,215	46,304	149,324	2,376
Transportation and communications	25,665	3,491	29,156	30,497	5,694	33,119	630
Banks and other financial institutions	3,390	50	3,440	3,440	1,095	5,188	42
Other industries	3,591	355	3,946	4,132	799	2,665	64
Individuals	63,367	59,240	122,607	135,325	6,085	133,015	2,058
Total domestic	712,377	110,262	822,639	870,370	227,878	892,402	15,638
Foreign:							
Total foreign	148,471	18,593	167,064	180,870	61,308	186,440	2,629
Total	860,848	128,855	989,703	1,051,240	289,186	1,078,842	18,267

Notes:

- (1) Amounts represent the outstanding balances of nonaccrual loans. The MHFG Group's policy for placing loans in nonaccrual status corresponds to the Group's definition of impaired loans.
- (2) These impaired loans do not require an allowance for loan losses because the MHFG Group has sufficient collateral to cover probable loan losses.
- (3) The allowance for loan losses on impaired loans includes the allowance for groups of small balance, homogeneous loans totaling ¥387,879 million and ¥347,839 million as of March 31, 2015 and 2016 which were collectively evaluated for impairment, in addition to the allowance for those loans that were individually evaluated for impairment.
- (4) Amounts represent gross interest income on impaired loans which were included in Interest income on loans in the consolidated statements of income.

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

The remaining balance of impaired loans which had been partially charged off was ¥25,980 million and ¥31,933 million as of March 31, 2015 and 2016, respectively.

*Troubled debt restructurings*

The MHFG Group considers a TDR to be a restructuring in which it, for economic or legal reasons related to the obligor's financial difficulties, grants a concession to the obligor that it would not otherwise consider. The Group considers the relevant obligor to be in financial difficulty when its obligor rating is E2 or below. The following table presents TDRs that were entered into during the fiscal years ended March 31, 2015 and 2016:

	Loan forgiveness or debt to equity swaps		Interest rate reduction and/or postponement of principal and/or interest
	Recorded investment <sup>(Note)</sup>	Charge-offs	
	(in millions of yen)		
<b>2015</b>			
Domestic:			
Manufacturing . . . . .	—	1,236	380,149
Construction and real estate . . . . .	—	—	31,554
Services . . . . .	—	—	55,592
Wholesale and retail . . . . .	—	—	153,577
Transportation and communications . . . . .	—	—	25,452
Banks and other financial institutions . . . . .	—	—	13,482
Other industries . . . . .	—	—	2,607
Individuals . . . . .	—	—	35,271
Total domestic . . . . .	<u>—</u>	<u>1,236</u>	<u>697,684</u>
Foreign:			
Total foreign . . . . .	<u>—</u>	<u>503</u>	<u>50,730</u>
Total . . . . .	<u>—</u>	<u>1,739</u>	<u>748,414</u>
<b>2016</b>			
Domestic:			
Manufacturing . . . . .	67,058	34,081	108,395
Construction and real estate . . . . .	—	—	27,078
Services . . . . .	—	—	43,919
Wholesale and retail . . . . .	—	—	157,651
Transportation and communications . . . . .	49	279	28,244
Banks and other financial institutions . . . . .	—	—	6,342
Other industries . . . . .	—	—	7,120
Individuals . . . . .	—	—	28,163
Total domestic . . . . .	<u>67,107</u>	<u>34,360</u>	<u>406,912</u>
Foreign:			
Total foreign . . . . .	<u>—</u>	<u>—</u>	<u>44,748</u>
Total . . . . .	<u>67,107</u>	<u>34,360</u>	<u>451,660</u>

Note: Amounts represent the book values of loans immediately after the restructurings.



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Payment default is deemed to occur when the loan becomes three months past due or the obligor is downgraded to the category of substantially bankrupt or bankrupt. The following table presents payment defaults which occurred during the fiscal years ended March 31, 2015 and 2016 with respect to the loans modified as TDRs within the previous twelve months:

	<b>Recorded investment</b>	
	<b>2015</b>	<b>2016</b>
	<b>(in millions of yen)</b>	
Domestic:		
Manufacturing .....	9,719	10,669
Construction and real estate .....	1,673	2,195
Services .....	2,479	4,824
Wholesale and retail .....	23,979	20,522
Transportation and communications .....	1,151	2,361
Individuals .....	<u>4,359</u>	<u>3,864</u>
Total domestic .....	<u>43,360</u>	<u>44,435</u>
Foreign:		
Total foreign .....	<u>8,187</u>	<u>10,846</u>
Total .....	<u><u>51,547</u></u>	<u><u>55,281</u></u>

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

*Age analysis of past due loans*

The table below presents an analysis of the age of the recorded investment in loans that are past due at March 31, 2015 and 2016:

	<u>30-59 days past due</u>	<u>60-89 days past due</u>	<u>90 days or more past due</u>	<u>Total past due</u>	<u>Current</u>	<u>Total</u>
	(in millions of yen)					
<b>2015</b>						
Domestic:						
Manufacturing . . . . .	1,407	179	10,451	12,037	8,212,324	8,224,361
Construction and real estate . . . . .	2,386	2,360	46,142	50,888	7,302,938	7,353,826
Services . . . . .	1,628	650	7,626	9,904	4,263,064	4,272,968
Wholesale and retail . . . . .	3,000	2,250	11,196	16,446	5,570,087	5,586,533
Transportation and communications . . . . .	169	3,122	2,866	6,157	3,150,698	3,156,855
Banks and other financial institutions . . . . .	333	—	12	345	3,852,475	3,852,820
Government and public institutions . . . . .	—	—	—	—	4,611,900	4,611,900
Other industries . . . . .	—	7	979	986	5,078,936	5,079,922
Individuals . . . . .	<u>32,060</u>	<u>15,596</u>	<u>46,310</u>	<u>93,966</u>	<u>11,776,740</u>	<u>11,870,706</u>
Total domestic . . . . .	<u>40,983</u>	<u>24,164</u>	<u>125,582</u>	<u>190,729</u>	<u>53,819,162</u>	<u>54,009,891</u>
Foreign:						
Total foreign . . . . .	<u>98</u>	<u>47</u>	<u>14,826</u>	<u>14,971</u>	<u>24,186,829</u>	<u>24,201,800</u>
Total . . . . .	<u>41,081</u>	<u>24,211</u>	<u>140,408</u>	<u>205,700</u>	<u>78,005,991</u>	<u>78,211,691</u>
<b>2016</b>						
Domestic:						
Manufacturing . . . . .	1,555	163	9,454	11,172	8,333,636	8,344,808
Construction and real estate . . . . .	2,713	1,024	35,691	39,428	7,694,085	7,733,513
Services . . . . .	2,479	223	7,016	9,718	4,645,986	4,655,704
Wholesale and retail . . . . .	3,193	886	8,861	12,940	5,395,910	5,408,850
Transportation and communications . . . . .	594	81	2,033	2,708	3,265,194	3,267,902
Banks and other financial institutions . . . . .	—	—	—	—	3,632,481	3,632,481
Government and public institutions . . . . .	—	—	—	—	3,395,784	3,395,784
Other industries . . . . .	—	—	29	29	4,619,307	4,619,336
Individuals . . . . .	<u>38,682</u>	<u>13,570</u>	<u>38,413</u>	<u>90,665</u>	<u>11,423,389</u>	<u>11,514,054</u>
Total domestic . . . . .	<u>49,216</u>	<u>15,947</u>	<u>101,497</u>	<u>166,660</u>	<u>52,405,772</u>	<u>52,572,432</u>
Foreign:						
Total foreign . . . . .	<u>859</u>	<u>2,598</u>	<u>30,000</u>	<u>33,457</u>	<u>25,116,636</u>	<u>25,150,093</u>
Total . . . . .	<u>50,075</u>	<u>18,545</u>	<u>131,497</u>	<u>200,117</u>	<u>77,522,408</u>	<u>77,722,525</u>

**5. Allowance for loan losses**

In accordance with ASC 450, a formula-based allowance utilizing historical loss factors, after adjusting for existing economic conditions where appropriate, is applied to groups of non-homogeneous loans and small balance, homogeneous loans which have not been identified as impaired. At MHBK and MHTB, when management estimates probable credit losses to determine the allowance for loan losses, small balance, homogeneous loans are classified in the retail portfolio segment to which pool allocations apply, and loans other than these classified in the retail portfolio segment are classified in the corporate portfolio segment. The corporate portfolio segment consists of loans originated by MHBK and MHTB, and includes mainly business loans such as those used for working capital and capital expenditure, as well as loans for which the primary source of repayment of the obligation is income generated by the relevant assets such as project finance, asset finance and real estate finance. The retail portfolio segment consists mainly of residential mortgage loans,

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originated by MHBK. The other portfolio segment consists of loans of subsidiaries other than MHBK and MHTB, such as consolidated VIEs and overseas subsidiaries. See Note 1 “Basis of presentation and summary of significant accounting policies” for further details of the methodology used to determine the allowance for loan losses and Note 4 “Loans” for further details of obligor ratings and pool allocations.

Changes in Allowance for loan losses by portfolio segment for the fiscal years ended March 31, 2014, 2015 and 2016 are shown below:

	<u>Corporate</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(in millions of yen)			
<b>2014</b>				
Balance at beginning of fiscal year	641,895	109,189	21,873	772,957
Provision (credit) for loan losses	(128,368)	(12,712)	14,850	(126,230)
Charge-offs	(47,927)	(3,935)	(13,286)	(65,148)
Recoveries	21,423	3,000	2,112	26,535
Net charge-offs	(26,504)	(935)	(11,174)	(38,613)
Others <sup>(Note)</sup>	14,326	—	3,737	18,063
Balance at end of fiscal year	<u>501,349</u>	<u>95,542</u>	<u>29,286</u>	<u>626,177</u>
<b>2015</b>				
Balance at beginning of fiscal year	501,349	95,542	29,286	626,177
Provision (credit) for loan losses	(40,167)	(33,261)	13,205	(60,223)
Charge-offs	(64,634)	(3,266)	(11,322)	(79,222)
Recoveries	19,086	1,454	2,743	23,283
Net charge-offs	(45,548)	(1,812)	(8,579)	(55,939)
Others <sup>(Note)</sup>	7,543	—	2,701	10,244
Balance at end of fiscal year	<u>423,177</u>	<u>60,469</u>	<u>36,613</u>	<u>520,259</u>
<b>2016</b>				
Balance at beginning of fiscal year	423,177	60,469	36,613	520,259
Provision (credit) for loan losses	33,532	(15,474)	16,502	34,560
Charge-offs	(97,536)	(2,173)	(12,610)	(112,319)
Recoveries	17,232	1,399	2,034	20,665
Net charge-offs	(80,304)	(774)	(10,576)	(91,654)
Others <sup>(Note)</sup>	(8,666)	—	(3,252)	(11,918)
Balance at end of fiscal year	<u>367,739</u>	<u>44,221</u>	<u>39,287</u>	<u>451,247</u>

Note: Others includes primarily foreign exchange translation.

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

The table below presents Allowance for loan losses and loans outstanding by portfolio segment disaggregated on the basis of impairment method at March 31, 2015 and 2016:

	<u>Corporate</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(in millions of yen)			
<b>2015</b>				
Allowance for loan losses . . . . .	423,177	60,469	36,613	520,259
of which individually evaluated for impairment . . . . .	284,247	8,092	15,234	307,573
of which collectively evaluated for impairment . . . . .	138,930	52,377	21,379	212,686
Loans <sup>(Note)</sup> . . . . .	59,108,129	12,791,303	6,312,259	78,211,691
of which individually evaluated for impairment . . . . .	788,343	31,580	49,222	869,145
of which collectively evaluated for impairment . . . . .	58,319,786	12,759,723	6,263,037	77,342,546
<b>2016</b>				
Allowance for loan losses . . . . .	367,739	44,221	39,287	451,247
of which individually evaluated for impairment . . . . .	222,591	3,829	12,521	238,941
of which collectively evaluated for impairment . . . . .	145,148	40,392	26,766	212,306
Loans <sup>(Note)</sup> . . . . .	59,385,962	12,414,453	5,922,110	77,722,525
of which individually evaluated for impairment . . . . .	634,049	24,768	63,280	722,097
of which collectively evaluated for impairment . . . . .	58,751,913	12,389,685	5,858,830	77,000,428

Note: Amounts represent loan balances before deducting unearned income and deferred loan fees.

In the fiscal year ended March 31, 2014, Provision for loan losses decreased by ¥266,177 million from the previous fiscal year. The decrease was due primarily to a decrease in allowance for loan losses on domestic impaired loans as a result of upgrades and collections related to some borrowers and non-impaired loans reflecting upgrades in the obligor categories of a broad range of borrowers mainly through credit management activities, including business revitalization support for borrowers, reflecting the continuing gradual recovery of the Japanese economy.

In the fiscal year ended March 31, 2015, Credit for loan losses decreased by ¥66,007 million from the previous fiscal year. The decrease was due primarily to an increase in allowance for loan losses on impaired loans related to certain domestic borrowers, although the MHFG Group continued to record a credit for loan losses and recorded a decrease in allowance for loan losses on non-impaired loans as a result of upgrades in the obligor categories of a broad range of borrowers, reflecting the continuing gradual recovery of the Japanese economy.

In the fiscal year ended March 31, 2016, Provision for loan losses increased by ¥94,783 million from the previous fiscal year. The MHFG Group recorded a modest level of Provision for loan losses, reflecting how the Japanese economy was in a “leveling off” phase.

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

**6. Premises and equipment**

Premises and equipment at March 31, 2015 and 2016 consist of the following:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Land . . . . .	563,295	552,205
Buildings . . . . .	822,229	827,458
Equipment and furniture . . . . .	450,656	463,205
Leasehold improvements . . . . .	82,610	88,195
Construction in progress . . . . .	14,745	20,656
Software . . . . .	<u>862,353</u>	<u>1,086,124</u>
Total . . . . .	2,795,888	3,037,843
Less: Accumulated depreciation and amortization . . . . .	<u>1,163,403</u>	<u>1,199,853</u>
Premises and equipment—net . . . . .	<u><u>1,632,485</u></u>	<u><u>1,837,990</u></u>

Depreciation and amortization expense for premises and equipment for the fiscal years ended March 31, 2014, 2015 and 2016 was ¥155,549 million, ¥161,152 million and ¥162,676 million, respectively.

Premises and equipment under capital leases, which is primarily comprised of data processing equipment, amounted to ¥58,783 million and ¥69,077 million at March 31, 2015 and 2016, respectively. Accumulated depreciation and amortization on such premises and equipment at March 31, 2015 and 2016 amounted to ¥33,249 million and ¥34,733 million, respectively.

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

**7. Goodwill and intangible assets**

*Goodwill*

The changes in Goodwill during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	<u>MHBK</u>	<u>MHTB</u>	<u>Total</u>
	(in millions of yen)		
<b>2014</b>			
Balance at beginning of fiscal year	6,147	—	6,147
Goodwill acquired <sup>(1)</sup>	7,719	—	7,719
Impairment losses recognized	3,792	—	3,792
Foreign exchange translation	1,475	—	1,475
Balance at end of fiscal year	<u>11,549</u>	<u>—</u>	<u>11,549</u>
Gross amount of goodwill	80,615	—	80,615
Accumulated impairment losses	69,066	—	69,066
<b>2015</b>			
Balance at beginning of fiscal year	11,549	—	11,549
Goodwill acquired	—	—	—
Impairment losses recognized	—	—	—
Foreign exchange translation	154	—	154
Balance at end of fiscal year	<u>11,703</u>	<u>—</u>	<u>11,703</u>
Gross amount of goodwill	81,254	—	81,254
Accumulated impairment losses	69,551	—	69,551
<b>2016</b>			
Balance at beginning of fiscal year	11,703	—	11,703
Goodwill acquired <sup>(2)</sup>	—	16,470	16,470
Impairment losses recognized	6,222	—	6,222
Foreign exchange translation	(2,854)	—	(2,854)
Balance at end of fiscal year	<u>2,627</u>	<u>16,470</u>	<u>19,097</u>
Gross amount of goodwill	78,003	16,470	94,473
Accumulated impairment losses	75,376	—	75,376

Notes:

- (1) Goodwill acquired is entirely related to the acquisition of Banco Mizuho do Brasil S.A.
- (2) Goodwill acquired is entirely related to the acquisition of Simplex Real Estate Management Inc. and Simplex REIT Partners Inc.

Due to the prolonged severe business environment for PT. Mizuho Balimor Finance and Banco Mizuho do Brasil S.A., it was determined that the carrying amounts of PT. Mizuho Balimor Finance reporting unit and Banco Mizuho do Brasil S.A. reporting unit exceeded their fair values, which are based on the income approach and the market approach, respectively. Therefore, goodwill impairment losses of ¥3,792 million and ¥6,222 million related to PT. Mizuho Balimor Finance and Banco Mizuho do Brasil S.A. were recognized during the fiscal years ended March 31, 2014 and 2016, respectively.

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

*Intangible assets*

The table below presents the gross carrying amount, accumulated amortization and net carrying amount of intangible assets, at March 31, 2015 and 2016:

	2015			2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	(in millions of yen)					
Intangible assets subject to amortization:						
Customer relationships <sup>(Note)</sup> .....	73,949	30,164	43,785	73,949	35,178	38,771
Other .....	2,794	2,188	606	2,864	2,208	656
Total .....	76,743	32,352	44,391	76,813	37,386	39,427
Intangible assets not subject to amortization:						
Total .....	9,189	—	9,189	9,224	—	9,224
Total .....	85,932	32,352	53,580	86,037	37,386	48,651

Note: Customer relationships were acquired in connection with the merger of MHSC and Shinko on May 7, 2009. See Note 1 “Basis of presentation and summary of significant accounting policies” for further information.

For the fiscal years ended March 31, 2014, 2015, and 2016, the MHFG Group recognized ¥5,709 million, ¥5,376 million, and ¥5,254 million, respectively, of amortization expense in respect of intangible assets.

The table below presents the estimated aggregate amortization expense in respect of intangible assets for the next five years:

	(in millions of yen)
Fiscal year ending March 31:	
2017 .....	4,800
2018 .....	4,522
2019 .....	4,281
2020 .....	4,058
2021 .....	3,469

**8. Pledged assets and collateral**

The following amounts, by balance sheet classification, have been pledged as collateral for borrowings and for other purposes at March 31, 2015 and 2016:

	2015	2016
	(in billions of yen)	
Interest-bearing deposits in other banks .....	35	69
Trading account assets .....	8,462	7,939
Investments .....	10,432	10,254
Loans .....	6,881	5,871
Other assets .....	945	1,322
Total .....	26,755	25,455

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

The associated liabilities collateralized by the above assets at March 31, 2015 and 2016 are summarized below:

	<u>2015</u>	<u>2016</u>
	(in billions of yen)	
Deposits . . . . .	773	813
Call money and funds purchased . . . . .	1,265	—
Payables under repurchase agreements . . . . .	7,862	6,182
Payables under securities lending transactions . . . . .	2,339	2,790
Other short-term borrowings . . . . .	510	657
Long-term debt . . . . .	<u>5,113</u>	<u>5,545</u>
Total . . . . .	<u>17,862</u>	<u>15,987</u>

The Bank of Japan (“the BOJ”) requires private depository institutions to maintain a certain amount of funds as reserves in current accounts with the BOJ, based on average deposit balances and certain other factors. There are similar reserve deposit requirements for foreign branches and subsidiaries engaged in banking businesses in foreign countries. At March 31, 2015 and 2016, the deposit amounts maintained with the BOJ and foreign central banks, which were included in Cash and due from banks and Interest-bearing deposits in other banks, were ¥26,824 billion and ¥34,377 billion, respectively. These balances included the reserve funds required to be maintained by the MHFG Group, which amounted to ¥1,313 billion and ¥1,322 billion at March 31, 2015 and 2016, respectively.

At March 31, 2015 and 2016, the MHFG Group had received collateral that can be sold or repledged, with a fair value of ¥13,588 billion and ¥12,116 billion, respectively, of which ¥12,657 billion and ¥11,616 billion, respectively, was sold and repledged. Such collateral was primarily obtained in connection with resale or securities borrowing agreements, and was generally used as collateral for repurchase or securities lending agreements, or to cover short sales.

**9. Deposits**

The balances of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$89 thousand at the Federal Reserve Bank of New York’s noon buying rate on March 31, 2016) or more and the balances of these deposits issued by foreign offices in amounts of US\$100,000 or more at March 31, 2015 and 2016 are as follows:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Domestic offices:		
Time deposits . . . . .	19,841,134	19,209,570
Certificates of deposit . . . . .	<u>9,011,589</u>	<u>6,432,810</u>
Total . . . . .	<u>28,852,723</u>	<u>25,642,380</u>
Foreign offices:		
Time deposits . . . . .	11,948,577	12,708,142
Certificates of deposit . . . . .	<u>6,683,316</u>	<u>5,394,695</u>
Total . . . . .	<u>18,631,893</u>	<u>18,102,837</u>

The aggregate amount of demand deposits in overdraft status that have been reclassified as loan balances at March 31, 2015 and 2016 was ¥669 billion and ¥890 billion, respectively.



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

The balance and remaining maturities of time deposits and certificates of deposit issued by domestic and foreign offices at March 31, 2016 are shown in the following table:

	<u>Time deposits</u>	<u>Certificates of deposit</u>	<u>Total</u>
	(in millions of yen)		
Domestic offices:			
Due in one year or less . . . . .	24,232,170	6,406,310	30,638,480
Due after one year through two years . . . . .	1,942,484	26,500	1,968,984
Due after two years through three years . . . . .	1,445,878	—	1,445,878
Due after three years through four years . . . . .	378,928	—	378,928
Due after four years through five years . . . . .	399,454	—	399,454
Due after five years . . . . .	147,810	—	147,810
Total . . . . .	<u>28,546,724</u>	<u>6,432,810</u>	<u>34,979,534</u>
Foreign offices:			
Due in one year or less . . . . .	12,648,102	5,284,772	17,932,874
Due after one year through two years . . . . .	60,503	46,766	107,269
Due after two years through three years . . . . .	6,367	2,817	9,184
Due after three years through four years . . . . .	46	—	46
Due after four years through five years . . . . .	13	60,368	60,381
Due after five years . . . . .	259	—	259
Total . . . . .	<u>12,715,290</u>	<u>5,394,723</u>	<u>18,110,013</u>
Total . . . . .	<u>41,262,014</u>	<u>11,827,533</u>	<u>53,089,547</u>

**10. Due to trust accounts**

MHTB and TCSB, which are MHFG’s trust bank subsidiaries, hold assets on behalf of their customers in an agent, fiduciary or trust capacity. Such trust account assets are not the MHFG Group’s proprietary assets and are managed and accounted for separately. However, the cash in individual trust accounts is often placed with MHTB and TCSB for the customers’ short-term investment needs. These amounts which MHTB and TCSB owe to the trust accounts are recorded as Due to trust accounts.

The MHFG Group consolidates certain guaranteed principal money trusts. See Note 24 “Variable interest entities and securitizations” for further discussion of the guaranteed principal money trusts.

**11. Short-term borrowings and long-term debt**

*Short-term borrowings*

Short-term borrowings consist of Due to trust accounts, Call money and funds purchased, Payables under repurchase agreements and securities lending transactions, and Other short-term borrowings.

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

Details of Other short-term borrowings at March 31, 2015 and 2016 are as follows:

	2015	2016
	(in millions of yen)	
Commercial paper and short-term notes issued by consolidated VIEs of asset-backed commercial paper programs <sup>(1) (2)</sup> .....	310,042	289,219
Commercial paper and short-term notes issued by MHFG and its subsidiaries <sup>(1) (3)</sup> ...	742,500	1,369,302
Borrowings from the Bank of Japan .....	432,538	324,146
Other .....	97,517	97,372
Total .....	1,582,597	2,080,039

Notes:

- (1) Short-term notes are issued under the laws of Japan in the form of dematerialized commercial paper, whose characteristics are economically the same as commercial paper.
- (2) Commercial paper and short-term notes issued by consolidated VIEs of asset-backed commercial paper programs in the above table consist of commercial paper and short-term notes, of which the amounts were ¥235,837 million and ¥74,205 million, respectively, at March 31, 2015, and ¥232,538 million and ¥56,681 million, respectively, at March 31, 2016.
- (3) Commercial paper and short-term notes issued by MHFG and its subsidiaries in the above table consist of commercial paper and short-term notes, of which the amounts were ¥777,602 million and ¥591,700 million, respectively, at March 31, 2016. At March 31, 2015, all the amounts represent the outstanding balances of short-term notes.

*Long-term debt*

Long-term debt with original maturities of more than one year at March 31, 2015 and 2016 is comprised of the following:

	2015	2016
	(in millions of yen)	
Obligations under capital leases .....	29,129	37,811
Loan participation borrowings .....	83,128	64,524
Senior borrowings and bonds .....	11,080,548	11,581,024
Subordinated borrowings and bonds .....	3,389,436	3,087,563
Total .....	14,582,241	14,770,922

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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The following table presents the interest rates and maturities of senior borrowings and bonds, and subordinated borrowings and bonds:

	<u>Interest rates<sup>(1)</sup></u> (%)	<u>Maturities<sup>(2)</sup></u>	<u>2015</u>	<u>2016</u>
			(in millions of yen)	
Senior borrowings and bonds:				
fixed rate denominated in Japanese yen . . . . .	0.00-8.00	Apr. 2016-Apr. 2046	7,675,926	7,863,984
fixed rate denominated in U.S. dollars . . . . .	0.00-7.49	Apr. 2016-Sep. 2045	1,579,411	1,783,532
fixed rate denominated in other currencies . . . . .	0.10-5.00	Apr. 2016-May. 2037	71,802	135,515
floating rate denominated in Japanese yen . . . . .	0.00-16.00	Apr. 2016-Mar. 2046	925,188	852,425
floating rate denominated in U.S. dollars . . . . .	0.00-6.70	Apr. 2016-Jul. 2033	777,001	898,840
floating rate denominated in other currencies . . . . .	0.09-9.40	Jan. 2017-Sep. 2035	51,220	46,728
Total . . . . .			<u>11,080,548</u>	<u>11,581,024</u>
Subordinated borrowings and bonds:				
fixed rate denominated in Japanese yen . . . . .	0.62-4.26	Apr. 2016-Perpetual	2,955,502	2,596,460
fixed rate denominated in U.S. dollars . . . . .	4.30-6.65	Jun. 2016-Perpetual	433,934	491,103
Total . . . . .			<u>3,389,436</u>	<u>3,087,563</u>
Total . . . . .			<u>14,469,984</u>	<u>14,668,587</u>

Notes:

- (1) The interest rates disclosed reflect the range of contractual rates in effect at March 31, 2016.
- (2) Maturity information disclosed is the range of maturities at March 31, 2016.
- (3) None of the long-term debt issuances above are convertible to common stock.
- (4) Certain debt agreements permit the MHFG Group to redeem the related debt, in whole or in part, prior to maturity at the MHFG Group's option on terms specified in the respective agreements.

The following is a summary of contractual maturities of long-term debt subsequent to March 31, 2016:

	<u>(in millions of yen)</u>
Fiscal year ending March 31:	
2017 . . . . .	1,874,328
2018 . . . . .	1,493,654
2019 . . . . .	4,881,901
2020 . . . . .	1,776,560
2021 . . . . .	432,082
2022 and thereafter . . . . .	<u>4,312,397</u>
Total . . . . .	<u>14,770,922</u>

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

**12. Other assets and liabilities**

The following table sets forth the details of other assets and liabilities at March 31, 2015 and 2016:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Other assets:		
Accounts receivable from brokers, dealers and customers for securities transactions . . . . .	2,490,956	1,718,769
Collateral provided for derivative transactions . . . . .	673,511	884,651
Prepaid pension cost . . . . .	712,523	612,102
Miscellaneous receivables . . . . .	303,844	286,896
Margins provided for futures contracts . . . . .	207,381	225,240
Security deposits . . . . .	113,354	113,066
Loans held for sale . . . . .	4,583	33,133
Other . . . . .	<u>612,452</u>	<u>828,428</u>
Total . . . . .	<u>5,118,604</u>	<u>4,702,285</u>
Other liabilities:		
Accounts payable to brokers, dealers and customers for securities transactions . . . . .	1,894,023	2,882,824
Collateral accepted for derivative transactions . . . . .	737,032	715,894
Guaranteed trust principal . . . . .	561,364	623,904
Miscellaneous payables . . . . .	925,322	442,352
Margins accepted for futures contracts . . . . .	386,082	334,925
Factoring amounts owed to customers . . . . .	290,718	242,392
Unearned income . . . . .	138,681	144,903
Other . . . . .	<u>1,001,641</u>	<u>1,089,529</u>
Total . . . . .	<u>5,934,863</u>	<u>6,476,723</u>

*Guaranteed trust principal*

Guaranteed trust principal is the liability of certain consolidated trust arrangements, in respect of which the MHFG Group provides guarantees for the repayment of principal. See Note 24 “Variable interest entities and securitizations” for further discussion of the guaranteed principal money trusts.

*Unearned income*

Unearned income is primarily comprised of refundable fees received from consumer loan customers at the time the loan was made, which is being deferred and recognized in earnings as earned.

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

**13. Preferred stock**

The composition of preferred stock at March 31, 2014, 2015 and 2016 is as follows:

2014 Class of stock	Aggregate amount (in millions of yen)	Number of shares			Liquidation value per share (in yen)	Convertible or not
		Authorized	Issued	In treasury		
Eleventh series class XI preferred stock <sup>(1)</sup> . . . . .	914,752	914,752,000	914,752,000	602,100,700	1,000	Yes
Thirteenth series class XIII preferred stock . . . . .	—	36,690,000	—	—	—	—
First series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
Second series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
Third series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
Fourth series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
First series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
Second series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
Third series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
Fourth series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
First series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
Second series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
Third series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
Fourth series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
Total . . . . .	<u>914,752</u>	<u>4,251,442,000</u>	<u>914,752,000</u>	<u>602,100,700</u>		

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

2015	Class of stock	Aggregate amount (in millions of yen)	Number of shares			Liquidation value per share (in yen)	Convertible or not
			Authorized	Issued	In treasury		
	Eleventh series class XI preferred stock <sup>(1)</sup> . . . .	914,752	914,752,000	914,752,000	701,631,100	1,000	Yes
	First series class XIV preferred stock <sup>(2)</sup> . . . .	—	900,000,000	—	—	—	—
	Second series class XIV preferred stock <sup>(2)</sup> . . . .	—	900,000,000	—	—	—	—
	Third series class XIV preferred stock <sup>(2)</sup> . . . .	—	900,000,000	—	—	—	—
	Fourth series class XIV preferred stock <sup>(2)</sup> . . . .	—	900,000,000	—	—	—	—
	First series class XV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	Second series class XV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	Third series class XV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	Fourth series class XV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	First series class XVI preferred stock <sup>(4)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Second series class XVI preferred stock <sup>(4)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Third series class XVI preferred stock <sup>(4)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Fourth series class XVI preferred stock <sup>(4)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Total . . . . .	<u>914,752</u>	<u>4,214,752,000</u>	<u>914,752,000</u>	<u>701,631,100</u>		

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2016	Class of stock	Aggregate amount (in millions of yen)	Number of shares			Liquidation value per share (in yen)	Convertible or not
			Authorized	Issued	In treasury		
	Eleventh series class XI preferred stock <sup>(1)</sup> . . . . .	914,752	914,752,000	914,752,000	815,828,400	1,000	Yes
	First series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
	Second series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
	Third series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
	Fourth series class XIV preferred stock <sup>(2)</sup> . . . . .	—	900,000,000	—	—	—	—
	First series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
	Second series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
	Third series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
	Fourth series class XV preferred stock <sup>(3)</sup> . . . . .	—	900,000,000	—	—	—	—
	First series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
	Second series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
	Third series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
	Fourth series class XVI preferred stock <sup>(4)</sup> . . . . .	—	1,500,000,000	—	—	—	—
	Total . . . . .	<u>914,752</u>	<u>4,214,752,000</u>	<u>914,752,000</u>	<u>815,828,400</u>		

Notes:

- (1) The aggregate amount and number of issued shares include the preferred stock in treasury which has been converted into common stock but not yet cancelled.
- (2) The total number of authorized shares from first to fourth series class XIV preferred stock shall not exceed 900,000,000.
- (3) The total number of authorized shares from first to fourth series class XV preferred stock shall not exceed 900,000,000.
- (4) The total number of authorized shares from first to fourth series class XVI preferred stock shall not exceed 1,500,000,000.

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Holders or registered pledgees of preferred stock are entitled to receive annual dividends, and distribution of residual assets of MHFG as set out above at the liquidation value per share, prior to holders of common stock but pari passu among themselves. MHFG may pay up to one-half of the annual dividend payable on each class of preferred stock as an interim dividend. Dividends on preferred stock are not cumulative. Holders of preferred stock are not entitled to vote at a general meeting of shareholders except where the articles of incorporation entitle holders of preferred stock to vote.

In June 2013, MHFG newly authorized class XIV preferred stock, class XV preferred stock and class XVI preferred stock in relation to meet the requirements of Basel III. Under Basel III, in order for preferred stock issued by a bank holding company to be included as its regulatory capital under the capital adequacy requirements, the terms and conditions of the preferred stock are required to include a provision that in the event the bank holding company is considered to be non-viable, (1) a write-off of the relevant preferred stock or (2) a conversion of the relevant preferred stock into common stock shall be effected (a loss-absorption clause). In respect of class XI preferred stock, and class XIII preferred stock, which were authorized before the implementation of Basel III in the articles of incorporation of MHFG, it is not possible to include the foregoing loss-absorption clause in the terms and conditions of those preferred stock under the current provisions of the articles of incorporation. Therefore, class XIV preferred stock, class XV preferred stock and class XVI preferred stock were newly authorized so that the foregoing loss-absorption clause can be included in the terms and conditions of class XIV preferred stock, class XV preferred stock and class XVI preferred stock by a resolution of the board of directors relating to the issuance of the relevant preferred stock. Besides the foregoing loss-absorption clause, provisions regarding the preferred stock dividends, distribution of residual assets, acquisition clause and rights to request acquisition in respect of class XIV preferred stock, class XV preferred stock and class XVI preferred stock were newly established. In addition, each of class XIV preferred stock, class XV preferred stock and class XVI preferred stock was established in multiple series as a separate class of shares in order to enable MHFG to issue those preferred stock in multiple series.

Eleventh series class XI preferred stock is convertible into common stock at the option of the holder. The material terms and conditions of conversion are as follows:

	<u>Conversion period</u>	<u>Conversion ratio <sup>(Note)</sup></u>
Eleventh series class XI preferred stock	July 1, 2008 to June 30, 2016	¥1,000/(conversion price), where the conversion price after adjustment is ¥282.90 on or after August 30, 2011; to be reset on July 1, 2015 (a “Reset Date”) as ¥1,000/(conversion price), where the conversion price is the lower of (x) the average price of daily closing prices (including closing bid or offered price) of common stock as reported by the Tokyo Stock Exchange (“TSE”) for the 30 consecutive trading days (excluding trading days on which no closing price, closing bid or offered price is reported) commencing on the 45th trading day prior to the Reset Date and (y) the conversion price after adjustment effective as of the day before the relevant Reset Date, provided that the conversion price shall not be less than ¥282.90.

Note: Subject to adjustment, in the event of issuance or disposal by MHFG of common stock for a price below the “current market price”, a stock split, issuance of securities convertible into common stock at a price below the “current market price” at the time of issuance thereof or determination of the conversion price thereof, merger or amalgamation, or a capital decrease or stock consolidation occurs and in certain other circumstances.



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All preferred stock shares which have not been converted as described above by the end of the relevant conversion period will be converted into common stock on the day following the end of the conversion period on the following terms:

	<u>Conversion date</u>	<u>Conversion ratio</u>
Eleventh series class XI preferred stock	July 1, 2016	¥1,000/(current market price), where the current market price is the average price of daily closing prices (including closing bid or offered price) of common stock as reported by the TSE for the 30 consecutive trading days (excluding trading days on which no closing price, closing bid or offered price is reported) commencing on the 45th trading day prior to July 1, 2016, provided that the current market price shall not be less than ¥282.90.

The following table shows the changes in the number of shares and the aggregate amount of preferred stock during the fiscal years ended March 31, 2014, 2015 and 2016:

Class of stock	Issued at March 31, 2013	Net change	Issued at March 31, 2014	Net change	Issued at March 31, 2015	Net change	Issued at March 31, 2016
(number of shares)							
Eleventh series class XI preferred stock <sup>(1)(2)</sup> . . . . .	914,752,000	—	914,752,000	—	914,752,000	—	914,752,000
Thirteenth series class XIII preferred stock . . . . .	36,690,000	(36,690,000)	—	—	—	—	—
Total . . . . .	<u>951,442,000</u>	<u>(36,690,000)</u>	<u>914,752,000</u>	<u>—</u>	<u>914,752,000</u>	<u>—</u>	<u>914,752,000</u>
(in millions of yen)							
Class of stock	Aggregate amount at March 31, 2013	Net change	Aggregate amount at March 31, 2014	Net change	Aggregate amount at March 31, 2015	Net change	Aggregate amount at March 31, 2016
Eleventh series class XI preferred stock <sup>(1)(2)</sup> . . . . .	914,752	—	914,752	—	914,752	—	914,752
Thirteenth series class XIII preferred stock . . . . .	36,690	(36,690)	—	—	—	—	—
Total . . . . .	<u>951,442</u>	<u>(36,690)</u>	<u>914,752</u>	<u>—</u>	<u>914,752</u>	<u>—</u>	<u>914,752</u>

Notes:

- (1) The aggregate amount and number of issued shares include the preferred stock in treasury which has been converted into common stock but not yet cancelled.
- (2) All shares of the eleventh series class XI preferred stock were converted into common stock on July 1, 2016 and cancelled on July 13, 2016.

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**14. Common stock**

The following table shows the changes in the number of issued shares of common stock during the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u> (shares)	<u>2016</u>
Balance at beginning of fiscal year . . . . .	24,164,864,477	24,263,885,187	24,621,897,967
Issuance of new shares of common stock due to conversion of Eleventh series class XI preferred stock . . . . .	99,020,710	351,822,780	403,667,690
Issuance of new shares of common stock due to exercise of stock acquisition rights . . . . .	—	6,190,000	4,960,000
Balance at end of fiscal year . . . . .	<u>24,263,885,187</u>	<u>24,621,897,967</u>	<u>25,030,525,657</u>

**15. Dividends**

The amount available for dividends under the Companies Act is based on the amount recorded in MHFG’s non-consolidated general books of account, maintained in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”) and adjusted by post period-end changes. Therefore, the consolidated shareholders’ equity under U.S. GAAP has no effect on the determination of the amount available for dividends. On March 31, 2016, MHFG’s capital stock, capital surplus and retained earnings were ¥2,255,791 million, ¥1,195,831 million and ¥1,703,050 million, respectively, under Japanese GAAP.

In making a distribution of retained earnings, an entity must set aside in its legal reserve an amount equal to one-tenth of the amount of retained earnings so distributed, until its legal reserve reaches one-quarter of its capital stock. MHFG’s legal reserve at March 31, 2016 was ¥1,200,033 million, of which ¥1,195,683 million was included in capital surplus and ¥4,350 million in retained earnings.

In addition to the provision that requires an appropriation for the legal reserve, the Companies Act and the Banking Act impose certain limitations on the amount available for dividends. Under the Companies Act, MHFG’s maximum amount available for dividends, at March 31, 2016, was ¥1,696,034 million, based on the amount recorded in MHFG’s general books of account under Japanese GAAP. Under the Banking Act and related regulations, MHFG has to meet the minimum capital adequacy requirements. Distributions of retained earnings, which are otherwise distributable to shareholders, are restricted in order to maintain the minimum Common Equity Tier 1 capital ratio of 4.5% (phased in at 4.0% in 2014) for capital adequacy purposes under the rules in Basel III. See Note 17 “Regulatory matters” for further discussion of regulatory capital requirements.

Payment of dividends on shares of common stock is also subject to the prior payment of dividends on shares of preferred stock.

The following table shows dividends on preferred stock and common stock during the fiscal years ended March 31, 2014, 2015 and 2016:

<u>2014</u>	<u>Cash dividends</u>	
	<u>Per share</u> (in yen)	<u>In aggregate</u> (in millions of yen)
<u>Class of stock</u>		
Eleventh series class XI preferred stock . . . . .	20	6,717
Thirteenth series class XIII preferred stock <sup>(Note)</sup> . . . . .	15	550
Common stock . . . . .	6	144,998
Total . . . . .		<u>152,265</u>

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<u>2015</u>	<u>Cash dividends</u>	
	<u>Per share</u>	<u>In aggregate</u>
<u>Class of stock</u>	<u>(in yen)</u>	<u>(in millions of yen)</u>
Eleventh series class XI preferred stock . . . . .	20	5,906
Common stock . . . . .	7	170,231
Total . . . . .		<u>176,137</u>

<u>2016</u>	<u>Cash dividends</u>	
	<u>Per share</u>	<u>In aggregate</u>
<u>Class of stock</u>	<u>(in yen)</u>	<u>(in millions of yen)</u>
Eleventh series class XI preferred stock . . . . .	20	3,572
Common stock . . . . .	7.75	191,693
Total . . . . .		<u>195,265</u>

Note: On July 11, 2013, MHFG acquired and cancelled all of the shares of the thirteenth series class XIII preferred stock. Consequently, the amount for the fiscal year does not include interim dividends.

**16. Accumulated other comprehensive income**

Changes in each component of AOCI for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>(in millions of yen)</u>		
AOCI, balance at beginning of fiscal year . . . . .	777,997	1,117,877	2,041,005
Net unrealized gains (losses) on available-for-sale securities:			
Balance at beginning of fiscal year . . . . .	995,124	1,123,272	1,747,607
Unrealized holding gains (losses) during year . . . . .	255,140	763,115	(189,479)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	(126,992)	(138,780)	(148,669)
Change during year . . . . .	128,148	624,335	(338,148)
Balance at end of fiscal year . . . . .	1,123,272	1,747,607	1,409,459
Foreign currency translation adjustments:			
Balance at beginning of fiscal year . . . . .	(82,420)	(6,434)	129,179
Foreign currency translation adjustments during year . . . . .	75,986	134,104	(122,081)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	—	1,509	(788)
Change during year . . . . .	75,986	135,613	(122,869)
Balance at end of fiscal year . . . . .	(6,434)	129,179	6,310
Pension liability adjustments:			
Balance at beginning of fiscal year . . . . .	(134,707)	1,039	164,219
Unrealized gains (losses) during year . . . . .	131,360	163,191	(107,497)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	4,386	(11)	(3,183)
Change during year . . . . .	135,746	163,180	(110,680)
Balance at end of fiscal year . . . . .	1,039	164,219	53,539
Total other comprehensive income (loss), net of tax attributable to MHFG shareholders . . . . .	339,880	923,128	(571,697)
AOCI, balance at end of fiscal year . . . . .	<u>1,117,877</u>	<u>2,041,005</u>	<u>1,469,308</u>

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The following table shows the amounts reclassified out of AOCI into net income during the fiscal year ended March 31, 2016:

	<u>Before tax <sup>(1)</sup></u>	<u>Tax effect <sup>(2)</sup></u>	<u>Net of tax before allocation to noncontrolling interests</u>	<u>Net of tax attributable to noncontrolling interests <sup>(2)</sup></u>	<u>Net of tax attributable to MHFG shareholders</u>	
	(in millions of yen)					
Amounts reclassified out of AOCI into net income:						Affected line items in the consolidated statements of income:
Net unrealized gains (losses) on available-for-sale securities . . . . .	213,907	(65,207)	148,700	(31)	148,669	Investment gains (losses)—net
Foreign currency translation adjustments . . . . .	788	—	788	—	788	Foreign exchange gains (losses)-net
Pension liability adjustments . . . . .	<u>4,529</u>	<u>(1,317)</u>	<u>3,212</u>	<u>(29)</u>	<u>3,183</u>	Salaries and employee benefits
Total . . . . .	<u>219,224</u>	<u>(66,524)</u>	<u>152,700</u>	<u>(60)</u>	<u>152,640</u>	

Notes:

- (1) The amounts in the Before tax column are recorded in each account presented under the heading “Affected line items in the consolidated statements of income”.
- (2) The amounts in the Tax effect column and Net of tax attributable to noncontrolling interests column are recorded in Income tax expense and Net income attributable to noncontrolling interests in the consolidated statements of income, respectively.

**17. Regulatory matters**

*Regulatory capital requirements*

MHFG, MHBK, and MHTB are subject to regulatory capital requirements administered by the Financial Services Agency in accordance with the provisions of the Banking Act and related regulations. Failure to meet minimum capital requirements may initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on the MHFG Group’s consolidated financial condition and results of operations.

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, guidelines were implemented by the Financial Services Agency to comply with the 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.

In May 2011, the capital adequacy guidelines were revised by the Financial Services Agency to comply with the package of measures to enhance the Basel II framework approved by the Basel Committee on Banking Supervision in July 2009. The revised guidelines, which became effective in December 2011, include the strengthening of rules governing trading book capital and the strengthening of the treatment of certain securitizations under the first pillar.

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In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text (later revised in June 2011, January 2013 and October 2014), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, which is the oversight body of the Basel Committee on Banking Supervision, and endorsed by the G20 Leaders at the Seoul summit in November 2010. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, and the introduction of the capital conservation buffer and countercyclical capital buffer as measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. The Financial Services Agency's revisions to its capital adequacy guidelines became effective from March 31, 2013, which generally reflect the rules in the Basel III rules text that have been applied from January 1, 2013. While the three-pillar structure of Basel II has been retained, Basel III includes various changes as described further below.

Under the first pillar, the capital ratio is calculated by dividing regulatory capital, or risk-based capital, by risk-weighted assets. With respect to the calculation of risk-weighted assets, the MHFG Group adopts the advanced internal ratings-based approach for credit risk. Under such approach, balance sheet assets and off-balance sheet exposures, calculated under Japanese GAAP, are assessed with respect to risk components such as probability of default and loss given default, which are derived from the 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 respect to regulatory capital requirements, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group adopts the advanced measurement approach for the measurement of operational risk equivalent by taking account of the following four elements: internal loss data; external loss data; scenario analysis; and business environment and internal control factors. Under Basel III, the calculation method of risk-weighted assets was revised, including certain modifications to the treatment of counterparty credit risk, such as a capital charge for credit valuation adjustment risk.

With regard to risk-based capital, the guidelines based on Basel III set out higher and better-quality capital standards compared to those under Basel II. The guidelines based on Basel III require a target minimum standard capital adequacy ratio of 8%, Tier 1 capital ratio of 6% and Common Equity Tier 1 capital ratio of 4.5%, on both a consolidated and non-consolidated basis for banks with international operations, such as MHBK and MHTB, or on a consolidated basis for bank holding companies with international operations, such as MHFG.

Risk-based capital, calculated from financial statements prepared under Japanese GAAP, is classified into the following two tiers: Tier 1 capital; and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital generally consists of common stock, capital surplus, retained earnings, accumulated other comprehensive income and other disclosed reserves and others less any regulatory adjustments. Additional Tier 1 capital generally consists of instruments issued by a bank or its holding company that meet the criteria for inclusion in Additional Tier 1 capital and others less any regulatory adjustments. Tier 2 capital generally consists of instruments issued by a bank or its holding company such as subordinated debt that meet the criteria for inclusion in Tier 2 capital, 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) and others less any regulatory adjustments.

Under Basel III, capital instruments that no longer qualify as Additional Tier 1 capital or Tier 2 capital are being phased out beginning March 2013 by increments of 10% until becoming fully effective in March 2022. The MHFG Group's existing preferred stock, preferred securities (the amounts thereof included within Additional

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Tier 1 capital as of March 31, 2016 being ¥1,144.0 billion) and existing subordinated debt issued before March 2013 (the amounts thereof included within Tier 2 capital as of March 31, 2016 being ¥962.9 billion) are subject to the phase-out arrangements.

In November 2011, the Financial Stability Board published policy measures to address the systemic and moral hazard risks associated with systemically important financial institutions. The policy measures include requirements for global systemically important banks (“G-SIBs”) to have additional loss absorption capacity tailored to the impact of their default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital, which would be in addition to the 7.0% Common Equity Tier 1 capital requirement (including capital conservation buffer). The requirements began phasing in from January 2016 and will be fully implemented by January 2019. The Group was included in the list of G-SIBs updated in November 2015 and was allocated to the category that would require 1.0% of additional loss absorbency.

In November 2015, the Financial Service Agency published the revised capital adequacy guidelines to introduce the Basel III rules text regarding the capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and domestic systemically important banks (“D-SIBs”). These guidelines became effective on March 31, 2016. The capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and D-SIBs must be met with Common Equity Tier 1 capital under the revised guidelines, and if such buffer and requirement are not satisfied, a capital distribution constraints plan is required to be submitted to the Financial Service Agency and carried out. The capital conservation buffer is being phased in starting in March 2016 at 0.625% until becoming fully effective in March 2019 at 2.5%. In addition, subject to national discretion by the respective regulatory authorities, if the relevant national authority judges a period of excess credit growth to be leading to the build-up of system-wide risk, a countercyclical capital buffer ranging from 0% to 2.5% would also be imposed on banking organizations. The countercyclical capital buffer is a weighted average of the buffers deployed across all the jurisdictions to which the banking organization has credit exposures.

In December 2015, the Financial Service Agency published a capital adequacy guideline regarding the designation of G-SIBs and D-SIBs in Japan. The Group was designated as both a G-SIB and D-SIB, and the additional loss absorption capacity requirement applicable to the Group was 1.0% on a fully effective basis. The additional loss absorption capacity requirement was the same as that imposed by the Financial Stability Board, which is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%.

As part of its ongoing review of the calculation of risk-weighted assets, in December 2014, the Basel Committee on Banking Supervision published two consultative documents on revisions to the standardized approach for credit risk (later revised in December 2015) and on the design of a capital floor framework based on standardized, non internal modeled approach. The revised proposals are part of a range of policy and supervisory measures that aim to enhance reliability and comparability of risk-weighted capital ratios across banks. The proposal on the revisions to standardized approach includes, among other things, to decrease mechanistic reliance on external credit rating agencies by introducing grade classification and due diligence requirements to the determination of risk weights. The proposal on the capital floor framework seeks to replace the current transitional capital floor based on the Basel I standard with a capital floor based on the revised standardized approach, which is currently under review as described above. Furthermore, in March 2016, the Basel Committee on Banking Supervision published a consultative document on the reduction of variation in credit risk-weighted assets. The document presented proposals which would remove the option to use the internal-ratings based approaches for credit risk for certain exposures, adopt exposure level, model-parameter floors for portfolios where the internal-ratings based approaches remain available, and provide greater specification of parameter estimation practices for portfolios where the internal-ratings based approaches remain available. The various

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proposals are intended to be complementary to one another, with the goal of reducing excessive variability in risk-weighted assets across banks. The schedule of implementation of the various proposals has not been stated explicitly.

Related to regulatory capital requirements, in November 2015, the Financial Stability Board issued the final total loss-absorbing capacity (“TLAC”) standard for G-SIBs. The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalization capacity available in resolution for authorities to implement an orderly resolution. G-SIBs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, G-SIBs will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group’s risk-weighted assets as from January 1, 2019 and at least 18% as from January 1, 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator as from January 1, 2019, and at least 6.75% from January 1, 2022.

Following the publication of the final TLAC standard for G-SIBs by the Financial Stability Board, in April 2016, the Financial Services Agency published an explanatory paper outlining its approach for the introduction of the TLAC framework in Japan. According to the Financial Services Agency’s approach, which is subject to change based on future international discussions, the preferred resolution strategy for G-SIBs in Japan is Single Point of Entry (“SPE”) resolution, in which resolution powers are applied to the top of a group by a single national resolution authority, although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant Japanese G-SIB in crisis. To implement this SPE resolution strategy effectively, the Financial Services Agency plans to require bank holding companies of Japanese G-SIBs, which will be the resolution entities, to (i) meet the minimum external TLAC requirements provided under the Financial Stability Board’s TLAC standard, and (ii) cause their material subsidiaries that are designated as systemically important by the Financial Services Agency, including but not limited to certain material sub-groups as provided in the Financial Stability Board’s TLAC standard, to maintain a certain level of capital and debt recognized by the Financial Services Agency as having loss-absorbing and recapitalization capacity, or Internal TLAC. In addition, under the approach, Japanese G-SIBs would be allowed to count the Japanese Deposit Insurance Fund Reserves in an amount equivalent to 2.5% of their consolidated risk-weighted assets from 2019 and 3.5% of their consolidated risk-weighted assets from 2022 as their external TLAC.

Regulatory adjustments are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of the deductions and prudential filters related to the following:

- Goodwill and other intangibles
- Deferred tax assets
- Deferred gains or losses on derivatives under hedge accounting that relates to the hedging of items that are not fair valued on the balance sheet
- Shortfall of the stock of provisions to expected losses under the internal ratings-based approach
- Gain on sale related to securitization transactions
- Cumulative gains and losses due to changes in own credit risk on fair valued financial liabilities
- Defined benefit pension fund assets and liabilities
- Treasury stock
- Reciprocal cross holdings of capital of banking, financial and insurance entities
- Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation

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Regulatory adjustments will be fully deducted in the calculation of Common Equity Tier 1 capital by March 2018. The regulatory adjustments began at 20% of the required deductions in the calculation of Common Equity Tier 1 capital in March 2014 and will be increased by 20% increments per year through March 2018 when the regulatory adjustments reach 100%. During this transition period, the remainder not deducted from capital will continue to be subject to existing national treatments.

The capital requirements and regulatory adjustments are being phased in over a transitional period as follows (italicized percentages indicate those still in transition periods):

	<u>March 2013</u>	<u>March 2014</u>	<u>March 2015</u>	<u>March 2016</u>	<u>March 2017</u>	<u>March 2018</u>	<u>March 2019</u>	<u>March 2020</u>	<u>March 2021</u>	<u>March 2022</u>
Minimum Common Equity										
Tier 1 capital . . . . .	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital . . . . .	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital . . . . .	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Capital conservation buffer . . .	0.0%	0.0%	0.0%	0.625%	1.25%	1.875%	2.5%	2.5%	2.5%	2.5%
Phase out of recognition of capital instruments that no longer qualify as capital . . .	90.0%	80.0%	70.0%	60.0%	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%
Phase-in of deductions from capital . . . . .	0.0%	20.0%	40.0%	60.0%	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Additional loss absorbency requirements for G-SIBs and D-SIBs <sup>(Note)</sup> . . . . .	—	—	—	0.25%	0.50%	0.75%	1.0%	1.0%	1.0%	1.0%

Note: Figures assume that the additional loss absorbency requirements applied to the Group as a G-SIB and D-SIB continue to be 1.0% on a fully effective basis.

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. Further, the revisions to the Financial Services Agency's guidelines relating to the third pillar, which reflect the enhanced disclosure requirements under Basel III and became effective on March 31, 2013, require banks to disclose, among other things, the components of their regulatory capital and the main features of their regulatory capital instruments in common templates.

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 its financial condition and results of operations.



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Capital adequacy ratios of MHFG, MHBK, and MHTB as of March 31, 2015 and 2016 calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency are set forth in the following table:

	<u>2015</u>		<u>2016</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
(in billions of yen, except percentages)				
Consolidated:				
MHFG:				
Common Equity Tier 1 capital:				
Required <sup>(Note)</sup> .....	2,934	4.50	3,361	5.375
Actual .....	6,153	9.43	6,566	10.50
Tier 1 capital:				
Required <sup>(Note)</sup> .....	3,912	6.00	4,299	6.875
Actual .....	7,500	11.50	7,905	12.64
Total risk-based capital:				
Required <sup>(Note)</sup> .....	5,215	8.00	5,550	8.875
Actual .....	9,508	14.58	9,639	15.41
MHBK:				
Common Equity Tier 1 capital:				
Required .....	2,574	4.50	2,555	4.50
Actual .....	5,966	10.42	6,142	10.81
Tier 1 capital:				
Required .....	3,432	6.00	3,406	6.00
Actual .....	6,943	12.13	7,244	12.75
Total risk-based capital:				
Required .....	4,576	8.00	4,542	8.00
Actual .....	8,754	15.30	8,780	15.46
MHTB:				
Common Equity Tier 1 capital:				
Required .....	120	4.50	109	4.50
Actual .....	444	16.67	440	18.21
Tier 1 capital:				
Required .....	160	6.00	145	6.00
Actual .....	444	16.68	440	18.21
Total risk-based capital:				
Required .....	213	8.00	193	8.00
Actual .....	512	19.21	472	19.52
Non-consolidated:				
MHBK:				
Common Equity Tier 1 capital:				
Required .....	2,519	4.50	2,489	4.50
Actual .....	5,787	10.33	5,892	10.65
Tier 1 capital:				
Required .....	3,359	6.00	3,318	6.00
Actual .....	6,728	12.01	7,004	12.66
Total risk-based capital:				
Required .....	4,479	8.00	4,424	8.00
Actual .....	8,598	15.35	8,576	15.50
MHTB:				
Common Equity Tier 1 capital:				
Required .....	117	4.50	109	4.50
Actual .....	437	16.79	448	18.52
Tier 1 capital:				
Required .....	156	6.00	145	6.00
Actual .....	437	16.79	448	18.52
Total risk-based capital:				
Required .....	208	8.00	194	8.00
Actual .....	503	19.33	480	19.80

Note: The required amounts and ratios as of March 31, 2016 include those equivalent to a transition capital conservation buffer of 0.625% and transition additional loss absorbency requirements for a G-SIB and D-SIB of 0.25% and the sum of the risk weighted assets and each such ratio.

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MHFG's securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Act. Under this requirement, securities firms must 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 less than 100% may lead to a temporary suspension of all or part of the business operations and further, to the cancellation of the license to act as a securities broker and dealer.

Management believes, as of March 31, 2016, that MHFG, MHBK, MHTB, and their securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

**18. Earnings per common share**

Basic earnings per common share are computed by dividing net income attributable to MHFG common shareholders by the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per common share reflect the assumed conversion to common shares of all convertible securities such as convertible preferred stock.

The following table sets forth the computation of basic and diluted earnings per common share for the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Net income:			
Net income attributable to MHFG shareholders . . . . .	498,484	803,048	850,492
Less: Net income attributable to preferred shareholders . . . . .	<u>6,745</u>	<u>4,910</u>	<u>2,430</u>
Net income attributable to common shareholders . . . . .	<u>491,739</u>	<u>798,138</u>	<u>848,062</u>
Effect of dilutive securities:			
Convertible preferred stock . . . . .	<u>6,437</u>	<u>4,910</u>	<u>2,430</u>
Net income attributable to common shareholders after assumed conversions . . . . .	<u>498,176</u>	<u>803,048</u>	<u>850,492</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(thousands of shares)		
Shares:			
Weighted average common shares outstanding . . . . .	<u>24,189,670</u>	<u>24,368,116</u>	<u>24,806,161</u>
Effect of dilutive securities:			
Convertible preferred stock <sup>(Note)</sup> . . . . .	<u>1,164,941</u>	<u>994,745</u>	<u>563,044</u>
Stock options . . . . .	<u>16,641</u>	<u>18,186</u>	<u>17,828</u>
Weighted average common shares after assumed conversions . . . . .	<u>25,371,252</u>	<u>25,381,047</u>	<u>25,387,033</u>

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	<u>2014</u>	<u>2015</u>	<u>2016</u>
		(in yen)	
Amounts per common share:			
Basic net income per common share . . . . .	20.33	32.75	34.19
Diluted net income per common share . . . . .	19.64	31.64	33.50

Note: The number of common shares after assumed conversion of the convertible preferred stock is based on the applicable conversion prices.

**19. Income taxes**

*Income tax expense*

The following table presents the components of Income tax expense for the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Current:			
Domestic . . . . .	92,814	184,180	162,408
Foreign . . . . .	42,919	71,250	61,009
Total current tax expense . . . . .	135,733	255,430	223,417
Deferred:			
Domestic . . . . .	94,911	187,134	127,185
Foreign . . . . .	(4,536)	(5,144)	(4,060)
Total deferred tax expense . . . . .	90,375	181,990	123,125
Total income tax expense . . . . .	226,108	437,420	346,542

The preceding table does not reflect the tax effects of items recorded directly in Equity for the fiscal years ended March 31, 2014, 2015 and 2016. The detailed amounts recorded directly in Equity are as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Net unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) . . . . .	161,269	403,690	(97,339)
Less: reclassification adjustments . . . . .	(70,228)	(65,699)	(65,207)
Total . . . . .	91,041	337,991	(162,546)
Foreign currency translation adjustments:			
Unrealized gains (losses) . . . . .	—	—	126
Less: reclassification adjustments . . . . .	—	—	—
Total . . . . .	—	—	126
Pension liability adjustments:			
Unrealized gains (losses) . . . . .	71,646	87,654	(51,661)
Less: reclassification adjustments . . . . .	2,442	(16)	(1,317)
Total . . . . .	74,088	87,638	(52,978)
Total tax effect before allocation to noncontrolling interests . . . . .	165,129	425,629	(215,398)

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*Reconciliation of Income tax expense*

The following table shows a reconciliation of Income tax expense at the effective statutory tax rate to the actual income tax expense for the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen, except tax rates)		
Income before income tax expense .....	726,343	1,267,653	1,196,605
Effective statutory tax rate .....	38.01%	35.64%	33.06%
Income tax calculated at the statutory tax rate .....	276,083	451,792	395,598
Income not subject to tax .....	(22,354)	(20,911)	(12,888)
Expenses not deductible for tax purposes .....	1,550	1,532	1,521
Tax rate differentials of subsidiaries .....	(1,611)	(3,517)	(2,208)
Change in valuation allowance <sup>(1)</sup> .....	(44,620)	(4,444)	(1,897)
Change in undistributed earnings of subsidiaries .....	932	16,084	(16,112)
Change in net operating loss carryforwards resulting from intercompany capital transactions .....	235	(1,290)	(1,446)
Effect of enacted change in tax rates .....	15,786 <sup>(2)</sup>	(21,714) <sup>(3)</sup>	(7,976) <sup>(4)</sup>
Other .....	107	19,888	(8,050)
Income tax expense .....	<u>226,108</u>	<u>437,420</u>	<u>346,542</u>

Notes:

- (1) In the fiscal year ended March 31, 2015, the MHFG Group partially changed the basis of presentation in respect of change in valuation allowance to represent the amount of change that directly affected Income tax expense. The current period's presentation of change in valuation allowance excludes the effect of expiration of net operating loss carryforwards for which a valuation allowance had been fully recorded against the associated deferred tax assets. Refer to the roll-forward table in Note 19 for details of expiration of net operating loss carryforwards which affected the gross valuation allowance but not the total Income tax expense in prior periods.
- (2) On March 20, 2014, the National Diet of Japan approved a bill affecting the statutory tax rates of MHFG and its domestic subsidiaries. As a result, the statutory tax rate in respect of MHFG's tax returns for the fiscal year ended March 31, 2015 was reduced to 35.64% from the previous rate of 38.01%. The decrease in the Group's balance of net deferred tax assets, reflecting such tax rate reductions, was recognized in Income tax expense in the fiscal year ended March 31, 2014.
- (3) On March 31, 2015, the National Diet of Japan approved a bill affecting the statutory tax rates of MHFG and its domestic subsidiaries. As a result, the statutory tax rate in respect of MHFG's tax returns for the fiscal year ended March 31, 2016 has been reduced to 33.06% from the previous rate of 35.64%. In addition, the tax rate for the fiscal years ending March 31, 2017 and thereafter will be 32.26%. The decrease in the Group's balance of net deferred tax liabilities, reflecting such tax rate reductions, was recognized as a reduction to Income tax expense in the fiscal year ended March 31, 2015.
- (4) On March 29, 2016, the National Diet of Japan approved a bill affecting the statutory tax rates of MHFG and its domestic subsidiaries. As a result, the statutory tax rate in respect of MHFG's tax returns for the fiscal year ending March 31, 2017 and 2018 will be reduced to 30.86% from the previous rate of 32.26%. In addition, the tax rate for the fiscal years ending March 31, 2019 and thereafter will be 30.62%. The decrease in the Group's balance of net deferred tax liabilities, reflecting such tax rate reductions, was recognized as a reduction to Income tax expense in the fiscal year ended March 31, 2016.

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*Deferred tax assets and liabilities*

The components of net deferred tax assets (liabilities) at March 31, 2015 and 2016 are as follows:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Deferred tax assets:		
Investments . . . . .	575,974	522,197
Allowance for loan losses . . . . .	225,436	178,683
Derivative financial instruments . . . . .	8,719	—
Net operating loss carryforwards <sup>(Note)</sup> . . . . .	392,363	341,572
Other . . . . .	<u>197,335</u>	<u>170,414</u>
	1,399,827	1,212,866
Valuation allowance . . . . .	<u>(388,551)</u>	<u>(339,922)</u>
Deferred tax assets, net of valuation allowance . . . . .	<u>1,011,276</u>	<u>872,944</u>
Deferred tax liabilities:		
Available-for-sale securities . . . . .	909,744	710,497
Prepaid pension cost and accrued pension liabilities . . . . .	218,124	174,959
Derivative financial instruments . . . . .	—	56,877
Trading securities . . . . .	39,056	23,154
Undistributed earnings of subsidiaries . . . . .	28,056	11,944
Premises and equipment . . . . .	2,614	1,033
Other . . . . .	<u>49,717</u>	<u>38,990</u>
Deferred tax liabilities . . . . .	<u>1,247,311</u>	<u>1,017,454</u>
Net deferred tax assets (liabilities) . . . . .	<u>(236,035)</u>	<u>(144,510)</u>

Note: The amount includes ¥281,403 million and ¥268,544 million related to MHFG's net operating loss carryforwards resulting mainly from intercompany capital transactions as of March 31, 2015 and 2016, respectively. The tax effect of the net operating loss carryforwards is offset by a full valuation allowance because MHFG experienced a significant expiration of net operating loss carryforwards of ¥1,262 billion in March 2013, which is negative evidence outweighing any positive evidence. Furthermore, MHFG is a holding company whose primary sources of future taxable income are management fees from subsidiaries that are not sufficient to realize deferred tax assets related to the net operating loss carryforwards.

Deferred tax assets and deferred tax liabilities within the same tax jurisdiction have been netted for presentation purposes in the consolidated balance sheets.

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The following table and accompanying footnotes provide a breakdown of deferred tax assets and the valuation allowance recognized in respect of net operating loss carryforwards by tax jurisdiction and by year of expiration as of March 31, 2015 and 2016:

	<u>Deferred tax assets</u>	<u>Valuation allowance</u> (in billions of yen)	<u>Deferred tax assets, net of valuation allowance</u>
<b>2015</b>			
Japan <sup>(1)</sup> .....	286	(283)	3
The United States .....	17	(11)	6
The United Kingdom <sup>(2)</sup> .....	86	(86)	—
Others .....	3	(3)	—
Total .....	<u>392</u>	<u>(383)</u>	<u>9</u>
<b>2016</b>			
Japan <sup>(3)</sup> .....	270	(270)	—
The United States .....	16	(8)	8
The United Kingdom <sup>(4)</sup> .....	53	(53)	—
Others .....	3	(3)	—
Total .....	<u>342</u>	<u>(334)</u>	<u>8</u>

Notes:

- (1) ¥279 billion of the Japan net operating losses of ¥286 billion is related to MHFG, which is offset by a full valuation allowance, and will expire during the fiscal year ending March 31, 2018.
- (2) The United Kingdom net operating losses of ¥86 billion may be carried forward indefinitely.
- (3) ¥265 billion of the Japan net operating losses of ¥270 billion is related to MHFG, which is offset by a full valuation allowance, and will expire during the fiscal year ending March 31, 2018.
- (4) The United Kingdom net operating losses of ¥53 billion may be carried forward indefinitely.

*Determination of valuation allowance*

In accordance with ASC 740, when the MHFG Group determines whether and to what extent a valuation allowance is needed, the Group considers all available evidence, both positive and negative, to estimate future taxable income. In this regard, the Group considers reversals of existing taxable temporary differences, projected future taxable income (exclusive of reversals of existing temporary differences) and qualifying tax-planning strategies to be possible sources of future taxable income. The Group considers the specific pattern and timing of future reversals of existing taxable and deductible temporary differences on available-for-sale securities to constitute a prudent and feasible tax-planning strategy and strong positive evidence. The Group has the ability to control when its available-for-sale securities with unrealized gains and losses are sold in order to accelerate or decelerate taxable or deductible amounts. The Group also has a long history of effecting such sales as necessary in order to utilize net operating loss carryforwards or otherwise realize deferred tax assets.

Positive evidence includes the Group's results of operations for the current and preceding years on an overall consolidated basis and for most of the principal subsidiaries. In particular, the strong results of operations in recent years of MHFG's principal banking subsidiaries in Japan represent positive evidence that can be objectively verified.

Negative evidence includes the existence of significant amounts of net operating loss carryforwards or cumulative losses recorded at certain entities, and the expiration of unused net operating loss carryforwards in recent years.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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A valuation allowance is recorded against deferred tax assets as of the balance sheet date to the extent the Group estimates it is more likely than not that sufficient future taxable income is not available to realize such deferred tax assets. As the Group does not apply a consolidated taxation system with a few exceptions of non-principal subsidiaries outside Japan, deferred tax assets and liabilities are calculated separately for each legal entity. Therefore, changes in the valuation allowance are primarily due to changes in deductible temporary differences, net operating loss carryforwards and estimated availability of future taxable income sources of each entity.

In general, a valuation allowance is recognized against deferred tax assets related to entities that have accumulated significant net operating loss carryforwards. As of March 31, 2016, the Group's valuation allowance was primarily related to entities in Japan, the United States and the United Kingdom. The valuation allowance was partially recognized in Japan and in the United States, while the valuation allowance was fully recognized in the United Kingdom.

The Group determined whether cumulative losses were recognized by aggregating pretax results for the recent three years as part of the analysis of potential indicators of negative evidence. In each tax jurisdiction, certain entities recognized a cumulative loss on the basis of the recent three years' pretax results as of March 31, 2016. As it pertains to each entity with a cumulative loss, a valuation allowance was fully recognized against the deferred tax assets if the Group determined there was no positive evidence that overcame the negative evidence. As of March 31, 2016, MHFG's securities subsidiary in the United Kingdom recorded cumulative losses on the basis of the recent three years' pretax results and recognized a full valuation allowance, as there was no positive evidence to overcome the negative evidence. MHFG and its principal banking subsidiaries in Japan did not record cumulative losses in the periods presented.

*Change in valuation allowance*

The following table presents a roll-forward of the valuation allowance for the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Balance at beginning of fiscal year .....	584,665	443,847	388,551
Changes that directly affected Income tax expense .....	(44,620)	(4,444)	(1,897)
Changes that did not affect Income tax expense:			
Expiration of net operating loss carryforwards .....	(6,313)	—	—
Others .....	(89,885)	(50,852)	(46,732)
Total .....	<u>(96,198)</u>	<u>(50,852)</u>	<u>(46,732)</u>
Balance at end of fiscal year .....	<u>443,847</u>	<u>388,551</u>	<u>339,922</u>

The decrease in the fiscal year ended March 31, 2014 of ¥44,620 million in the valuation allowance that directly affected Income tax expense was a result of an assessment of the realizability of deferred tax assets that mainly reflected decreases in deductible temporary differences and increases in future taxable income, which led to the full de-recognition of valuation allowance in one of MHFG's principal banking subsidiaries in Japan. The decreases in deductible temporary differences were primarily related to investments, while the increases in future taxable income were due to increases in net unrealized gains on available-for-sale securities. The decrease in others was primarily related to the portion of valuation allowance that the MHFG Group judged to be offset by gross deferred tax assets that related to certain investments. The primary portion of the decrease in others was related to the deferred tax assets against which a full valuation allowance had been recorded, and therefore there was no impact on the deferred tax expense although the valuation allowance decreased due to this offsetting.

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The decrease in the fiscal year ended March 31, 2015 of ¥4,444 million in the valuation allowance that directly affected Income tax expense was a result of an assessment of the realizability of deferred tax assets that mainly reflected decreases in deductible temporary differences. The decrease in the fiscal year ended March 31, 2015 of ¥50,852 million in others was primarily related to a decrease in the valuation allowance that is fully recognized against MHFG's net operating loss carryforwards due to tax rate reductions.

The decrease in the fiscal year ended March 31, 2016 of ¥1,897 million in the valuation allowance that directly affected Income tax expense was primarily related to an increase of the realizability of deferred tax assets of MHFG's subsidiaries. The decrease in the fiscal year ended March 31, 2016 of ¥46,732 million in others was primarily related to a decrease in the valuation allowance that is fully recognized against the MHFG Group's net operating loss carryforwards due to tax rate reductions and the anticipated liquidation of one of MHFG's subsidiaries.

*Net operating loss carryforwards*

At March 31, 2016, the MHFG Group had net operating loss carryforwards totaling ¥1,233 billion. These carryforwards are scheduled to expire as follows:

	<u>Net operating loss carryforwards</u> (in billions of yen)
Fiscal year ending March 31:	
2017 .....	—
2018 .....	865
2019 .....	4
2020 .....	—
2021 .....	—
2022 and thereafter .....	<u>364</u>
Total .....	<u><u>1,233</u></u>

Included in net operating loss carryforwards in the above table are MHFG's net operating loss carryforwards of ¥877 billion resulting mainly from intercompany capital transactions, ¥865 billion of which are net operating loss carryforwards generated in relation to a previous intragroup reorganization. The tax loss was recorded at MHFG in accordance with Japanese tax law. The net operating loss carryforwards due to this transaction are to expire in March 2018.

*Uncertainty in income tax*

The following table is a roll-forward of unrecognized tax benefits for the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Total unrecognized tax benefits at beginning of fiscal year .....	1,454	1,691	1,632
Gross amount of increases (decreases) related to positions taken during prior years .....	(6)	(37)	(415)
Gross amount of increases related to positions taken during the current year .....	100	346	181
Amount of decreases related to settlements .....	—	(652)	—
Foreign exchange translation .....	<u>143</u>	<u>284</u>	<u>(98)</u>
Total unrecognized tax benefits at end of fiscal year .....	<u><u>1,691</u></u>	<u><u>1,632</u></u>	<u><u>1,300</u></u>



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

The total amount of unrecognized tax benefits including ¥699 million, ¥517 million and ¥506 million of interest and penalties was ¥1,691 million, ¥1,632 million and ¥1,300 million at March 31, 2014, 2015 and 2016, respectively, which would, if recognized, affect the Group's effective tax rate. The Group classifies interest and penalties accrued relating to unrecognized tax benefits as Income tax expense.

The MHFG Group is currently subject to ongoing tax audits in some jurisdictions. The oldest years open to tax audits in Japan, the United States and the United Kingdom are 2008, 2002 and 2002, respectively. The Group does not anticipate that increases or decreases of unrecognized tax benefits within the next twelve months would have a material effect on its consolidated results of operations or financial condition.

**20. Pension and other employee benefit plans**

*Severance indemnities and pension plans*

MHFG and certain subsidiaries sponsor and offer their employees other than directors and corporate auditors, contributory and non-contributory defined benefit plans. Under these plans, employees are provided with lump-sum cash payments upon leaving the company. The amount of benefits under each plan is principally determined based on the position, the length of service and the reason for retirement. When employees meet certain conditions including the length of service, they may opt to receive annuity payments instead of lump-sum payments at retirement. MHFG and certain subsidiaries also offer special termination benefits to former employees whose contributions during their careers were deemed meritorious and to those with particular circumstances.

Certain foreign offices and subsidiaries have defined contribution plans and/or defined benefit plans, of which disclosures are combined with those for domestic benefit plans, as they are not significant.

MHFG and certain subsidiaries have several defined contribution plans. The costs recognized in respect of contributions to the plans for the fiscal years ended March 31, 2014, 2015 and 2016 were ¥2,487 million, ¥2,444 million and ¥2,820 million, respectively.

Pension plans are not fully integrated among subsidiaries of MHFG and plan assets are managed separately by each plan.

*Net periodic benefit cost and funded status*

The following table presents the components of net periodic cost of the severance indemnities and pension plans for the fiscal years ended March 31, 2014, 2015 and 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Service cost-benefits earned during the fiscal year . . . . .	33,429	33,578	38,032
Interest costs on projected benefit obligations . . . . .	20,341	13,060	10,479
Expected return on plan assets . . . . .	(37,047)	(38,087)	(40,603)
Amortization of prior service benefits . . . . .	(195)	(195)	(195)
Amortization of net actuarial loss (gain) . . . . .	7,039	150	(4,108)
Special termination benefits . . . . .	5,429	5,504	4,456
Net periodic benefit cost . . . . .	<u>28,996</u>	<u>14,010</u>	<u>8,061</u>

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) before-tax for the fiscal years ended March 31, 2015 and 2016 are summarized as follows:

	<b>2015</b>	<b>2016</b>
	(in millions of yen)	
Net actuarial gain (loss) . . . . .	246,523	(160,132)
Amortization of net actuarial loss (gain) . . . . .	150	(4,108)
Amortization of prior service benefits . . . . .	(195)	(195)
Total recognized in other comprehensive income (loss) before-tax . . . . .	<u>246,478</u>	<u>(164,435)</u>

As of March 31, 2016, the amounts in Accumulated other comprehensive income (loss), which will be amortized as prior service benefits and actuarial loss over the next fiscal year, are estimated to be ¥195 million and ¥785 million, respectively.

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost are as follows:

	<b>2014</b>	<b>2015</b>	<b>2016</b>
Weighted-average assumptions used to determine benefit obligations at fiscal year end:			
Discount rates . . . . .	0.96%	0.76%	0.37%
Rates of increase in future compensation levels . . . . .	2.00-4.80%	2.00-4.80%	1.80-4.80%
Weighted-average assumptions used to determine net periodic benefit cost during the year:			
Discount rates . . . . .	1.44%	0.96%	0.76%
Rates of increase in future compensation levels . . . . .	2.31-6.57%	2.00-4.80%	2.00-4.80%
Expected rates of return on plan assets . . . . .	2.42%	2.17%	1.95%

In estimating the discount rates, the MHFG Group uses interest rates on high-quality fixed-income government and corporate bonds. The durations of such bonds closely match those of the benefit obligations. During the fiscal year ended March 31, 2014, the Group changed the calculation method of the discount rates and revised the benefit formula for certain major plans to refine the estimate in respect of benefit obligations. As a result of these refinements, total benefit obligations of the Group, at March 31, 2014, decreased by ¥110,744 million. Assumed discount rates are reevaluated at each measurement date. The expected rate of return for each asset category is based primarily on various aspects of the long-term prospects for the economy that include historical performance and the market environment.

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

The following table sets forth the combined funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2015 and 2016 for the plans of MHFG and its subsidiaries:

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Change in benefit obligations:		
Benefit obligations at beginning of fiscal year	1,320,690	1,392,459
Service cost	33,578	38,032
Interest cost	13,060	10,479
Plan participants' contributions	1,179	1,192
Actuarial loss (gain)	86,780	125,122
Foreign exchange translation	2,444	(4,054)
Benefits paid	(50,266)	(51,392)
Lump-sum payments	(15,006)	(16,630)
Benefit obligations at end of fiscal year	<u>1,392,459</u>	<u>1,495,208</u>
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	1,706,054	2,081,600
Actual return (negative return) on plan assets	371,694	5,058
Foreign exchange translation	1,833	(3,312)
Employer contributions	51,106	49,850
Plan participants' contributions	1,179	1,192
Benefits paid	(50,266)	(51,392)
Fair value of plan assets at end of fiscal year	<u>2,081,600</u>	<u>2,082,996</u>
Funded status	<u>689,141</u>	<u>587,788</u>
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid pension cost	712,523	612,102
Accrued pension liability	(23,382)	(24,314)
Net amount recognized	<u>689,141</u>	<u>587,788</u>
Amounts recognized in Accumulated other comprehensive income (loss) before-tax consist of:		
Prior service benefits (cost)	(830)	(1,025)
Net actuarial gain (loss)	221,859	57,619
Net amount recognized	<u>221,029</u>	<u>56,594</u>

Note: The aggregated accumulated benefit obligations of these plans were ¥1,390,738 million and ¥1,493,393 million, respectively, as of March 31, 2015 and 2016. The defined benefit plans generally employ a multi-variable and non-linear formula based upon rank and years of service. Employees with service in excess of one year are qualified to receive lump-sum severance indemnities.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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The following table shows the projected benefit obligations and the fair value of plan assets for the plans of MHFG and its subsidiaries with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets at March 31, 2015 and 2016:

	<b>2015</b>	<b>2016</b>
	(in millions of yen)	
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations . . . . .	51,707	50,554
Fair value of plan assets . . . . .	28,325	26,240
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations . . . . .	49,986	48,738
Fair value of plan assets . . . . .	28,325	26,240

Note: The plans with projected benefit obligations in excess of plan assets include those with accumulated benefit obligations in excess of plan assets.

*Investment policies and asset allocation*

In managing plan assets, the MHFG Group determines the appropriate levels of risk that the Group can assume under the given circumstances to maximize the investment returns from a long-term perspective while ensuring that the sufficient funds will be available to plan participants and beneficiaries. Generally, the investment returns are relative to the risks involved. In considering the maximum levels of risk that the MHFG Group can assume, it primarily considers the following factors; the employers' burden of maintaining the benefit plans based on the design of the plans and future plan contributions, the age distribution of the plan participants and beneficiaries, the financial conditions of the employers, and the employers' ability to absorb future variability in plan premiums. The long-term asset allocation to each asset category such as Japanese equity securities, Japanese debt securities, foreign equity securities and foreign debt securities is determined based upon the optimal portfolio, which is estimated to yield the maximum return within the range of an acceptable level of risk. Additionally, the asset allocation is reviewed whenever there are large fluctuations in pension plan liabilities caused by modifications of pension plans, or there are changes in the market environment. When selecting an investment in each asset category, the MHFG Group takes into consideration credit standing of an investee, concentration of credit risk to a certain investee, liquidity of a financial instrument, etc. The investments in each asset category are further diversified across funds, strategies, sectors, etc. There is no significant investment in a single investee except Japanese government bonds.

Certain subsidiaries of MHFG established employee retirement benefit trusts and transferred their assets to the trusts as plan assets. These assets are separated from the employer's proprietary assets for the payment to the plan beneficiaries. The assets held in these trusts are primarily Japanese equity securities and have been entrusted directly to qualified trustees including trust banks.

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

MHFG and certain subsidiaries' target allocation for the plan assets, excluding those of the employee retirement benefit trusts, at March 31, 2016 is as follows:

<u>Asset category</u>	<u>Asset ratio</u>
Japanese equity securities .....	5.00%
Japanese debt securities .....	44.00%
Foreign equity securities .....	25.00%
Foreign debt securities .....	10.00%
General account of life insurance companies .....	14.00%
Other .....	2.00%
Total .....	<u>100.00%</u>

Note: General account of life insurance companies is a contract with life insurance companies which guarantees payments of principal and predetermined interest rates.

*Fair value of plan assets*

The following table presents the fair value of plan assets of MHFG and its subsidiaries at March 31, 2015 and 2016, by asset class. For the detailed information on fair value measurements, including descriptions of Level 1, 2 and 3 of the fair value hierarchy and the valuation methodologies, see Note 27 "Fair value".

	<u>2015</u>				<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in billions of yen)							
Japanese equity securities:								
Common stocks <sup>(1)</sup> .....	1,085	—	—	1,085	1,114	1	—	1,115
Pooled funds <sup>(2)</sup> .....	9	65	—	74	10	51	—	61
Japanese debt securities:								
Government bonds .....	240	—	—	240	262	—	—	262
Pooled funds <sup>(2)</sup> .....	—	73	—	73	—	84	—	84
Other .....	—	28	—	28	—	32	—	32
Foreign equity securities:								
Common stocks .....	106	4	—	110	98	4	—	102
Pooled funds <sup>(2)</sup> .....	16	146	—	162	—	154	—	154
Foreign debt securities:								
Government bonds .....	66	7	—	73	72	6	—	78
Pooled funds <sup>(2)</sup> .....	—	13	—	13	—	13	—	13
Other .....	—	16	—	16	—	18	—	18
General account of life insurance companies <sup>(3)</sup> .....	—	118	—	118	—	121	—	121
Hedge funds .....	—	—	3	3	—	—	3	3
Other .....	84 <sup>(4)</sup>	3 <sup>(5)</sup>	—	87	44 <sup>(4)</sup>	(4) <sup>(5)</sup>	—	40
Total assets at fair value .....	<u>1,606</u>	<u>473</u>	<u>3</u>	<u>2,082</u>	<u>1,600</u>	<u>480</u>	<u>3</u>	<u>2,083</u>

Notes:

- (1) This class represents equity securities held in the employee retirement benefit trusts of ¥1,085 billion and ¥1,115 billion at March 31, 2015 and 2016, respectively, which are well-diversified across industries.
- (2) These classes primarily include pension investment fund trusts. Investments in these classes are generally measured at their net asset values per share and can be redeemed within a short-term period upon request.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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- (3) Investments in this class are measured at conversion value.  
(4) Amounts primarily include cash and short-term assets carried at fair value.  
(5) Amounts primarily include foreign exchange contracts carried at fair value.

Amounts of actual returns on and purchases and sales of Level 3 assets during the fiscal years ended March 31, 2015 and 2016 were not significant.

*Contributions*

The total contribution of approximately ¥50 billion is expected to be paid to the pension plans during the fiscal year ending March 31, 2017, based on the current funded status and expected asset return assumptions.

*Estimated future benefit payments*

The following table presents forecasted benefit payments including the effect of expected future service for the fiscal years indicated:

	<b>(in millions of yen)</b>
Fiscal year ending March 31:	
2017 .....	66,777
2018 .....	68,373
2019 .....	69,634
2020 .....	70,856
2021 .....	71,263
2022-2026 .....	350,152

**21. Stock-based compensation**

*Stock options*

MHFG, MHBK (the former MHBK and the former Mizuho Corporate Bank, Ltd. (“MHC B”) merged on July 1, 2013), MHTB and MHSC have stock options, in the form of stock acquisition rights, for directors (excluding the outside directors) and executive officers of the respective companies (hereinafter referred to collectively as the “Directors”).

In this plan (“MHFG Stock Plan”), 1,000 shares of MHFG common stock shall be issued or transferred upon exercise of each of the stock acquisition rights. The amount to be paid upon exercise shall be 1 yen per share. The contractual term of the stock acquisition rights is 20 years. A holder may exercise the stock acquisition rights only after the date on which such holder loses the status as a Director of MHFG, MHBK, MHTB or MHSC.

The following is a roll-forward of MHFG Stock Plan for the fiscal year ended March 31, 2016:

	<b>Number of shares</b>	<b>Weighted-average exercise price</b>	<b>Weighted-average remaining contractual term</b>	<b>Aggregate intrinsic value</b>
		(in yen)	(in years)	(in millions of yen)
Outstanding at beginning of fiscal year .....	23,958,000	1		
Exercised during fiscal year .....	6,768,000	1		
Outstanding at end of fiscal year .....	17,190,000	1	17.46	2,872
Exercisable at end of fiscal year .....	—	—	—	—

There were no non-vested stock options remaining as of March 31, 2016.

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The following table presents the assumptions used in the Black-Scholes option pricing model to estimate the fair value of the stock acquisition rights granted during the fiscal year ended March 31, 2015. The risk-free interest rate is based on the Japanese government bonds yield curve for the expected remaining term in effect at the date of grant. The expected volatility is based on the historical trading data of MHFG common stock. The expected remaining term is based on the average service period of Directors of MHFG, MHBK, MHTB and MHSC, which represents the period of time that stock acquisition rights granted are expected to be outstanding. The expected dividend yield is based on the dividend rate of MHFG common stock at the date of grant.

	<u>2015</u>
Risk-free interest rate . . . . .	0.01%
Expected volatility . . . . .	25.91%
Expected remaining term (in years) . . . . .	2.46
Expected dividend yield . . . . .	3.42%

The weighted-average grant-date fair value of stock acquisition rights granted during the fiscal years ended March 31, 2014 and 2015 was ¥192,610 and ¥186,990, respectively.

The compensation cost related to this plan recognized in income was ¥1,527 million and ¥1,795 million during the fiscal years ended March 31, 2014 and 2015, respectively.

In May, 2015, MHFG announced discontinuance of the current stock option program along with the introduction of performance payments and performance-based stock compensation for Directors. Thereafter, MHFG has not issued and will not issue any new stock options.

*Performance-based stock compensation*

MHFG, MHBK, MHTB and MHSC introduced a new performance-based stock compensation program for Directors using a trust. The program utilizes the Board Benefit Trust framework. The performance-based stock compensation shall be paid in the form of shares of common stock of MHFG acquired from the stock market through a trust with an aim to align the officers' interests with those of the shareholders and increase the incentive to enhance corporate value. The payment thereof shall reflect each officer's performance. The entire amount of the payments in respect of the performance-based stock compensation shall be deferred over three years and the deferred portion will be subject to reduction or forfeiture depending on certain factors, including the performance of the MHFG group or the relevant Directors.

The compensation cost with regard to the performance-based stock compensation will be determined based upon the fair value of shares of MHFG common stock acquired from the stock market through a trust and will be recognized over the three years deferral period starting from the fiscal year ending March 31, 2017.

**22. Derivative financial instruments**

The MHFG Group enters into derivative financial instruments in response to the diverse needs of customers, to control the risk related to the assets and liabilities of the MHFG Group, as part of its asset and liability management, and for proprietary trading purposes. The MHFG Group is exposed primarily to market risk associated with interest rate, commodity, foreign currency, and equity products. Market risk arises from changes in market prices or indices, interest rates and foreign exchange rates that may result in an adverse change in the market value of the financial instrument or an increase in its funding costs. Exposure to market risk is managed by imposing position limits and monitoring procedures and by initiating hedging transactions. In addition to market risk, the MHFG Group is exposed to credit risk associated with counterparty default or nonperformance in respect of transactions. Credit risk arises when a counterparty fails to perform according to the terms and

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conditions of the contract and the value of the underlying collateral held, if applicable, is not sufficient to recover resulting losses. The exposure to credit risk is measured by the fair value of all derivatives in a gain position and its potential increase at the balance sheet dates. The exposure to credit risk is managed by entering into legally enforceable master netting agreements to mitigate the overall counterparty credit risk, requiring underlying collateral and guarantees based on an individual credit analysis of each obligor and evaluating the credit features of each instrument. In addition, credit approvals, limits and monitoring procedures are also imposed.

***Notional amount and fair value of derivative contracts***

The following table summarizes the notional and fair value amounts of derivative instruments outstanding as of March 31, 2015 and 2016. The fair values of derivatives are presented on a gross basis and not offset against the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting agreements in the consolidated balance sheets, or the table below.

2015	Notional amount <sup>(1)</sup>	Fair value			
		Derivative receivables <sup>(2)</sup>		Derivative payables <sup>(2)</sup>	
		Designated as hedges	Not designated as hedges	Designated as hedges	Not designated as hedges
		(in billions of yen)			
Interest rate contracts . . . . .	1,115,149	—	9,612	—	9,374
Foreign exchange contracts . . . . .	142,428	3	3,602	3	3,604
Equity-related contracts . . . . .	2,767	—	197	22	199
Credit-related contracts . . . . .	4,967	—	42	—	36
Other contracts . . . . .	333	—	38	—	33
Total . . . . .	<u>1,265,644</u>	<u>3</u>	<u>13,491</u>	<u>25</u>	<u>13,246</u>

2016	Notional amount <sup>(1)</sup>	Fair value			
		Derivative receivables <sup>(2)</sup>		Derivative payables <sup>(2)</sup>	
		Designated as hedges	Not designated as hedges	Designated as hedges	Not designated as hedges
		(in billions of yen)			
Interest rate contracts . . . . .	1,066,252	—	11,522	—	11,269
Foreign exchange contracts . . . . .	141,517	4	3,126	1	2,979
Equity-related contracts . . . . .	3,115	18	152	—	140
Credit-related contracts . . . . .	4,826	—	43	—	37
Other contracts . . . . .	327	—	59	—	55
Total . . . . .	<u>1,216,037</u>	<u>22</u>	<u>14,902</u>	<u>1</u>	<u>14,480</u>

Notes:

- (1) Notional amount includes the sum of gross long and gross short third-party contracts.
- (2) Derivative receivables and payables are recorded in Trading account assets and Trading account liabilities, respectively.

The MHFG Group provided and/or accepted cash collateral for derivative transactions under master netting agreements. The cash collateral, not offset against derivative positions, was included in Other assets and Other liabilities, respectively, of which the amounts were ¥674 billion and ¥737 billion at March 31, 2015, and ¥885 billion and ¥716 billion at March 31, 2016, respectively.



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***Hedging activities***

In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, and how effectiveness is to be assessed prospectively and retrospectively. The extent to which a hedging instrument is effective at achieving offsetting changes in fair value or cash flows must be assessed at least quarterly. Any ineffectiveness must be reported immediately in earnings. The MHFG Group's hedging activities include fair value and net investment hedges.

***Fair value hedges***

The MHFG Group primarily uses option and forward contracts to modify exposure to changes in the fair value of available-for-sale securities. For qualifying fair value hedges, all changes in the fair value of the derivative and the corresponding hedged item relating to the risk being hedged are recognized in earnings in Investment gains (losses)—net. The change in fair value of the portion of the hedging instruments excluded from the assessment of hedge effectiveness is recorded in Trading account gains (losses)—net. No ineffectiveness exists because the MHFG Group chooses to exclude changes in the option's time value and differences between the spot and the forward prices from the effectiveness test. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment.

The following table summarizes gains and losses information related to fair value hedges for the fiscal years ended March 31, 2014, 2015 and 2016:

	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
	(in millions of yen)			
<b>2014</b>				
Equity-related contracts . . . . .	801	(1,112)	—	(311)
Total . . . . .	<u>801</u>	<u>(1,112)</u>	<u>—</u>	<u>(311)</u>
	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
	(in millions of yen)			
<b>2015</b>				
Equity-related contracts . . . . .	(29,666)	28,005	—	(1,661)
Total . . . . .	<u>(29,666)</u>	<u>28,005</u>	<u>—</u>	<u>(1,661)</u>
	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
	(in millions of yen)			
<b>2016</b>				
Equity-related contracts . . . . .	14,623	(18,224)	—	(3,601)
Total . . . . .	<u>14,623</u>	<u>(18,224)</u>	<u>—</u>	<u>(3,601)</u>

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*Net investment hedges*

The MHFG Group uses forward foreign exchange contracts and foreign currency-denominated debt instruments to protect the value of net investments in non-Japanese subsidiaries from foreign currency exposure. Under net investment hedges, both derivatives and nonderivative financial instruments qualify as hedging instruments. The foreign currency-denominated debt instruments qualifying as hedging instruments include deposits and long-term debt, of which the carrying amounts of the portion designated as net investment hedges are included within the respective items in the consolidated balance sheets as well as relevant accompanying notes. For net investment hedges, the change in the fair value of a hedging derivative instrument or nonderivative hedging financial instrument is recorded in Foreign currency translation adjustments within Accumulated other comprehensive income, provided that the hedging instrument is designated and is effective as a hedge of the net investment. The change in fair value of the ineffective portion is recorded in Foreign exchange gains (losses)—net in earnings. No amount is excluded from the assessment of hedge effectiveness of net investment hedges.

The following table summarizes gains and losses information related to net investment hedges for the fiscal years ended March 31, 2014, 2015 and 2016:

	Gains (losses) recorded in income and other comprehensive income (“OCI”)					
	2014		2015		2016	
	Effective portion recorded in OCI	Ineffective portion recorded in income	Effective portion recorded in OCI	Ineffective portion recorded in income	Effective portion recorded in OCI	Ineffective portion recorded in income
	(in millions of yen)					
Financial instruments						
hedging foreign						
exchange risk . . . . .	(102,150)	(7,316)	(53,252)	(2,678)	46,697	696
Total . . . . .	<u>(102,150)</u>	<u>(7,316)</u>	<u>(53,252)</u>	<u>(2,678)</u>	<u>46,697</u>	<u>696</u>

Note: No amount related to the effective portion of net investment hedges was reclassified from Accumulated other comprehensive income to earnings for the fiscal years ended March 31, 2014 and 2015, respectively. Related to the effective portion of net investment hedges, the gains of ¥345 million was reclassified from Accumulated other comprehensive income to earnings for the fiscal year ended March 31, 2016.

*Derivative instruments not designated or qualifying as hedges*

The MHFG Group enters into the following derivative transactions that do not qualify for hedge accounting with a view to implementing risk management hedging strategies: (1) interest-rate swap transactions for the purpose of hedging the interest-rate risks in deposits, loans etc., (2) currency swap transactions for the purpose of hedging the foreign exchange risk of these assets, and (3) credit derivatives for the purpose of hedging the credit risk in loans, residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), CLO and other similar assets. Such derivatives are accounted for as trading positions. The changes in fair value of these instruments are primarily recorded in Trading account gains (losses)—net, even though they are used to mitigate or transform the risk of exposures arising from banking activities. The net gain (loss) resulting from changes in the fair value of certain credit derivatives where the Group purchases protection to mitigate its credit risk exposure, related to its corporate loan portfolio, is recorded in Other noninterest income (expenses).

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The following table summarizes gains and losses on derivatives not designated or qualifying as hedges during the fiscal years ended March 31, 2014, 2015 and 2016:

	<b>Gains (losses) recorded in income</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	(in millions of yen)		
Interest rate contracts . . . . .	(79,562)	265,324	319,225
Foreign exchange contracts . . . . .	(13,167)	(93,601)	65,101
Equity-related contracts <sup>(1)</sup> . . . . .	(41,296)	(100,326)	21,571
Credit-related contracts <sup>(2)</sup> . . . . .	(7,761)	(18,007)	(6,960)
Other contracts . . . . .	(6,857)	368	2,015
Total . . . . .	<u>(148,643)</u>	<u>53,758</u>	<u>400,952</u>

Notes:

- (1) The net gain (loss) excluded from the assessment of the effectiveness of fair value hedges is not included in the above table.
- (2) Amounts include the net loss of ¥8,660 million, ¥2,836 million and ¥5,230 million on the credit derivatives hedging the credit risk of loans during the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

***Credit derivatives***

A credit derivative is a bilateral contract between a seller and a buyer of protection against the credit risk of a particular entity. Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events, which include bankruptcy, dissolution or insolvency of the referenced entity. The MHFG Group either purchases or writes protection on either a single name or a portfolio of reference credits. The Group enters into credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

The notional amount of credit derivatives represents the maximum potential amount of future payments the seller could be required to make. If the predefined credit event occurs, the seller will generally have a right to collect on the underlying reference credit and any related cash flows, while being liable for the full notional amount of credit protection to the buyer. The Group manages credit risk associated with written protection by purchasing protection with identical or similar underlying reference credits, which substantially offsets its exposure. Thus, the notional amount is not necessarily a reliable indicator of the Group's actual loss exposure.

The following table summarizes the notional and fair value amounts of credit derivatives at March 31, 2015 and 2016:

	<b>2015</b>		<b>2016</b>	
	<b>Notional amount</b>	<b>Fair value</b>	<b>Notional amount</b>	<b>Fair value</b>
	(in billions of yen)			
Credit protection written:				
Investment grade . . . . .	1,619	29	1,603	14
Non-investment grade . . . . .	822	5	763	1
Total . . . . .	<u>2,441</u>	<u>34</u>	<u>2,366</u>	<u>15</u>
Credit protection purchased . . . . .	<u>2,626</u>	<u>(28)</u>	<u>2,592</u>	<u>(9)</u>

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Note: The rating scale is based upon either the external ratings or the internal ratings of the underlying reference credit. The lowest investment grade rating is considered to be BBB-, while anything below or unrated is considered to be non-investment grade. Non-investment grade credit derivatives primarily consist of unrated credit default swap indices such as CDX and iTraxx.

The following table shows the maximum potential amount of future payments for credit protection written by expiration period at March 31, 2015 and 2016:

	Maximum payout/Notional amount	
	2015	2016
	(in billions of yen)	
One year or less . . . . .	343	538
After one year through five years . . . . .	2,032	1,729
After five years . . . . .	66	99
Total . . . . .	<u>2,441</u>	<u>2,366</u>

Note: The maximum potential amount of future payments is the aggregate notional amount of the credit derivatives where the Group wrote the credit protection, and it has not been reduced by the effect of any amounts that the Group may possibly collect on the underlying assets and the related cash flows, nor netted against that of credit protection purchased.

***Credit-related contingent features***

Certain of the MHFG Group's derivative instruments contain provisions that require the Group's debt to maintain an investment grade credit rating from the major credit rating agencies. If the Group's debt credit rating were to fall below investment grade, the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments which are in net liability positions for the Group.

The following table shows the quantitative information about derivative instruments with credit-risk-related contingent features at March 31, 2015 and 2016:

	2015	2016
	(in billions of yen)	
Aggregate fair value of derivative instruments with credit-risk-related contingent features in net liability positions . . . . .	799	790
Collateral provided to counterparties in normal course of business . . . . .	755	746
Amount required to be posted as collateral or settled immediately if credit-risk-related contingent features were triggered . . . . .	44	44

**23. Commitments and contingencies**

***Obligations under guarantees***

The MHFG Group provides guarantees or indemnifications to counterparties to enhance their credit standing and enable them to complete a variety of business transactions. A guarantee represents an obligation to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

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The types of guarantees under ASC 460, “Guarantees” (“ASC 460”) provided by the MHFG Group are described below.

*Performance guarantees*

Performance guarantees are issued to guarantee customers’ performance under contractual arrangements such as a tender bid on a construction project or the completion of a construction project.

*Guarantees on loans*

Guarantees on loans include obligations to guarantee the customers’ borrowing contracts. The MHFG Group is required to make payments to the guaranteed parties in the event that customers fail to fulfill obligations under the contracts.

*Guarantees on securities*

Guarantees on securities include obligations to guarantee securities, such as bonds issued by customers.

*Other guarantees*

Other guarantees include obligations to guarantee customers’ payments, such as tax payments.

*Guarantees for the repayment of trust principal*

The MHFG Group provides certain trust products with guarantees for the repayment of trust principal, e.g., loan trusts and certain jointly operated designated money trusts. Pursuant to Japanese trust-related laws, trustees are prohibited from compensating beneficiaries for any loss in the beneficial interests in each trust. However, under a special condition of the Japanese trust-related laws, trust banks as trustees are allowed to enter into an agreement to provide compensation for any loss in the principal of the trust. The MHFG Group manages and administers the trust assets to minimize exposures against losses from the guarantees for the repayment of trust principal, including writing-off impaired loans and charging it to the trust account profits. In performing its fiduciary duties, the MHFG Group also manages the trust assets separately from its own proprietary assets on behalf of customers and keeps separate records for the trust activities. The MHFG Group consolidates certain guaranteed principal money trusts. See Note 24 “Variable interest entities and securitizations” for further discussion of the guaranteed principal money trusts. The contract amounts of guarantees for repayment of unconsolidated trust principal are presented in the tables below.

Part of the trust account profits is set aside as a reserve in trust accounts to absorb losses in the trust asset portfolios in accordance with relevant Japanese laws concerning the trust business and/or trust agreements. Statutory reserves for loan trusts and reserves for jointly operated designated money trusts are calculated based on the trust principal or the balance of loans and other assets in the trust accounts. Since the probability of principal indemnification is considered to be remote, the MHFG Group had no related reserve for credit losses recorded in its consolidated financial statements.

*Liabilities of trust accounts*

The MHFG Group, as trustee, may enter into an agreement with a third party who is not the party to the relevant trust agreement to the extent necessary to handle the trust affairs for the purpose of fulfilling the objectives of the trust and, as such, the trustee shall be allowed to assume certain liabilities. Pursuant to Japanese trust-related

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laws, the trustee is ultimately liable to pay those liabilities out of its proprietary assets in the event that the trust assets are insufficient to cover those liabilities. The amount of trust liabilities rarely exceeds the amount of trust assets and, therefore, those liabilities are generally covered by the corresponding trust assets. To avoid the demand for payment out of the proprietary assets, the trustee can enter into a special covenant of limited liability under which the trust creditors agree to limit the trustee's liability to the value of the trust assets and to waive the right for compulsory execution against the trustee's proprietary assets. The MHFG Group regularly monitors the condition of trust accounts to minimize exposures against making payment.

The amounts of such liabilities in the trust accounts, excluding those with the special covenant of limited liability, are presented in the tables below. Liabilities of trust accounts principally include obligations to return collateral under security lending transactions and other transactions.

*Derivative financial instruments*

Certain written options and credit default swaps are deemed guarantees pursuant to the definition of guarantees in ASC 460 if these contracts require the MHFG Group to make payments to counterparties based on changes in an underlying instrument or index that is related to an asset, a liability, or an equity security of the counterparties. The MHFG Group's payments could involve a gross settlement or a net settlement. Because it is difficult in practice to determine whether the counterparty has the asset, the liability or the equity security relating to the underlying, the MHFG Group has decided to include all credit default swaps and written options, excluding written options outside the scope of ASC 460, in the guarantee disclosures.

*Carrying amount*

The MHFG Group records all guarantees and similar obligations subject to ASC 460 at fair value in the consolidated balance sheets at the inception of the guarantee. The total carrying amount of guarantees and similar obligations at March 31, 2015 and 2016 was ¥493 billion and ¥357 billion, respectively, and was included in Other liabilities and Trading account liabilities. The total includes the carrying amounts of derivatives that are deemed to be guarantees, which amounted to ¥472 billion and ¥336 billion at March 31, 2015 and 2016, respectively.

*Maximum exposure under guarantee contracts*

The table below summarizes the remaining term and maximum potential amount of future payments by type of guarantee at March 31, 2015 and 2016. The maximum potential amount of future payments disclosed below represents the contractual amounts that could be required to be repaid in the event of the guarantees being executed, without consideration of possible recoveries under recourse provisions or from collateral held. With respect to written options included in derivative financial instruments in the table below, in theory, the MHFG Group is exposed to unlimited losses; therefore, the table shows the notional amounts of the contracts as a substitute for the maximum exposure.

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The MHFG Group, when necessary, requires collateral such as cash, investment securities and real estate or third-party guarantees depending on the amount of credit risk involved, and employs means such as sub-participation to reduce the credit risk associated with guarantees. The maximum exposure or notional amount below does not represent the expected losses from the execution of the guarantees.

<u>2015</u>	Maximum potential/Contractual or Notional amount	Amount by expiration period		
		One year or less	After one year through five years	After five years
		(in billions of yen)		
Performance guarantees . . . . .	2,226	1,147	815	264
Guarantees on loans . . . . .	325	103	47	175
Guarantees on securities . . . . .	184	149	35	—
Other guarantees . . . . .	1,556	1,112	360	84
Guarantees for the repayment of trust principal . . . . .	140	—	110	30
Liabilities of trust accounts . . . . .	14,936	14,756	51	129
Derivative financial instruments . . . . .	22,216	11,163	9,754	1,299

<u>2016</u>	Maximum potential/Contractual or Notional amount	Amount by expiration period		
		One year or less	After one year through five years	After five years
		(in billions of yen)		
Performance guarantees . . . . .	2,110	1,049	909	152
Guarantees on loans . . . . .	297	117	20	160
Guarantees on securities . . . . .	203	67	136	—
Other guarantees . . . . .	1,571	1,206	325	40
Guarantees for the repayment of trust principal . . . . .	1,141	1,051	63	27
Liabilities of trust accounts . . . . .	12,747	12,537	79	131
Derivative financial instruments . . . . .	15,792	6,505	8,032	1,255

The table below presents the maximum potential amount of future payments of performance guarantees, guarantees on loans, guarantees on securities and other guarantees classified based on internal ratings at March 31, 2015 and 2016:

	<u>2015</u>	<u>2016</u>
	(in billions of yen)	
Investment grade . . . . .	3,267	3,160
Non-investment grade . . . . .	1,024	1,022
Total . . . . .	<u>4,291</u>	<u>4,182</u>

Note: Investment grade in the internal rating scale generally corresponds to BBB- or above in the external rating scale.

***Other off-balance-sheet instruments***

In addition to guarantees, the MHFG Group issues other off-balance-sheet instruments to its customers, such as lending-related commitments and commercial letters of credit. Under the terms of these arrangements, the MHFG Group is required to extend credit or make certain payments upon the customers' requests.

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*Commitments to extend credit*

Commitments to extend credit are legally binding agreements to lend to customers on demand. They usually have set maturity dates. These agreements differ from guarantees in that they are generally revocable or contain provisions that enable the MHFG Group to avoid payment or reduce the amount of credit extended under certain conditions, such as the deterioration of the borrower's financial condition or other reasonable conditions. The MHFG Group monitors the financial condition of the potential borrowers throughout the commitment period to determine whether additional collateral or changes in the terms of the commitment are necessary. Since many of these commitments to extend credit expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

*Commitments to invest in securities*

Commitments to invest in securities include legally binding contracts to make additional contributions to investment funds, such as private equity funds in accordance with the terms of investment agreements.

*Commercial letters of credit*

Commercial letters of credit are issued in connection with customers' trade transactions. Normally, the customers cannot receive the goods until they make payment to a bank, and therefore these commercial letters of credit are collateralized by the underlying goods. Upon issuance of commercial letters of credit, the MHFG Group monitors the credit risk associated with these transactions to determine if additional collateral is required.

The table below summarizes the contractual amounts with regard to these undrawn commitments at March 31, 2015 and 2016:

	<u>2015</u>	<u>2016</u>
	<u>(in billions of yen)</u>	
Commitments to extend credit <sup>(Note)</sup> .....	71,750	75,742
Commercial letters of credit .....	584	448
Total .....	<u>72,334</u>	<u>76,190</u>

Note: Commitments to extend credit include commitments to invest in securities.

***Allowance for losses on off-balance-sheet instruments***

The amounts of allowance for losses on off-balance-sheet instruments at March 31, 2015 and 2016 were ¥118 billion and ¥100 billion, respectively.



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***Leases***

The MHFG Group leases certain office space and equipment under noncancelable agreements. The lease periods for these leases range from less than 1 year to around 30 years. These leases include cancellation clauses with penalties of a maximum of approximately 5 years-worth of rentals and/or periodic adjustment clauses of rentals. The table below shows future minimum lease payments for capitalized leases and future minimum rental payments for operating leases at March 31, 2016:

	<u>Capitalized leases</u>	<u>Operating leases</u>
	(in millions of yen)	
Fiscal year ending March 31:		
2017 .....	10,053	53,117
2018 .....	9,075	46,086
2019 .....	8,290	40,736
2020 .....	6,330	36,399
2021 .....	3,841	33,830
2022 and thereafter .....	<u>1,384</u>	<u>66,720</u>
Total minimum lease/rental payments .....	<u>38,973</u>	<u>276,888</u>
Amount representing interest .....	<u>1,162</u>	
Present value of minimum lease payments .....	<u>37,811</u>	

Total rental expense for the fiscal years ended March 31, 2014, 2015 and 2016 was ¥95,941 million, ¥109,390 million and ¥118,400 million, respectively.

During prior years, the MHFG Group's major banking subsidiaries sold their head offices (including land, buildings, facilities and equipment) to third parties. Concurrent with the sales, these subsidiaries leased the properties back for periods of 5 and 10 years for total rental payments for these periods of ¥214,690 million. The terms of certain lease agreements were changed during the fiscal years ended March 31, 2009, 2011, 2012 and 2014, and the total rental payments for these periods increased to ¥282,832 million, as a consequence. The MHFG Group accounted for the transactions as operating leases. The future minimum rental payments under the terms of the related lease agreements were ¥69,556 million, ¥58,336 million and ¥49,883 million at March 31, 2014, 2015 and 2016, respectively.

During the fiscal year ended March 31, 2014, MHFG began to lease its head office from a third party and accounted for the lease arrangement as operating lease.

***Legal proceedings***

The MHFG Group is involved in normal collection proceedings initiated by the Group and other legal proceedings in the ordinary course of business.

The Group's Indonesian subsidiary acts as the 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 a dispute 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 the subsidiary has been named as a defendant in a lawsuit brought by the obligors under the bonds in Indonesia. The Group's consolidated financial statements do not include a reserve in relation to this dispute because the Group does not believe that the resolution of this matter will have a significant impact on the consolidated financial condition or results of operations of the Group, although there can be no assurance as to the foregoing.

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**24. Variable interest entities and securitizations**

*Variable interest entities*

In the normal course of business, the MHFG Group is involved with VIEs primarily through the following types of transactions: asset-backed commercial paper/loan programs, asset-backed securitizations, investments in securitization products, investment funds, trust arrangements, and structured finance. The Group consolidates certain of these VIEs, where the Group is deemed to be the primary beneficiary because it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The MHFG Group reassesses whether it is the primary beneficiary on an ongoing basis as long as the Group has any continuing involvement with the VIE. There are also other VIEs, where the Group has determined that it is not the primary beneficiary but has significant variable interests. In evaluating the significance of the variable interests, the Group comprehensively takes into consideration the extent of its involvement with each VIE, such as the seniority of its investments, the share of its holding in each tranche and the variability it expects to absorb, as well as other relevant facts and circumstances. The likelihood of loss is not necessarily relevant to the determination of significance, and therefore, "significant" does not imply that there is high likelihood of loss. The maximum exposure to loss that is discussed in this section refers to the maximum loss that the Group could be required to record in its consolidated statements of income as a result of its involvement with the VIE. This represents exposures associated with both on-balance-sheet assets and off-balance-sheet liabilities related to the VIE. Further, this maximum potential loss is disclosed regardless of the probability of such losses and, therefore, it is not indicative of the ongoing exposure which is managed within the Group's risk management framework.

The table below shows the consolidated assets of the Group's consolidated VIEs as well as total assets and maximum exposure to loss for its significant unconsolidated VIEs, as of March 31, 2015 and 2016:

	<b>Consolidated VIEs</b>		
	<b>Significant unconsolidated VIEs</b>		
<b>2015</b>	<b>Consolidated assets</b>	<b>Total assets</b>	<b>Maximum exposure to loss</b>
	(in billions of yen)		
Asset-backed commercial paper/loan programs . . . . .	2,610	—	—
Asset-backed securitizations . . . . .	427	291	19
Investments in securitization products . . . . .	338	445	154
Investment funds . . . . .	2,483	2,094	301
Trust arrangements and other . . . . .	27	—	—
<b>Total . . . . .</b>	<b>5,885</b>	<b>2,830</b>	<b>474</b>

	<b>Consolidated VIEs</b>		
	<b>Significant unconsolidated VIEs</b>		
<b>2016</b>	<b>Consolidated assets</b>	<b>Total assets</b>	<b>Maximum exposure to loss</b>
	(in billions of yen)		
Asset-backed commercial paper/loan programs . . . . .	2,092	—	—
Asset-backed securitizations . . . . .	579	205	13
Investments in securitization products . . . . .	337	445	154
Investment funds . . . . .	1,660	2,422	367
Trust arrangements and other . . . . .	24	—	—
<b>Total . . . . .</b>	<b>4,692</b>	<b>3,072</b>	<b>534</b>

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The Group has not provided financial or other support to consolidated or unconsolidated VIEs that the Group was not previously contractually required to provide.

The tables below present the carrying amounts and classification of assets and liabilities on the MHFG Group's balance sheets that relate to its variable interests in significant unconsolidated VIEs, as of March 31, 2015 and 2016:

<u>Assets on balance sheets related to unconsolidated VIEs:</u>	<u>2015</u>	<u>2016</u>
	<u>(in billions of yen)</u>	
Trading account assets .....	60	55
Investments .....	187	254
Loans .....	<u>217</u>	<u>205</u>
Total .....	<u>464</u>	<u>514</u>
<u>Liabilities on balance sheets and maximum exposure to loss related to unconsolidated VIEs:</u>	<u>2015</u>	<u>2016</u>
	<u>(in billions of yen)</u>	
Payables under securities lending transactions .....	19	27
Trading account liabilities .....	—	<u>1</u>
Total .....	<u>19</u>	<u>28</u>
Maximum exposure to loss <sup>(Note)</sup> .....	<u>474</u>	<u>534</u>

Note: This represents the amount the Group could be required to record in its consolidated statements of income associated with on-balance-sheet exposures and off-balance-sheet liabilities such as undrawn commitments.

*Asset-backed commercial paper/loan programs*

The MHFG Group manages several asset-backed commercial paper/loan programs that provide its clients' off-balance-sheet and/or cost-effective financing. The VIEs used in the programs purchase financial assets, primarily receivables, from clients participating in the programs and provide liquidity through the issuance of commercial paper or borrowings from the MHFG Group backed by the financial assets. While customers normally continue to service the transferred receivables, the MHFG Group underwrites, distributes, and makes a market in commercial paper issued by the conduits. The MHFG Group typically provides program-wide liquidity and credit support facilities and, in some instances, financing to the VIEs. The MHFG Group has the power to determine which assets will be held in the VIEs and has an obligation to monitor these assets. The Group is also responsible for liability management. In addition, through the liquidity and credit support facilities provided to the VIEs, the Group has the obligation to absorb losses that could potentially be significant to the VIEs. Therefore, the Group consolidates such VIEs.

*Asset-backed securitizations*

The MHFG Group acts as an arranger of various types of structured finance to meet clients' off-balance-sheet financing needs. In substantially all of these structured financing transactions, the transfer of the financial asset by the client is structured to be bankruptcy remote by use of a bankruptcy remote entity, which is deemed to be a VIE because its equity holder does not have decision making rights. The MHFG Group receives fees for structuring and/or distributing the securities sold to investors. In some cases, the MHFG Group itself purchases the securities issued by the entities and/or provides loans to the VIEs.

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In addition, the MHFG Group establishes several single-issue and multi-issue special purpose entities that issue collateralized debt obligations (“CDO”) or CLO, synthetic CDO/CLO or other repackaged instruments to meet clients’ and investors’ financial needs. The MHFG Group also arranges securitization transactions including CMBS, RMBS and others. In these transactions, the MHFG Group acts as an underwriter, placement agent, asset manager, derivatives counterparty, and/or investor in debt and equity instruments.

In certain VIEs, where the MHFG Group provides liquidity and credit support facilities, writes credit protection or invests in debt or equity instruments in its role as an arranger, servicer, administrator or asset manager, etc., the Group has the power to determine which assets will be held in the VIEs or to manage and monitor these assets. In addition, through the variable interests above, the Group has the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIEs. Therefore, the Group consolidates such VIEs.

The MHFG Group established certain VIEs to securitize its own mortgage loans. The Group provides servicing for and holds retained subordinated beneficial interests in the securitized mortgage loans. In addition, the Group retains credit exposure in the form of guarantees on these loans. In its role as a servicer, the Group has the power to direct the entity’s activities that most significantly impact the entity’s economic performance by managing defaulted mortgage loans. In addition, through its retained interests and its aforementioned involvement as a guarantor, the Group has the obligation to absorb losses and the right to receive benefits that could potentially be significant to the entity. Therefore, the Group consolidates such VIEs.

*Investments in securitization products*

The MHFG Group invests in, among other things, various types of CDO/CLO, synthetic CDO/CLO and repackaged instruments, CMBS and RMBS arranged by third parties for the purpose of generating current income or capital appreciation, which all utilize entities that are deemed to be VIEs. By design, such investments were investment grade at issuance and held by a diverse group of investors. The potential loss amounts of the securities and the loans are generally limited to the amounts invested because the Group has no contractual involvement in such VIEs beyond its investments. Since the Group is involved in these VIEs only as an investor, the Group does not ordinarily have the power to direct the VIEs’ activities that most significantly impact the VIEs’ economic performance. However, the Group consolidates VIEs, where the transactions are tailored by the third party arrangers to meet the Group’s needs as a main investor, who is ultimately deemed to have the power to determine which assets are to be held by the VIEs. The Group also invests in certain beneficial interests issued by VIEs which hold real estate that the Group utilizes. In addition to these variable interests, when the Group has the power including the sole unilateral ability to liquidate the VIEs, the Group consolidates such VIEs.

*Investment funds*

The MHFG Group invests in various investment funds, including securities investment trusts, which collectively invest in equity and debt securities that include listed Japanese securities and investment grade bonds. Investment advisory companies or fund management companies, including the Group’s subsidiaries and affiliates, administer and make investment decisions about such investment funds. The Group consolidates certain investment funds where it is deemed to be the primary beneficiary. The Group has determined that certain investment vehicles managed by the Group that have attributes of an investment company (or similar entity) qualify for the deferral from certain requirements of ASC 810 that originated from Statement of Financial Accounting Standards (“SFAS”) No.167 “Amendments to FASB Interpretation No.46(R)” (“SFAS No.167”). Therefore, for these vehicles, the Group determines whether it is the primary beneficiary by evaluating whether it absorbs the majority of expected losses, receives the majority of expected residual returns, or both.

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*Trust arrangements*

The MHFG Group offers a variety of asset management and administration services under trust arrangements including security investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. The Group receives trust fees for providing services as an agent or fiduciary on behalf of beneficiaries.

With respect to guaranteed principal money trust products, the MHFG Group assumes certain risks by providing guarantees for the repayment of principal as required by the trust agreements or relevant Japanese legislation. The MHFG Group manages entrusted funds primarily through the origination of high quality loans and other credit-related products, investing in investment grade marketable securities such as Japanese government bonds and placing cash with the MHFG Group's subsidiary trust banks. The Group has the power to determine which assets will be held in the VIEs or to manage these assets. In addition, through the principal guarantee agreement, the Group has the obligation to absorb losses that could potentially be significant to the VIEs. Therefore, the Group consolidates such VIEs. However, the MHFG Group does not consolidate certain guaranteed principal money trusts, which invest all the entrusted funds in the MHFG Group itself, as the Group has determined that it has no variable interests (Refer to Note 10 "Due to trust accounts"). See Note 23 "Commitments and contingencies" for the balances of guaranteed trust principal that are not consolidated at March 31, 2015 and 2016.

With respect to non-guaranteed trust arrangements, the MHFG Group manages and administers assets on behalf of its customers (trust beneficiaries) in the capacity of a trustee and fiduciary. For substantially all non-guaranteed trust arrangements, the Group generally does not have the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance or has neither the obligation to absorb losses nor the right to receive benefits that could potentially be significant to the VIEs. Therefore, such trust accounts are not included in the consolidated financial statements of the MHFG Group.

The Group has determined that, in certain trust arrangements that have attributes of an investment company (or similar entity), certain requirements of ASC 810 that originated from SFAS No.167 are deferred. Therefore, for these trust arrangements, the Group determines whether it is the primary beneficiary by evaluating whether it absorbs the majority of expected losses, receives the majority of expected residual returns, or both.

*Special purpose entities created for structured finance*

The MHFG Group is involved in real estate, commercial aircraft and other vessel and machinery and equipment financing to VIEs. As the Group typically only provides senior financing with credit enhanced by subordinated interests and may sometimes act as an interest rate swap counterparty, the Group has determined that it does not have the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance, or even the significant variable interests.

*Securitization*

The MHFG Group engages in securitization activities and securitizes mortgage loans, other loans, government and corporate securities and other type of financial assets in the normal course of business. In these securitization transactions, the Group records the transfer of a financial asset as a sale when the accounting criteria for a sale under ASC 860 are met. These criteria are (1) the transferred financial assets are legally isolated from the Group's creditors, (2) the transferee or beneficial interest holder has the right to pledge or exchange the transferred financial assets, and (3) the Group does not maintain effective control over the transferred financial assets. Otherwise, the transfer is accounted for as a secured borrowing.

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For the fiscal years ended March 31, 2014, 2015 and 2016, the MHFG Group neither made significant transfers of financial assets nor recognized significant gains or losses in securitization transactions accounted for as sales. The Group did not retain significant interests in securitization transactions accounted for as sales as of March 31, 2015 and 2016.

There are certain transactions where transfers of financial assets do not qualify for the aforementioned sales criteria and are accounted for as secured borrowings. These transferred assets continue to be carried on the consolidated balance sheets of the MHFG Group. Such assets are associated with securitization transactions and loan participation transactions, which amounted to ¥220 billion and ¥83 billion as of March 31, 2015, and ¥243 billion and ¥64 billion as of March 31, 2016, respectively. Liabilities associated with securitization and loan participation transactions are presented as Payables under securities lending transactions and Other short-term borrowings or Long-term debt, respectively, on the consolidated balance sheets.

**25. Fee and commission income**

Details of Fee and commission income for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Securities-related business . . . . .	170,311	172,234	175,723
Deposits and lending business . . . . .	114,073	131,491	143,763
Remittance business . . . . .	108,534	110,181	109,859
Trust fees . . . . .	48,914	49,827	50,496
Fees for other customer services . . . . .	233,931	251,924	263,112
Total . . . . .	<u>675,763</u>	<u>715,657</u>	<u>742,953</u>

Securities-related business fees consist of broker's fees and markups on securities underwriting and other securities related activities. Remittance business fees consist of service charges for funds transfer and collections. Trust fees are earned primarily by fiduciary asset management and administration services for corporate pension plans, investment funds, and other. Fees for other customer services include fees related to the MHFG Group's agency business, guarantee related business, and other.

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**26. Trading account gains and losses**

The MHFG Group performs trading activities through market making, sales, and arbitrage. Accordingly, Trading account gains (losses)—net include gains and losses from transactions undertaken for trading purposes, including both market making for customers and proprietary trading, or transactions through which the Group seeks to capture gains arising from short-term changes in market value. Trading account gains (losses)—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 the Group’s various assets and liabilities, as well as gains and losses related to changes in the fair value of foreign currency-denominated available-for-sale securities for which the fair value option has been elected in accordance with ASC 825, “Financial Instruments” (“ASC 825”). Net trading gains (losses) for the fiscal years ended March 31, 2014, 2015 and 2016 are comprised of the following:

	<b>2014</b>	<b>2015</b>	<b>2016</b>
	(in millions of yen)		
Trading account gains (losses)—net:			
Trading securities .....	80,606	635,027	156,559
Derivative contracts:			
Interest rate contracts <sup>(1)</sup> .....	(79,562)	265,324	319,225
Foreign exchange contracts .....	(13,167)	(93,601)	65,101
Equity-related contracts <sup>(1)</sup> .....	(41,607)	(101,988)	17,970
Credit-related contracts <sup>(2)</sup> .....	899	(15,171)	(1,731)
Other contracts .....	(6,856)	368	2,015
Total .....	(59,687)	689,959	559,139
Foreign exchange gains (losses)—net <sup>(3)</sup> .....	25,631	(34,520)	113,553
Net trading gains (losses) .....	(34,056)	655,439	672,692

Notes:

- (1) The net gain (loss) excluded from the assessment of the effectiveness of fair value hedges is included in the above table.
- (2) Amounts do not include the net loss of ¥8,660 million, ¥2,836 million and ¥5,230 million on the credit derivatives hedging the credit risk of loans during the fiscal years ended March 31, 2014, 2015 and 2016, respectively. The net loss is recorded in Other noninterest expenses.
- (3) Amounts include realized and unrealized gains and losses on both derivative instruments and nonderivative instruments, such as translation gains and losses related to foreign currency-denominated available-for-sale securities for which the fair value option has been elected in accordance with ASC 825.

**27. Fair value**

***Fair value measurements***

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, ASC 820 precludes (1) the deferral of gains and losses at inception of certain derivative contracts whose fair value was not evidenced by market-observable data, and (2) the use of block discounts when measuring the fair value of instruments traded in an active market, which were previously applied to large holdings of publicly traded financial instruments.

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*Fair value hierarchy*

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. If no quoted market prices are available, the fair values of debt securities and over-the-counter derivative contracts in this category are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

*Valuation process*

The MHFG Group has established clear valuation policies which govern the principles of fair value measurements and the authority and duty of each department. The Group has also established well-documented procedure manuals which describe valuation techniques and related inputs for determining the fair values of various financial instruments. The policies require that the measurement of fair values be carried out in accordance with the procedures performed by the risk management departments or the back offices which are independent from the front offices. The policies also require the risk management departments to check and verify whether the valuation methodologies defined in the procedure manuals are fair and proper and the internal audit departments to periodically review the compliance with the procedures throughout the Group. Although the valuation methodologies and related inputs are consistently used from period to period, a change in the market environment sometimes leads to a change in the valuation methodologies and the inputs. For instance, a change in market liquidity due to a delisting or a new listing is one of the key drivers of revisions to the valuation methodologies and the inputs. The key drivers also include the availability or the lack of market observable inputs and the development of new valuation methodologies. Price verification performed through the Group's internal valuation process has an important role in identifying whether the valuation methodologies and the inputs need to be changed. The internal valuation process over the prices broker-dealers provide, primarily for Japanese securitization products, is described in more detail below in "*Investments*". A change in the valuation methodologies and/or the inputs requires the revision of the valuation policies and procedure manuals, which is required to be approved by the appropriate authority, either the CEO, the head of risk management, and/or accounting, depending on the nature and characteristics of the change.



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The following is a description of valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such instruments pursuant to the fair value hierarchy and the MHFG Group's valuation techniques used to measure fair values. During the fiscal year ended March 31, 2016, there were no significant changes made to the Group's valuation techniques and related inputs.

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

When quoted prices for identical securities are available in an active market, the Group uses the quoted prices to measure the fair values of securities and such securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid government bonds and Ginnie Mae securities. When quoted prices for identical securities are available, but not actively traded, such securities are classified in Level 2 of the fair value hierarchy. When no quoted market prices are available, the Group estimates fair values by using a pricing model with inputs that are observable in the market and such securities are classified in Level 2 of the fair value hierarchy. Level 2 securities include Japanese local government bonds, corporate bonds, and commercial paper. When less liquid market conditions exist for securities, the quoted prices are stale or the prices from independent sources vary significantly, such securities are generally classified in Level 3 of the fair value hierarchy. The fair values of foreign currency denominated securitization products such as RMBS, CMBS, and ABS are determined primarily by using a discounted cash flow model. The key inputs used for the model include default rates, recovery rates, prepayment rates, and discount rates. In the event that certain key inputs are unobservable or cannot be corroborated by observable market data, these financial instruments are classified in Level 3.

The investment funds are classified in either Level 1, Level 2, or Level 3 of the fair value hierarchy. Exchange-Traded Funds ("ETF") are generally classified in Level 1, while the others are classified in Level 2 or Level 3. Investment trusts and hedge funds are generally classified in Level 2, since those funds are measured at the net asset value ("NAV") per share and the Group has the ability to redeem its investment with the investees at the NAV per share at the measurement date or within the near term. In contrast, private equity funds and real estate funds measured at the NAV per share are generally classified in Level 3, since the Group does not have the ability to redeem its investment with the investees at the NAV per share at the measurement date or within the near term. It is estimated that the underlying assets of the funds would be liquidated within a ten-year period.

*Derivative financial instruments*

Exchange-traded derivatives are valued using quoted market prices and consequently are classified in Level 1 of the fair value hierarchy. However, the majority of derivatives entered into by the Group are executed over-the-counter and are valued using internal valuation techniques as no quoted market prices are available for such instruments. The valuation techniques depend on the type of derivatives. The principal techniques used to value these instruments are discounted cash flow models and the Black-Scholes option pricing model, which are widely accepted in the financial services industry. The key inputs vary by the type of derivatives and the nature of the underlying instruments and include interest rate yield curves, foreign exchange rates, the spot price of the underlying, volatility and correlation. Each item is classified in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Level 2 derivatives include plain vanilla interest rate and currency swaps and option contracts. Derivative contracts valued using significant unobservable correlation or volatility are classified in Level 3 of the fair value hierarchy.

*Investments*

The fair values of available-for-sale securities are determined primarily using the same procedures described for trading securities above. Since private placement bonds have no quoted market prices, the fair values of such bonds are estimated based on a discounted cash flow model using interest rates approximating the current rates for instruments with similar maturities and credit risk. Private placement bonds are classified in either Level 2 or

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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Level 3 depending on the observability of the significant inputs to the model, such as credit risk. The fair values of Japanese securitization products such as RMBS, CMBS, CDO, ABS, and CLO are generally based upon single non-binding quoted prices from broker-dealers. Such quotes are validated through the Group's internal processes and controls. In the rare case where the Group finds the quoted prices to be invalid through its internal valuation process, it adjusts those prices or alternatively estimates their fair values by using a discounted cash flow model to incorporate the Group's estimates of key inputs such as the most recent value of each underlying asset, cash flows of the underlying assets, and discount margin. The validation of such prices varies depending on the nature and type of the products. For the majority of RMBS, CDO, ABS and CLO products, broker quotes are validated by investigating significant unusual monthly valuation fluctuations and comparing to prices internally computed through discounted cash flow models using assumptions and parameters provided by brokers such as the cash flows of underlying assets, yield curve, prepayment speed and credit spread. For the majority of CMBS, the Group validates broker quotes through a review process that includes the investigation of significant unusual monthly valuation fluctuations and/or a review of underlying assets with significant differences between the valuations of the Group and the broker-dealers being identified. Though most Japanese securitization products are classified in Level 3, certain securitization products such as Japanese RMBS are classified in Level 2, if the quoted prices are verified through either recent market transactions or a pricing model that can be corroborated by observable market data.

Other investments, except for investments held by consolidated investment companies, have not been measured at fair value on a recurring basis. Investments held by consolidated investment companies mainly consist of marketable and non-marketable equity securities and debt securities. The fair value of the marketable equity securities is based upon quoted market prices. The fair value of the non-marketable equity securities is based upon significant management judgment, as very limited quoted prices exist. When evaluating such securities, the Group firstly considers recent market transactions of identical securities, if applicable. Thereafter, the Group uses commonly accepted valuation techniques such as earnings multiples based on comparable public securities. Non-marketable equity securities are generally classified in Level 3 of the fair value hierarchy. The fair value of the debt securities is estimated using a discounted cash flow model, since they have no quoted market prices. Those debt securities are classified in Level 3, because the credit risk is unobservable.

*Long-term debt*

Where fair value accounting has been elected for structured notes, the fair values are determined by incorporating the fair values of embedded derivatives that are primarily derived by using the same procedures described for derivative financial instruments above. Such instruments are classified in Level 2 or Level 3 depending on the observability of significant inputs to the model used in determining the fair value of the embedded derivatives.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*Items measured at fair value on a recurring basis*

Assets and liabilities measured at fair value on a recurring basis at March 31, 2015 and 2016, including those for which the MHFG Group has elected the fair value option, are summarized below:

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets/ Liabilities measured at fair value</u>
	(in billions of yen)			
<b>Assets:</b>				
Trading securities <sup>(1)</sup> :				
Japanese government bonds . . . . .	1,680	32	—	1,712
Japanese local government bonds . . . . .	—	72	—	72
U.S. Treasury bonds and federal agency securities . . . . .	4,759	134	—	4,893
Other foreign government bonds . . . . .	2,093	344	—	2,437
Agency mortgage-backed securities . . . . .	1,132	376	—	1,508
Residential mortgage-backed securities . . . . .	—	—	29	29
Commercial mortgage-backed securities . . . . .	—	2	4	6
Certificates of deposit and commercial paper . . . . .	—	813	—	813
Corporate bonds and other . . . . .	42	1,802	639	2,483
Equity securities . . . . .	1,045	864	60	1,969
Derivatives:				
Interest rate contracts . . . . .	71	9,516	25	9,612
Foreign exchange contracts . . . . .	17	3,577	11	3,605
Equity-related contracts . . . . .	58	134	5	197
Credit-related contracts . . . . .	—	41	1	42
Other contracts . . . . .	1	22	15	38
Available-for-sale securities:				
Japanese government bonds . . . . .	16,672	742	—	17,414
Japanese local government bonds . . . . .	—	239	—	239
U.S. Treasury bonds and federal agency securities . . . . .	117	—	—	117
Other foreign government bonds . . . . .	415	551	—	966
Agency mortgage-backed securities . . . . .	87	735	—	822
Residential mortgage-backed securities . . . . .	—	97	166	263
Commercial mortgage-backed securities . . . . .	—	—	169	169
Japanese corporate bonds and other debt securities . . . . .	—	1,787	155	1,942
Foreign corporate bonds and other debt securities . . . . .	—	657	85	742
Equity securities (marketable) . . . . .	4,362	35	—	4,397
Other investments . . . . .	—	—	53	53
Total assets measured at fair value on a recurring basis <sup>(2)</sup> . . . . .	<u>32,551</u>	<u>22,572</u>	<u>1,417</u>	<u>56,540</u>
<b>Liabilities:</b>				
Trading securities sold, not yet purchased . . . . .	2,856	345	—	3,201
Derivatives:				
Interest rate contracts . . . . .	74	9,293	7	9,374
Foreign exchange contracts . . . . .	14	3,590	3	3,607
Equity-related contracts . . . . .	73	129	19	221
Credit-related contracts . . . . .	—	34	2	36
Other contracts . . . . .	1	17	15	33
Long-term debt <sup>(3)</sup> . . . . .	—	153	587	740
Total liabilities measured at fair value on a recurring basis . . . . .	<u>3,018</u>	<u>13,561</u>	<u>633</u>	<u>17,212</u>

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<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets/ Liabilities measured at fair value</u>
	(in billions of yen)			
<b>Assets:</b>				
Trading securities <sup>(1)</sup> :				
Japanese government bonds . . . . .	2,272	31	—	2,303
Japanese local government bonds . . . . .	—	79	—	79
U.S. Treasury bonds and federal agency securities . . . . .	3,729	77	—	3,806
Other foreign government bonds . . . . .	2,192	373	—	2,565
Agency mortgage-backed securities . . . . .	995	563	—	1,558
Residential mortgage-backed securities . . . . .	—	—	21	21
Commercial mortgage-backed securities . . . . .	—	2	2	4
Certificates of deposit and commercial paper . . . . .	—	881	—	881
Corporate bonds and other . . . . .	9	1,693	720	2,422
Equity securities . . . . .	758	641	59	1,458
Derivatives:				
Interest rate contracts . . . . .	97	11,396	29	11,522
Foreign exchange contracts . . . . .	23	3,099	8	3,130
Equity-related contracts . . . . .	46	95	29	170
Credit-related contracts . . . . .	—	40	3	43
Other contracts . . . . .	—	21	38	59
Available-for-sale securities:				
Japanese government bonds . . . . .	15,037	726	—	15,763
Japanese local government bonds . . . . .	—	241	—	241
U.S. Treasury bonds and federal agency securities . . . . .	438	—	—	438
Other foreign government bonds . . . . .	352	590	—	942
Agency mortgage-backed securities . . . . .	169	780	—	949
Residential mortgage-backed securities . . . . .	—	87	123	210
Commercial mortgage-backed securities . . . . .	—	—	187	187
Japanese corporate bonds and other debt securities . . . . .	—	1,921	174	2,095
Foreign corporate bonds and other debt securities . . . . .	—	739	108	847
Equity securities (marketable) . . . . .	3,716	65	—	3,781
Other investments . . . . .	—	—	42	42
Total assets measured at fair value on a recurring basis <sup>(2)</sup> . . . . .	<u>29,833</u>	<u>24,140</u>	<u>1,543</u>	<u>55,516</u>
<b>Liabilities:</b>				
Trading securities sold, not yet purchased . . . . .	2,482	148	—	2,630
Derivatives:				
Interest rate contracts . . . . .	98	11,168	3	11,269
Foreign exchange contracts . . . . .	26	2,953	1	2,980
Equity-related contracts . . . . .	60	56	24	140
Credit-related contracts . . . . .	—	33	4	37
Other contracts . . . . .	—	18	37	55
Long-term debt <sup>(3)</sup> . . . . .	—	433	623	1,056
Total liabilities measured at fair value on a recurring basis . . . . .	<u>2,666</u>	<u>14,809</u>	<u>692</u>	<u>18,167</u>

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

Notes:

- (1) Trading securities include foreign currency denominated securities for which the MHFG Group elected the fair value option.
- (2) Amounts included the investments measured at the NAV per share at March 31, 2015 and 2016, of ¥878 billion and ¥682 billion, respectively, of which ¥842 billion and ¥644 billion, respectively, were classified in Level 2, and ¥36 billion and ¥38 billion, respectively, were classified in Level 3. The amounts of unfunded commitments related to these investments at March 31, 2015 and 2016 were ¥25 billion and ¥30 billion, respectively.
- (3) Amounts represent items for which the Group elected the fair value option.

*Items measured at fair value on a recurring basis using significant unobservable inputs (Level 3)*

The following table presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal years ended March 31, 2015 and 2016:

2015	April 1, 2014	Gains (losses) in Earnings	Gains (losses) in OCI	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Issuances	Settlements	March 31, 2015	Change in unrealized gains (losses) still held <sup>(6)</sup>
	(in billions of yen)										
<b>Assets:</b>											
Trading securities:											
Residential mortgage-backed securities . . . .	78	— <sup>(2)</sup>	—	—	—	—	(33)	—	(16)	29	—
Commercial mortgage-backed securities . . . .	91	— <sup>(2)</sup>	—	—	—	2	(76)	—	(13)	4	—
Corporate bonds and other . . . . .	413	62 <sup>(2)</sup>	—	4	(24)	561	(262)	—	(115)	639	47
Equity securities . . . . .	60	13 <sup>(2)</sup>	—	—	—	6	(18)	—	(1)	60	3
Derivatives, net <sup>(1)</sup> :											
Interest rate contracts . . .	17	(6) <sup>(2)</sup>	—	—	1	—	—	—	6	18	(1)
Foreign exchange contracts . . . . .	11	(3) <sup>(2)</sup>	—	—	—	—	—	—	—	8	(2)
Equity-related contracts . . . . .	1	(12) <sup>(2)</sup>	—	—	—	—	—	—	(3)	(14)	(12)
Credit-related contracts . . . . .	17	(19) <sup>(2)</sup>	—	—	—	—	—	—	1	(1)	—
Available-for-sale securities:											
Residential mortgage-backed securities . . . .	220	10 <sup>(3)</sup>	(10) <sup>(4)</sup>	—	—	16	(21)	—	(49)	166	—
Commercial mortgage-backed securities . . . .	161	4 <sup>(3)</sup>	(2) <sup>(4)</sup>	—	—	77	(26)	—	(45)	169	—
Japanese corporate bonds and other debt securities . . . . .	170	(1) <sup>(3)</sup>	1 <sup>(4)</sup>	—	—	39	(8)	—	(46)	155	—
Foreign corporate bonds and other debt securities . . . . .	141	6 <sup>(3)</sup>	(1) <sup>(4)</sup>	—	—	—	(2)	—	(59)	85	—
Other investments . . . . .	69	12 <sup>(3)</sup>	—	—	—	2	(18)	—	(12)	53	8
<b>Liabilities:</b>											
Trading securities sold, not yet purchased . . . . .	—	— <sup>(2)</sup>	—	—	—	3	(3)	—	—	—	—
Long-term debt . . . . .	501	(5) <sup>(5)</sup>	—	3	(2)	—	—	313	(233)	587	(4)

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

2016	April 1, 2015	Gains (losses) in Earnings	Gains (losses) in OCI	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Issuances	Settlements	March 31, 2016	Change in unrealized gains (losses) still held <sup>(6)</sup>
(in billions of yen)											
<b>Assets:</b>											
Trading securities:											
Other foreign											
government bonds . . .	—	— <sup>(2)</sup>	—	—	—	1	(1)	—	—	—	—
Residential mortgage-											
backed securities . . . .	29	— <sup>(2)</sup>	—	—	—	—	—	—	(8)	21	—
Commercial mortgage-											
backed securities . . . .	4	— <sup>(2)</sup>	—	—	—	—	—	—	(2)	2	—
Corporate bonds and											
other . . . . .	639	(43) <sup>(2)</sup>	—	25	(34)	452	(192)	—	(127)	720	(38)
Equity securities . . . . .	60	9 <sup>(2)</sup>	—	—	—	12	(22)	—	—	59	1
Derivatives, net <sup>(1)</sup> :											
Interest rate contracts . . .	18	(1) <sup>(2)</sup>	—	—	—	—	—	—	9	26	11
Foreign exchange											
contracts . . . . .	8	(1) <sup>(2)</sup>	—	—	—	—	—	—	—	7	(2)
Equity-related											
contracts . . . . .	(14)	22 <sup>(2)</sup>	—	—	—	—	—	—	(3)	5	14
Credit-related											
contracts . . . . .	(1)	— <sup>(2)</sup>	—	—	—	—	—	—	—	(1)	—
Other contracts . . . . .	—	1 <sup>(2)</sup>	—	—	—	—	—	—	—	1	1
Available-for-sale securities:											
Residential mortgage-											
backed securities . . . .	166	— <sup>(3)</sup>	— <sup>(4)</sup>	—	—	—	(4)	—	(39)	123	—
Commercial mortgage-											
backed securities . . . .	169	— <sup>(3)</sup>	— <sup>(4)</sup>	—	—	102	(62)	—	(22)	187	—
Japanese corporate bonds											
and other debt											
securities . . . . .	155	(2) <sup>(3)</sup>	— <sup>(4)</sup>	—	—	67	(3)	—	(43)	174	(4)
Foreign corporate bonds											
and other debt											
securities . . . . .	85	2 <sup>(3)</sup>	(5) <sup>(4)</sup>	23	—	41	—	—	(38)	108	—
Other investments . . . . .	53	7 <sup>(3)</sup>	—	—	—	5	(20)	—	(3)	42	(7)
<b>Liabilities:</b>											
Trading securities sold, not yet											
purchased . . . . .	—	— <sup>(2)</sup>	—	—	—	5	(5)	—	—	—	—
Long-term debt . . . . .	587	18 <sup>(5)</sup>	—	8	—	(1)	—	305	(258)	623	19

Notes:

- (1) Total Level 3 derivative exposures have been netted on the table for presentation purposes only.
- (2) Gains (losses) in Earnings are reported in Trading account gains (losses)—net, Foreign exchange gains (losses)—net or Other noninterest income (expenses).
- (3) Gains (losses) in Earnings are reported in Investment gains (losses)—net.
- (4) Gains (losses) in OCI are reported in Other comprehensive income (loss).
- (5) Gains (losses) in Earnings are reported in Other noninterest income (expenses).
- (6) Amounts represent total gains or losses recognized in earnings during the period. These gains or losses were attributable to the change in fair value relating to assets and liabilities classified as Level 3 that were still held at March 31, 2015 and 2016.

*Transfers between levels*

Transfers of assets or liabilities between levels of the fair value hierarchy are assumed to occur at the beginning of the period.

During the fiscal year ended March 31, 2015, the transfers into Level 3 included ¥4 billion of Trading securities and ¥3 billion of Long-term debt. Transfers into Level 3 for Trading securities were primarily due to decreased liquidity for certain Japanese and foreign corporate bonds. Transfers into Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes. During the

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fiscal year ended March 31, 2015, the transfers out of Level 3 included ¥24 billion of Trading securities, ¥1 billion of net Derivative liabilities and ¥2 billion of Long-term debt. Transfers out of Level 3 for Trading securities were primarily due to increased price transparency for certain Japanese and foreign corporate bonds. Transfers out of Level 3 for net Derivative liabilities were primarily due to increased price observability for certain interest rate derivatives. Transfers out of Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes.

During the fiscal year ended March 31, 2016, the transfers into Level 3 included ¥25 billion of Trading securities, ¥23 billion of Available-for-sale securities and ¥8 billion of Long-term debt. Transfers into Level 3 for Trading securities and Available-for-sale securities were primarily due to decreased liquidity for certain Japanese and foreign corporate bonds. Transfers into Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes. During the fiscal year ended March 31, 2016, the transfers out of Level 3 included ¥34 billion of Trading securities. Transfers out of Level 3 for Trading securities were primarily due to increased price transparency for certain Japanese and foreign corporate bonds.

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*Quantitative information about Level 3 fair value measurements*

The following table presents information about significant unobservable inputs related to the MHFG Group's material classes of Level 3 assets and liabilities at March 31, 2015 and 2016:

**2015**

<b>Products/Instruments</b>	<b>Fair value</b>	<b>Principal valuation technique</b>	<b>Unobservable inputs</b>	<b>Range of input values</b>	<b>Weighted average<sup>(5)</sup></b>
(in billions of yen, except for ratios and basis points)					
Trading securities and Available-for-sale securities:					
Residential mortgage-backed securities	195	Discounted cash flow Price-based	Prepayment rate Default rate Recovery rate Discount margin	2%–18% 0%–1% 100%–100% 11bps–490bps	7% 0% 100% 63bps
Commercial mortgage-backed securities	173	Discounted cash flow Price-based	Discount margin	10bps–2,922bps	95bps
Corporate bonds and other debt securities	879	Discounted cash flow Price-based	Prepayment rate <sup>(1)</sup> Default rate <sup>(1)</sup> Recovery rate <sup>(1)</sup> Discount margin <sup>(1)</sup> Discount margin <sup>(2)</sup>	0%–25% 0%–5% 60%–71% 9bps–1,220bps -96bps–4,342bps	21% 2% 69% 112bps 106bps
Derivatives, net:					
Interest rate contracts	18	Internal valuation model <sup>(3)</sup>	IR – IR correlation Default rate <sup>(4)</sup>	20%–100% 0%–63%	
Foreign exchange contracts	8	Internal valuation model <sup>(3)</sup>	FX – IR correlation FX – FX correlation FX volatility Default rate <sup>(4)</sup>	9%–52% 52%–52% 11%–23% 0%–63%	
Equity-related contracts	(14)	Internal valuation model <sup>(3)</sup>	Equity – IR correlation Equity – FX correlation Equity volatility	50%–50% 55%–55% 17%–33%	
Credit-related contracts	(1)	Internal valuation model <sup>(3)</sup>	Default rate Credit correlation	0%–50% 11%–100%	
Long-term debt	587	Internal valuation model <sup>(3)</sup>	IR – IR correlation FX – IR correlation FX – FX correlation Equity – IR correlation Equity – FX correlation Equity volatility Default rate Credit correlation	20%–100% 9%–52% 52%–52% 50%–50% 55%–55% 16%–34% 0%–15% 16%–100%	



**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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**2016**

<u>Products/Instruments</u>	<u>Fair value</u>	<u>Principal valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of input values</u>	<u>Weighted average<sup>(5)</sup></u>
		(in billions of yen, except for ratios and basis points)			
Trading securities and Available-for-sale securities:					
Residential mortgage-backed securities	144	Discounted cash flow Price-based	Prepayment rate Default rate Recovery rate Discount margin	3%–19% 0%–2% 100%–100% 13bps–180bps	7% 0% 100% 60bps
Commercial mortgage-backed securities	189	Discounted cash flow Price-based	Discount margin	6bps–580bps	37bps
Corporate bonds and other debt securities	1,002	Discounted cash flow Price-based	Prepayment rate <sup>(1)</sup> Default rate <sup>(1)</sup> Recovery rate <sup>(1)</sup> Discount margin <sup>(1)</sup> Discount margin <sup>(2)</sup>	0%–21% 0%–2% 60%–69% 11bps–1,115bps 10bps–3,850bps	19% 2% 68% 151bps 454bps
Derivatives, net:					
Interest rate contracts	26	Internal valuation model <sup>(3)</sup>	IR – IR correlation Default rate <sup>(4)</sup>	32%–100% 0%–63%	
Foreign exchange contracts	7	Internal valuation model <sup>(3)</sup>	FX – IR correlation FX – FX correlation Default rate <sup>(4)</sup>	5%–50% 54%–54% 0%–63%	
Equity-related contracts	5	Internal valuation model <sup>(3)</sup>	Equity – IR correlation Equity – FX correlation Equity volatility	30%–30% 55%–55% 10%–40%	
Credit-related contracts	(1)	Internal valuation model <sup>(3)</sup>	Default rate Credit correlation	0%–42% 29%–100%	
Long-term debt	623	Internal valuation model <sup>(3)</sup>	IR – IR correlation FX – IR correlation FX – FX correlation Equity – IR correlation Equity – FX correlation Equity correlation Equity volatility Default rate Credit correlation	32%–100% 5%–50% 54%–54% 30%–30% 55%–55% 18%–100% 14%–39% 0%–5% 28%–100%	

Notes:

- (1) These inputs are mainly used for determining the fair values of securitization products such as CDO, CLO and ABS, other than RMBS and CMBS.
- (2) This input is mainly used for determining the fair values of Japanese corporate bonds and foreign corporate bonds.
- (3) Internal valuation model includes discounted cash flow models and the Black-Scholes option pricing model.
- (4) This input represents the counterparty default rate derived from the MHFG Group's own internal credit analyses.
- (5) Weighted averages are calculated by weighting each input by the relative fair value of the respective financial instruments.

IR = Interest rate

FX = Foreign exchange

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*Sensitivity to unobservable inputs and interrelationship between unobservable inputs*

The following is a description of the sensitivities and interrelationships of the significant unobservable inputs used to measure the fair values of Level 3 assets and liabilities.

(1) Prepayment rate

The prepayment rate is the estimated rate at which voluntary unscheduled repayments of the principal of the underlying assets are expected to occur. The movement of the prepayment rate is generally negatively correlated with borrower delinquency. A change in prepayment rate would impact the valuation of the fair values of financial instruments either positively or negatively, depending on the structure of financial instruments.

(2) Default rate

The default rate is an estimate of the likelihood of not collecting contractual payments. An increase in the default rate would generally be accompanied by a decrease in the recovery rate and an increase in the discount margin. It would also generally impact the valuation of the fair values of financial instruments negatively.

(3) Recovery rate

The recovery rate is an estimate of the percentage of contractual payments that would be collected in the event of a default. An increase in recovery rate would generally be accompanied by a decrease in the default rate. It would also generally impact the valuation of the fair values of financial instruments positively.

(4) Discount margin

The discount margin is the portion of the interest rate over a benchmark market interest rate such as LIBOR or swap rates. It primarily consists of a risk premium component which is the amount of compensation that market participants require due to the uncertainty inherent in the financial instruments' cash flows resulting from credit risk. An increase in discount margin would generally impact the valuation of the fair values of financial instruments negatively.

(5) Correlation

Correlation is the likelihood of the movement of one input relative to another based on an established relationship. The change in correlation would impact the valuation of derivatives either positively or negatively, depending on the nature of the underlying assets.

(6) Volatility

Volatility is a measure of the expected change in variables over a fixed period of time. Some financial instruments benefit from an increase in volatility and others benefit from a decrease in volatility. Generally, for a long position in an option, an increase in volatility would result in an increase in the fair values of financial instruments.

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*Items measured at fair value on a nonrecurring basis*

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities primarily include items that are measured at the lower of cost or fair value, and items that were initially measured at cost and have been written down to fair value as a result of impairment. The following table shows the fair value hierarchy for these items as of March 31, 2015 and 2016:

<u>2015</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Aggregate cost</u>
	(in billions of yen)				
<b>Assets:</b>					
Loans . . . . .	111	—	—	111	193
Loans held-for-sale . . . . .	—	—	—	—	39
Other investments . . . . .	10	9	—	1	16
Premises and equipment—net . . . . .	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>8</u>
Total assets measured at fair value on a nonrecurring basis . . . . .	<u>122</u>	<u>9</u>	<u>—</u>	<u>113</u>	<u>256</u>
<u>2016</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Aggregate cost</u>
	(in billions of yen)				
<b>Assets:</b>					
Loans . . . . .	124	—	—	124	197
Loans held-for-sale . . . . .	13	—	7	6	14
Other investments . . . . .	1	—	—	1	2
Premises and equipment—net . . . . .	—	—	—	—	1
Goodwill . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6</u>
Total assets measured at fair value on a nonrecurring basis . . . . .	<u>138</u>	<u>—</u>	<u>7</u>	<u>131</u>	<u>220</u>

Loans in the table above have been impaired and measured based upon the fair value of the underlying collateral.

Loans held-for-sale in the table above are accounted for at the lower of cost or fair value at the end of the period. The items for which fair values are determined by using actual or contractually determined selling price data are classified as Level 2. Due to the lack of current observable market information, the determination of the fair values for items other than the aforementioned requires significant adjustment based upon management judgment and estimation, which results in such items being classified in Level 3 of the hierarchy.

Other investments in the table above, which consist of certain equity method investments and non-marketable equity securities, have been impaired and written down to fair value. The fair values of the impaired marketable equity method investments are determined by their quoted market prices. As the securities are traded on an active exchange market, they are classified as Level 1. The fair values of the impaired non-marketable equity securities, which include non-marketable equity method investments, are determined primarily by using a liquidation value technique. As significant management judgment or estimation is required in the determination of the fair values of non-marketable equity securities, they are classified as Level 3.

Premises and equipment—net in the table above have been impaired and written down to fair value.

Goodwill in the table above is entirely related to Banco Mizuho do Brasil S.A. reporting unit. Due to the decline in the fair value of the reporting unit, the carrying amount of the goodwill was reduced to its fair value which is based on market approach and an impairment loss was recognized. As the determination of the fair value of the goodwill required significant management judgment and estimation, it is classified as Level 3.

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

***Fair value option***

The MHFG Group elected the fair value option for certain eligible financial instruments described below.

***Foreign currency denominated available-for-sale securities***

Prior to the adoption of the fair value option in accordance with ASC 825, the changes in fair value of foreign currency denominated available-for-sale securities had been accounted for in AOCI, while the changes in fair value caused by foreign exchange fluctuations of foreign currency denominated financial liabilities had been accounted for in earnings. The MHFG Group elected the fair value option for these securities to mitigate the volatility in earnings due to the difference in the recognition of foreign exchange risk between available-for-sale securities and financial liabilities. Following the election of the fair value option, these securities have been reported as trading securities in Trading account assets.

***Certain hybrid financial instruments***

The MHFG Group issues structured notes as part of its client-driven activities. Structured notes are debt instruments that contain embedded derivatives. The Group elected the fair value option for certain structured notes to mitigate accounting mismatches and to achieve operational simplifications. In addition, the Group measures certain notes that contain embedded derivatives at fair value under the practicability exception. These notes continue to be reported in Long-term debt and interest on these notes continues to be reported in Interest expense on long-term debt based on the contractual rates. The differences between the aggregate fair value of these notes and the aggregate unpaid principal balance of such instruments were ¥6 billion and ¥20 billion at March 31, 2015 and 2016, respectively. The net unrealized gains (losses) resulting from changes in fair values of these notes of ¥(8) billion and ¥14 billion, which included the fair value changes attributable to changes in the Group's own credit risk, were recorded in Other noninterest income (expenses) for the fiscal years ended March 31, 2015 and 2016, respectively.

***Fair value of financial instruments***

ASC 825 requires the disclosure of the estimated fair value of financial instruments. The fair value of financial instruments is the amount that would be exchanged between willing parties, other than in a forced sale or liquidation. Quoted market prices, if available, are best utilized as estimates of the fair values of financial instruments. However, since no quoted market prices are available for certain financial instruments, fair values for such financial instruments have been estimated based on management's assumptions, discounted cash flow models or other valuation techniques. Such estimation methods are described in more detail below. These estimates could be significantly affected by different sets of assumptions. There are certain limitations to management's best judgment in estimating fair values of financial instruments and inherent subjectivity involved in estimation methodologies and assumptions used to estimate fair value. Accordingly, the net realizable or liquidation values could be materially different from the estimates presented below.

ASC 825 does not require the disclosure of the fair value of nonfinancial instruments.

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The following is a description of the valuation methodologies used for estimating the fair value of financial assets and liabilities not carried at fair value on the MHFG Group's consolidated balance sheets.

*Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions*

The carrying value of short-term financial assets, such as cash and due from banks, interest-bearing deposits in other banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions approximates the fair value of these assets since they generally involve limited losses from credit risk or have short-term maturities with interest rates that approximate market rates.

*Investments*

The fair value of held-to-maturity securities is determined primarily by using the same procedures and techniques described for trading securities and available-for-sale securities aforementioned in this Note. The fair value of other equity interests, which primarily comprises non-marketable equity securities, is not readily determinable, nor practicable to estimate, due to the lack of available information. Their carrying amounts of ¥450 billion and ¥313 billion at March 31, 2015 and 2016, respectively, were not included in the disclosure.

*Loans*

Performing loans have been fair valued as groups of similar loans based on the type of loan, credit quality, prepayment assumptions and remaining maturity. The fair value of performing loans is determined based on discounted cash flows using interest rates approximating the MHFG Group's current rates for similar loans. The fair value of impaired loans is determined based on either discounted cash flows incorporating the Group's best estimate of the expected future cash flows or the fair value of the underlying collateral, if impaired loans are collateral dependent.

*Other financial assets*

The carrying value of other financial assets, which primarily consist of accounts receivable from brokers, dealers, and customers for securities transactions, accrued income and collateral provided for derivative transactions, approximates the fair value of these assets since they generally involve limited losses from credit risk or have short-term maturities with interest rates that approximate market rates. The majority of other financial assets is classified as Level 2, and included in the table in Note 12 "Other assets and liabilities".

*Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions*

The carrying value of short-term financial liabilities, such as noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions approximates the fair value of these liabilities since they generally have short-term maturities with interest rates that approximate market rates.

*Interest-bearing deposits*

The carrying value of demand deposits approximates the fair value since it represents the amount payable on demand at the balance sheet date. The fair value of time deposits and certificates of deposit is primarily estimated based on discounted cash flow analysis using current interest rates for instruments with similar maturities. The carrying value of short-term certificates of deposit approximates the fair value.

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

*Due to trust accounts*

The carrying value of due to trust accounts approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates.

*Other short-term borrowings*

The carrying value of the majority of other short-term borrowings approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates. The fair value of certain borrowings is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group's incremental borrowing rates for instruments with similar maturities.

*Long-term debt*

Long-term debt is fair valued using quoted market prices, if available. Otherwise, the fair value of long-term debt is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group's incremental borrowing rates for instruments with similar maturities.

*Other financial liabilities*

The carrying value of other financial liabilities, which primarily consist of accounts payable to brokers, dealers, and customers for securities transactions, accrued expenses and collateral accepted for derivative transactions, approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates. The majority of other financial liabilities is classified as Level 2, and included in the table in Note 12 "Other assets and liabilities".

The fair value of certain off-balance-sheet financial instruments, such as commitments to extend credit and commercial letters of credit, was not considered material to the consolidated balance sheets at March 31, 2015 and 2016.

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The following table shows the carrying amounts and fair values at March 31, 2015 and 2016, of certain financial instruments, excluding financial instruments which are carried at fair value on a recurring basis and those outside the scope of ASC 825 such as equity method investments as defined in ASC 323, “Investments—Equity Method and Joint Ventures” (“ASC 323”) and lease contracts as defined in ASC 840, “Leases” (“ASC 840”):

	2015				
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
(in billions of yen)					
Financial assets:					
Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions . . . . .	42,467	42,467	1,152	41,315	—
Investments . . . . .	5,647	5,678	5,678	—	—
Loans, net of allowance for loan losses <sup>(Note)</sup> . . . . .	77,458	78,603	—	—	78,603
Financial liabilities:					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . . . .	42,100	42,100	14,481	27,619	—
Interest-bearing deposits . . . . .	99,272	99,239	41,334	57,905	—
Due to trust accounts . . . . .	1,241	1,241	—	1,241	—
Other short-term borrowings . . . . .	1,583	1,583	—	1,583	—
Long-term debt . . . . .	13,819	14,030	—	13,271	759
2016					
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
(in billions of yen)					
Financial assets:					
Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions . . . . .	48,757	48,757	923	47,834	—
Investments . . . . .	4,819	4,873	4,873	—	—
Loans, net of allowance for loan losses <sup>(Note)</sup> . . . . .	77,040	78,241	—	—	78,241
Financial liabilities:					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . . . .	39,908	39,908	17,223	22,685	—
Interest-bearing deposits . . . . .	100,228	100,234	46,207	54,027	—
Due to trust accounts . . . . .	4,467	4,467	—	4,467	—
Other short-term borrowings . . . . .	2,080	2,080	—	2,080	—
Long-term debt . . . . .	13,696	13,863	—	12,969	894

Note: Loans, net of allowance for loan losses include items measured at fair value on a nonrecurring basis.

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

**28. Offsetting of financial assets and financial liabilities**

*Derivatives*

The MHFG Group enters into master netting arrangements such as International Swaps and Derivatives Association, Inc. (“ISDA”) or similar agreements with counterparties to manage mainly credit risks associated with counterparty default. If the predetermined events including counterparty default occur, these enforceable master netting arrangements or similar agreements give the Group the right to offset derivative receivables and derivative payables and related financial collateral such as cash and securities with the same counterparty.

*Repurchase and resale agreements and securities lending and borrowing transactions*

Repurchase and resale agreements and securities lending and borrowing transactions are generally covered by industry standard master repurchase agreements and industry standard master securities lending agreements with netting terms to manage mainly credit risks associated with counterparty default. In the event of default by the counterparty, these agreements with netting terms provide the Group with the right to offset receivables and payables related to such transactions with the same counterparty, and to liquidate the collateral held.



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The following table provides information about the offsetting of financial assets and financial liabilities at March 31, 2015 and 2016. The table includes derivatives, repurchase and resale agreements, and securities lending and borrowing transactions that are subject to enforceable master netting arrangements or similar agreements irrespective of whether or not they are offset on the Group's consolidated balance sheets.

	Gross amounts recognized	Gross amounts offset on the balance sheet	Net amounts presented on the balance sheet <sup>(2)</sup>	Amounts not offset on the balance sheet <sup>(3)</sup>		Net amounts
				Financial instruments <sup>(4)</sup>	Cash collateral	
(in billions of yen)						
<b>2015</b>						
Assets <sup>(1)</sup> :						
Derivatives . . . . .	12,679	—	12,679	(10,845)	(662)	1,172
Receivables under resale agreements . . . .	8,506	—	8,506	(8,462)	—	44
Receivables under securities borrowing transactions . . . . .	<u>4,007</u>	<u>—</u>	<u>4,007</u>	<u>(3,996)</u>	<u>—</u>	<u>11</u>
Total . . . . .	<u>25,192</u>	<u>—</u>	<u>25,192</u>	<u>(23,303)</u>	<u>(662)</u>	<u>1,227</u>
Liabilities <sup>(1)</sup> :						
Derivatives . . . . .	12,306	—	12,306	(10,706)	(561)	1,039
Payables under repurchase agreements . . .	19,494	—	19,494	(19,378)	—	116
Payables under securities lending transactions . . . . .	<u>2,246</u>	<u>—</u>	<u>2,246</u>	<u>(2,242)</u>	<u>—</u>	<u>4</u>
Total . . . . .	<u>34,046</u>	<u>—</u>	<u>34,046</u>	<u>(32,326)</u>	<u>(561)</u>	<u>1,159</u>
<b>2016</b>						
Assets <sup>(1)</sup> :						
Derivatives . . . . .	14,130	—	14,130	(12,167)	(599)	1,364
Receivables under resale agreements . . . .	7,490	—	7,490	(7,461)	—	29
Receivables under securities borrowing transactions . . . . .	<u>3,327</u>	<u>—</u>	<u>3,327</u>	<u>(3,318)</u>	<u>—</u>	<u>9</u>
Total . . . . .	<u>24,947</u>	<u>—</u>	<u>24,947</u>	<u>(22,946)</u>	<u>(599)</u>	<u>1,402</u>
Liabilities <sup>(1)</sup> :						
Derivatives . . . . .	13,652	—	13,652	(12,043)	(748)	861
Payables under repurchase agreements . . .	16,507	—	16,507	(16,464)	—	43
Payables under securities lending transactions . . . . .	<u>2,538</u>	<u>—</u>	<u>2,538</u>	<u>(2,531)</u>	<u>—</u>	<u>7</u>
Total . . . . .	<u>32,697</u>	<u>—</u>	<u>32,697</u>	<u>(31,038)</u>	<u>(748)</u>	<u>911</u>

Notes:

- (1) Amounts relating to master netting arrangements or similar agreements where the MHFG Group does not have the legal right of set-off or where uncertainty exists as to the enforceability of these agreements are excluded. For derivatives, the table includes amounts relating to over-the-counter (“OTC”) and OTC-cleared derivatives that are subject to enforceable master netting arrangements or similar agreements.
- (2) Derivative assets and liabilities are recorded in Trading account assets and Trading account liabilities, respectively.
- (3) Amounts do not exceed the net amounts presented on the balance sheet and do not include the effect of overcollateralization, where it exists.
- (4) For derivatives, amounts include derivative assets or liabilities and securities collateral that are eligible for offsetting under enforceable master netting arrangements or similar agreements.

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**29. Repurchase agreements and securities lending transactions accounted for as secured borrowings**

The following table shows the gross amounts of liabilities associated with repurchase agreements and securities lending transactions, by remaining contractual maturity at March 31, 2016:

	<u>Overnight and continuous</u>	<u>Up to 30 days</u>	<u>31-90 days</u>	<u>Greater than 90 days</u>	<u>Total</u>
	(in billions of yen)				
Repurchase agreements . . . . .	6,289	6,125	3,582	837	16,833
Securities lending transactions . . . . .	<u>1,909</u>	<u>700</u>	<u>—</u>	<u>236</u>	<u>2,845</u>
Total . . . . .	<u>8,198</u>	<u>6,825</u>	<u>3,582</u>	<u>1,073</u>	<u>19,678</u>

The following table shows the gross amounts of liabilities associated with repurchase agreements and securities lending transactions, by class of underlying collateral at March 31, 2016:

	<u>Repurchase agreements</u>	<u>Securities lending transactions</u>
	(in billions of yen)	
Japanese government bonds and Japanese local government bonds . . . . .	532	1,891
Foreign government bonds and foreign agency mortgage-backed securities . . . . .	15,781	700
Commercial paper and corporate bonds . . . . .	221	27
Equity securities . . . . .	141	185
Other . . . . .	<u>158</u>	<u>42</u>
Total <sup>(Note)</sup> . . . . .	<u>16,833</u>	<u>2,845</u>

Note: Amounts exceeded the gross amounts recognized in Note 28 “Offsetting of financial assets and financial liabilities” by ¥633 billion, which excluded the amounts relating to master netting agreements or similar agreements where the MHFG Group did not have the legal right of set-off or where uncertainty exists as to the enforceability.

The MHFG Group is required to post securities as collateral with a fair value equal to or in excess of the principal amount of the cash borrowed under repurchase agreements. For securities lending transactions, the Group receives collateral in the form of cash. These contracts involve risks, including (1) the counterparty may fail to return the securities at maturity and (2) the fair value of the securities posted may decline below the amount of the Group’s obligation and therefore the counterparty may require additional amounts. The Group attempts to mitigate these risks by entering into transactions mainly with central counterparty clearing houses which revalue assets and perform margin maintenance activities on a daily basis, diversifying the maturities and counterparties, and using mainly highly liquid securities.

**30. Related party transactions**

*Transactions with directors, executive officers, and their associates*

The banking subsidiaries of MHFG make loans to the MHFG Group’s directors, executive officers, and their associates in their ordinary course of business. At March 31, 2015 and 2016, outstanding loans to such related parties were not considered significant. These related party loans were made on substantially the same terms,

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including interest rate and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. At March 31, 2015 and 2016, there were no loans to these related parties that were considered impaired.

Other transactions, such as deposits, were entered into between MHFG's subsidiaries and the MHFG Group's directors, executive officers, and their associates during the fiscal years ended March 31, 2014, 2015 and 2016. The outstanding amounts of these transactions, which were made in the ordinary course of business with substantially the same terms as those for comparable transactions with unrelated parties, were not considered significant.

*Transactions with other related parties*

A number of transactions were entered into with other related parties, such as MHFG's employees and affiliates accounted for under the equity method. These transactions included loans, deposits, and other banking services. They were not significant in amount and were conducted with substantially the same terms as those for comparable transactions with unrelated parties.

**31. Business segment information**

Under U.S. GAAP, companies report segment information based on the way management disaggregates the company for making operating decisions. The MHFG Group's operating segments are based on the nature of the products and services provided, the type of customer and the Group's management organization. The business segment information set forth below is derived from the internal management reporting systems used by management to measure the performance of the Group's business segments. Management measures the performance of each of the operating segments primarily in terms of "net business profits" in accordance with internal managerial accounting rules and practices. Net business profits is used in Japan as a measure of the profitability of core banking operations, 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. Measurement of net business profits is required for regulatory reporting to the Financial Services Agency. Therefore, the format and information are presented primarily on the basis of Japanese GAAP and are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation is provided for the total amount of segments' net business profits with Income before income tax expense under U.S. GAAP.

The MHFG Group engages in banking, trust banking, securities, and other businesses through its subsidiaries and affiliates. As these subsidiaries and affiliates operate in different industries and regulatory environments, MHFG discloses business segment information based on the relevant principal consolidated subsidiaries such as MHBK (the former MHBK and the former MHCB), MHTB, and MHSC for investors to measure the present and future cash flows properly.

The operating segments of MHBK are aggregated based on the type of customer characteristics into the following seven reportable segments: Personal Banking; Retail Banking; Corporate Banking (Large Corporations); Corporate Banking; Financial Institutions & Public Sector Business; International Banking; and Trading and others. MHTB and MHSC also constitute reportable segments respectively.

***MHBK***

*Personal Banking*

This segment provides financial products and services, such as housing loans, deposits, investment trusts, and individual insurance to individual customers through MHBK's nationwide branches and ATM network as well as telephone and internet banking services. In addition, this segment handles trust products as an agent of MHTB.

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*Retail Banking*

This segment provides financial products and services, such as comprehensive consulting services of business succession and asset inheritance and asset management for business owners and high-net-worth customers. This segment also provides overall banking services for SMEs.

*Corporate Banking (Large Corporations)*

This segment provides a full range of financial solutions on a global basis to large Japanese corporations and their affiliates by integrating the Group's specialty functions including banking, trust, and securities, based on solid relationships with MHBK's domestic customers, and by utilizing its global industry knowledge.

*Corporate Banking*

This segment provides, to larger SMEs, financial products and services, including a range of solution businesses in accordance with the growth strategy of MHBK's corporate customers. This segment provides solutions to customers' financial needs such as stable fund-raising, mergers and acquisitions, management buy-out, business succession, entry into new business, and business restructuring for customers in mature or transition stages.

*Financial Institutions & Public Sector Business*

This segment provides advisory services and solutions such as advice on financial strategy and risk management to financial institutions and provides comprehensive financial products and services that include funding support via the subscription and underwriting of bonds etc., to public sector entities.

*International Banking*

This segment provides unified support both in Japan and overseas for MHBK's Japanese corporate customers to expand their overseas operations, and also promotes business with non-Japanese corporate customers in various countries through its global network. Further, this segment offers products such as project finance and trade finance for overseas customers.

*Trading and others*

This segment provides derivatives and other risk hedging products to satisfy MHBK's customers' financial and business risk control requirements. It is also engaged in MHBK's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by the head office functions of MHBK.

***MHTB***

MHTB provides products and services related to trust, real estate, securitization and structured finance, pension and asset management, and stock transfers.

***MHSC***

MHSC provides full-line securities services to corporations, financial institutions, public sector entities, and individuals.

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**Others**

This segment consists of MHFG, its subsidiaries other than MHBK, MHTB, and MHSC, and its equity-method affiliates. They provide a wide range of customers with their various products and services such as those related to trust and custody, asset management, and private banking through companies such as TCSB, Mizuho Asset Management Co., Ltd., DIAM Co., Ltd. (an equity-method affiliate), and Mizuho Private Wealth Management Co., Ltd. This segment also provides non-banking services, including research and consulting services through Mizuho Research Institute Ltd. and information technology-related services through Mizuho Information & Research Institute, Inc.

The information below for reportable segments is derived from the internal management reporting systems. Management does not use information on segments' assets to allocate resources and assess performance and has not prepared information on segments' assets. Accordingly, information on segments' assets is not available.

	MHBK (Consolidated)									MHTB	MHSC	Others	MHFG	
	MHBK (Non-consolidated)									(Consolidated)	(Consolidated)		(Consolidated)	
	Total	Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	Inter-national Banking (f)	Trading and others (g)	Others (h)	(i)	(j)	(k)	Total
<b>2014</b> <sup>(1)(2)</sup>	(in billions of yen)													
Gross profits:														
Net interest income	933.8	800.1	164.6	60.4	170.7	77.3	30.7	128.9	167.5	133.7	40.2	2.9	131.4	1,108.3
Net noninterest income (expenses)	407.4	398.2	31.6	38.0	135.4	55.8	21.7	139.8	(24.1)	9.2	108.1	283.9	127.6	927.0
Total	1,341.2	1,198.3	196.2	98.4	306.1	133.1	52.4	268.7	143.4	142.9	148.3	286.8	259.0	2,035.3
General and administrative Expenses	711.3	659.0	171.3	87.8	83.8	58.8	25.1	82.5	149.7	52.3	90.9	246.2	180.9	1,229.3
Others	(56.1)	—	—	—	—	—	—	—	—	(56.1)	(2.9)	—	(2.7)	(61.7)
Net business profits (losses)	573.8	539.3	24.9	10.6	222.3	74.3	27.3	186.2	(6.3)	34.5	54.5	40.6	75.4	744.3

	MHBK (Consolidated)									MHTB	MHSC	Others	MHFG	
	MHBK (Non-consolidated)									(Consolidated)	(Consolidated)		(Consolidated)	
	Total	Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	Inter-national Banking (f)	Trading and others (g)	Others (h)	(i)	(j)	(k)	Total
<b>2015</b> <sup>(1)(3)</sup>	(in billions of yen)													
Gross profits:														
Net interest income	1,087.3	934.9	213.4	77.6	179.5	99.6	33.3	147.1	184.4	152.4	39.4	1.8	0.9	1,129.4
Net noninterest income	598.4	560.6	48.7	53.7	128.0	79.8	27.4	164.9	58.1	37.8	122.6	335.8	61.5	1,118.3
Total	1,685.7	1,495.5	262.1	131.3	307.5	179.4	60.7	312.0	242.5	190.2	162.0	337.6	62.4	2,247.7
General and administrative Expenses	904.7	833.7	233.5	118.4	94.4	76.5	30.3	92.6	188.0	71.0	94.5	268.0	54.0	1,321.2
Others	(43.2)	—	—	—	—	—	—	—	—	(43.2)	(3.7)	—	(2.7)	(49.6)
Net business profits	737.8	661.8	28.6	12.9	213.1	102.9	30.4	219.4	54.5	76.0	63.8	69.6	5.7	876.9

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	MHBK (Consolidated)									MHTB	MHSC	Others	MHFG	
	MHBK (Non-consolidated)									(Consolidated)	(Consolidated)		(Consolidated)	
	Total	Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	International Banking (f)	Trading and others (g)	Others (h)	(i)	(j)	(k)	Total
2016 <sup>(1)</sup>	(in billions of yen)													
Gross profits:														
Net interest income	959.4	830.1	214.8	75.7	173.0	97.5	32.5	175.5	61.1	129.3	36.1	5.4	2.8	1,003.7
Net noninterest income	675.3	633.7	45.0	53.1	143.7	77.5	31.8	185.1	97.5	41.6	130.7	343.8	68.1	1,217.9
Total	1,634.7	1,463.8	259.8	128.8	316.7	175.0	64.3	360.6	158.6	170.9	166.8	349.2	70.9	2,221.6
General and administrative expenses	903.3	833.3	234.4	118.6	91.9	75.2	29.8	122.1	161.3	70.0	99.1	279.3	63.3	1,345.0
Others	(22.1)	—	—	—	—	—	—	—	—	(22.1)	(4.2)	—	2.5	(23.8)
Net business profits (losses)	709.3	630.5	25.4	10.2	224.8	99.8	34.5	238.5	(2.7)	78.8	63.5	69.9	10.1	852.8

Notes:

- (1) "Others (h)" and "Others (k)" include the elimination of transactions between consolidated subsidiaries.
- (2) As for the fiscal year ended March 31, 2014, "MHBK (Non-consolidated)" represents the sum of the performance of the former MHCB for the first quarter and the new MHBK for the second, third and fourth quarters, while "Others (h)" includes the performance of the former MHBK for the first quarter, in light of the merger of the former MHBK and the former MHCB conducted in July 2013.
- (3) Beginning on April 1, 2015, new allocation methods have been applied to the calculation of "Gross profits" and "General and administrative expenses" for reportable segments of MHBK. Figures for the fiscal year ended March 31, 2015 have been reclassified under the new allocation methods.

*Aggregation of MHBK and MHCB*

MHBK and MHCB									
2014	Total	Personal Banking	Retail Banking	Corporate Banking (Large Corporations)	Corporate Banking	Financial Institutions & Public Sector Business	International Banking	Trading and others	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
(in billions of yen)									
Gross profits:									
Net interest income	923.8	218.0	80.7	173.3	102.5	35.5	128.9	184.9	
Net noninterest income (expenses)	460.3	39.8	49.8	140.4	70.1	24.1	139.8	(3.7)	
Total	1,384.1	257.8	130.5	313.7	172.6	59.6	268.7	181.2	
General and administrative expenses	791.1	226.4	116.7	87.2	77.7	29.0	82.5	171.6	
Others	—	—	—	—	—	—	—	—	
Net business profits	593.0	31.4	13.8	226.5	94.9	30.6	186.2	9.6	

Note: The former MHBK and the former MHCB merged on July 1, 2013. Figures for the fiscal year ended March 31, 2014 represent the simple aggregation of the performance of the former MHBK and the former MHCB for the first quarter and the new MHBK for the second, third and fourth quarters.

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

*Reconciliation*

As explained above, the measurement bases of the internal management reporting systems and the income and expenses items included are different from the accompanying consolidated statements of income. Therefore, it is impracticable to present reconciliations of all the business segments' information, other than net business profits, to the corresponding items in the accompanying consolidated statements of income. A reconciliation of total net business profits under the internal management reporting systems for the fiscal years ended March 31, 2014, 2015 and 2016 presented above to Income before income tax expense shown on the consolidated statements of income is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in billions of yen)		
Net business profits . . . . .	744.3	876.9	852.8
U.S. GAAP adjustments . . . . .	(325.4)	230.8	201.3
(Provision) credit for loan losses . . . . .	126.2	60.2	(34.6)
Net gains (losses) related to equity investments . . . . .	178.7	160.1	188.4
Non-recurring personnel expense . . . . .	(14.8)	(8.0)	(3.9)
Gains on disposal of premises and equipment . . . . .	10.5	2.8	10.2
(Provision) credit for losses on off-balance-sheet instruments . . . . .	(12.1)	2.8	16.4
Others—net . . . . .	18.9	(57.9)	(34.0)
Income before income tax expense . . . . .	<u>726.3</u>	<u>1,267.7</u>	<u>1,196.6</u>

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**32. Foreign activities**

The following table presents consolidated income statement and total assets information by major geographic area. Foreign activities are defined as business transactions that involve customers residing outside of Japan. However, as the MHFG Group's operations are highly integrated globally, estimates and assumptions have been made for an allocation among the geographic areas.

	Americas				Asia/Oceania excluding Japan, and others	Total
	Japan	United States of America	Others	Europe		
	(in billions of yen)					
Fiscal year ended March 31, 2014:						
Total revenue <sup>(1)</sup> . . . . .	1,783.9	273.8	76.1	152.9	218.9	2,505.6
Total expenses <sup>(2)</sup> . . . . .	1,397.3	129.1	15.5	96.3	141.1	1,779.3
Income before income tax expense . . . . .	386.6	144.7	60.6	56.6	77.8	726.3
Net income . . . . .	198.9	129.9	59.8	54.0	57.6	500.2
Total assets at end of fiscal year . . . .	124,557.7	24,014.8	3,513.0	10,784.5	12,829.3	175,699.3
Fiscal year ended March 31, 2015:						
Total revenue <sup>(1)</sup> . . . . .	2,396.9	324.1	102.4	211.8	223.7	3,258.9
Total expenses <sup>(2)</sup> . . . . .	1,459.9	210.8	24.3	133.8	162.4	1,991.2
Income before income tax expense . . . . .	937.0	113.3	78.1	78.0	61.3	1,267.7
Net income . . . . .	565.6	79.7	76.2	74.3	34.4	830.2
Total assets at end of fiscal year . . . .	127,473.5	31,074.9	4,871.0	10,880.6	15,819.7	190,119.7
Fiscal year ended March 31, 2016:						
Total revenue <sup>(1)</sup> . . . . .	2,288.5	434.4	45.7	187.5	428.0	3,384.1
Total expenses <sup>(2)</sup> . . . . .	1,534.2	282.6	28.7	126.2	215.8	2,187.5
Income before income tax expense . . . . .	754.3	151.8	17.0	61.3	212.2	1,196.6
Net income . . . . .	464.7	136.9	15.4	51.1	182.0	850.1
Total assets at end of fiscal year . . . .	133,162.4	28,985.3	4,227.5	11,616.9	15,823.4	193,815.5

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.



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

**33. Mizuho Financial Group, Inc., parent company**

The following tables present the parent company only financial information of MHFG:

*Condensed balance sheets*

	<u>2015</u>	<u>2016</u>
	(in millions of yen)	
Assets:		
Cash and due from banks . . . . .	223	137
Interest-bearing deposits in other banks . . . . .	12,506	16,305
Investments in subsidiaries and affiliated companies . . . . .	8,857,561	8,840,003
Other . . . . .	566,947	1,025,108
Total . . . . .	<u>9,437,237</u>	<u>9,881,553</u>
Liabilities and shareholders' equity:		
Short-term borrowings . . . . .	1,200,135	1,186,345
Long-term debt . . . . .	248,800	584,518
Other liabilities . . . . .	57,964	96,139
Shareholders' equity . . . . .	7,930,338	8,014,551
Total . . . . .	<u>9,437,237</u>	<u>9,881,553</u>

*Condensed statements of income*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Income:			
Dividends from subsidiaries and affiliated companies:			
Banking subsidiaries . . . . .	282,022	316,035	272,070
Non-banking subsidiaries and affiliated companies . . . . .	3,108	28,633	20,814
Management fees from subsidiaries . . . . .	31,146	32,163	39,267
Other income . . . . .	33,894	38,107	11,485
Total . . . . .	<u>350,170</u>	<u>414,938</u>	<u>343,636</u>
Expenses:			
Operating expenses . . . . .	22,592	26,855	31,063
Interest expense . . . . .	14,608	8,937	11,914
Other expense . . . . .	5,724	2,693	9,203
Total . . . . .	<u>42,924</u>	<u>38,485</u>	<u>52,180</u>
Equity in undistributed net income of subsidiaries . . . . .	191,865	427,037	559,553
Income before income tax expense . . . . .	499,111	803,490	851,009
Income tax expense . . . . .	627	442	517
Net income . . . . .	<u>498,484</u>	<u>803,048</u>	<u>850,492</u>

Note: Certain income for the fiscal year ended March 31, 2014 has been reclassified to conform to the current year's presentation.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*Condensed statements of cash flows*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(in millions of yen)		
Cash flows from operating activities:			
Net income . . . . .	498,484	803,048	850,492
Adjustments and other . . . . .	(222,940)	(460,230)	(546,946)
Net cash provided by operating activities . . . . .	<u>275,544</u>	<u>342,818</u>	<u>303,546</u>
Cash flows from investing activities:			
Net change in loans . . . . .	—	(150,000)	(479,948)
Purchases of premises and equipment . . . . .	(4,052)	(159,670)	(165)
Net change in other investing activities . . . . .	6,683	3,294	(377)
Net cash provided by (used in) investing activities . . . . .	<u>2,631</u>	<u>(306,376)</u>	<u>(480,490)</u>
Cash flows from financing activities:			
Net change in short-term borrowings . . . . .	(90,000)	130,000	(10,000)
Proceeds from issuance of long-term debt . . . . .	—	150,000	479,948
Repayment of long-term debt . . . . .	—	(141,200)	(98,800)
Proceeds from issuance of common stock . . . . .	—	6	5
Purchases of treasury stock . . . . .	(37,013)	(12)	(13)
Dividends paid . . . . .	(152,163)	(176,186)	(195,283)
Net change in other financing activities . . . . .	968	1,006	1,001
Net cash provided by (used in) financing activities . . . . .	<u>(278,208)</u>	<u>(36,386)</u>	<u>176,858</u>
Net increase (decrease) in cash and due from banks . . . . .	(33)	56	(86)
Cash and due from banks at beginning of fiscal year . . . . .	<u>200</u>	<u>167</u>	<u>223</u>
Cash and due from banks at end of fiscal year . . . . .	<u><u>167</u></u>	<u><u>223</u></u>	<u><u>137</u></u>

**34. Subsequent events**

***Redemption of preferred securities***

On June 30, 2016, preferred securities, issued by the MHFG Group’s overseas special purpose companies, were redeemed in full. These special purpose companies are not consolidated in accordance with ASC 810 since the Group is not the primary beneficiary. Thus, the redemption of preferred securities did not reduce Noncontrolling interests in consolidated subsidiaries, but reduced Long-term debt in the Group’s consolidated balance sheets. The following table describes the details of the redeemed preferred securities:

<u>Issuer</u>	<u>Aggregate redemption amount</u> (in millions)	<u>Reason for the redemption</u>
Mizuho Capital Investment (USD) 1 Limited . . . . .	\$600	Arrival of optional redemption date
Mizuho Capital Investment (JPY) 1 Limited . . . . .	¥400,000	Arrival of optional redemption date

***Signing of integration agreement among asset management companies***

DIAM Co., Ltd. (“DIAM”), MHTB, Mizuho Asset Management Co., Ltd. (“MHAM”) and Shinko Asset Management Co., Ltd. (“Shinko Asset Management”) (collectively, the “Integrating Companies”) have been proceeding with discussions and preparations for the integration of their asset management functions (the

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

“Integration”) pursuant to the memorandum of understanding on the integration dated September 30, 2015. On July 13, 2016, the Integrating Companies entered into an integration agreement, after obtaining approval by resolutions adopted by their respective boards of directors. The Integration will become effective subject to approval by the relevant authorities.

1. Effective date of the Integration (planned)

October 1, 2016

2. Method of the Integration

The Integration will be implemented through the following steps: (i) a merger between MHAM as surviving company and Shinko Asset Management as absorbed company; (ii) a company split between MHTB and MHAM (after the merger in (i) above) as successor company whereby rights and obligations attributed to Asset Management Division of MHTB will be transferred to MHAM; and (iii) a merger between DIAM as surviving company and MHAM as absorbed company.

3. Company name

Asset Management One Co., Ltd. (“New Company”)

4. Shareholding ratio based on economic interests and voting rights to the New Company

Shareholding ratio based on economic interests	70%
Shareholding ratio based on voting rights	51%

5. Main purpose of the Integration

Based on the strong commitment of MHFG and The Dai-ichi Life Insurance Company, Limited (“Dai-ichi Life”) to strengthen and develop their respective asset management businesses, the New Company will aim to achieve significant development as a global asset management company, providing its customers with solutions of the highest standards by combining the asset management-related knowledge and experience accumulated and developed by each Integrating Company over many years, and taking full advantage of collaboration with both the MHFG Group and the Dai-ichi Life group. In order to establish a highly independent and transparent management framework, the New Company’s independent outside directors (Audit & Supervisory Committee members) will include professionals with a high level of expertise in the areas of asset management, legal affairs and accounting. In addition, the New Company will fulfill its fiduciary duties as a professional asset management firm and provide services and products that truly benefit its customers. Through these efforts, the New Company aims to become the most trusted and valued asset management company—meeting the needs of pension funds and corporate customers in terms of diversification and sophistication of their investments, as well as encouraging a shift “from saving to investment” in Japan through providing individual customers with high-quality products and services.

**Signature**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**MIZUHO FINANCIAL GROUP, INC.**

By: /s/ Yasuhiro Sato

Name: Yasuhiro Sato

Title: President & CEO

July 21, 2016

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
1.1	Articles of Incorporation of Mizuho Financial Group, Inc., dated June 24, 2016 (English Translation)
1.2	Regulations of the Board of Directors of Mizuho Financial Group, Inc., as amended on May 13, 2016 (English Translation)
1.3	Share Handling Regulations of Mizuho Financial Group, Inc., dated January 4, 2013 (English Translation)*
2.1	Form of American Depositary Receipt**
2.2	Form of Deposit Agreement among the registrant, The Bank of New York Mellon (formerly The Bank of New York) as Depositary and all owners and holders from time to time of American Depositary Receipts issued thereunder**
8	List of significant subsidiaries of Mizuho Financial Group, Inc.—see “Item 4.C. Information on the Company—Organizational Structure.”
11	Code of Ethics of Mizuho Financial Group, Inc., as amended on April 1, 2016 (English Translation)
12.1	CEO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
12.2	CFO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
13.1	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 23, 2013.

\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 23, 2015.

**ARTICLES OF INCORPORATION  
OF  
MIZUHO FINANCIAL GROUP, INC.**

June 24, 2016

[ Translation ]

**ARTICLES OF INCORPORATION  
OF  
MIZUHO FINANCIAL GROUP, INC.**

**CHAPTER I**

**GENERAL PROVISIONS**

**Article 1.** *(Trade Name)*

The company shall be called “Kabushiki Kaisha Mizuho Financial Group” and in English, “Mizuho Financial Group, Inc.”(hereinafter referred to as the “Company”).

**Article 2.** *(Purpose)*

The purpose of the Company shall be to engage in the following businesses as a bank holding company:

- (1) Operation and management of bank holding companies, banks, specialized securities companies and other companies which may be owned by the Company as its subsidiaries under the Banking Act , and any other business incidental thereto ;and
- (2) Any other business that a bank holding company may engage in under the Banking Act.

**Article 3.** *(Head Office)*

The Company shall have its head office in Chiyoda-ku, Tokyo.

**Article 4.** *(Organizations)*

The Company shall establish the following organizations, in addition to the general meeting of shareholders and Directors.

- (1) Board of Directors;
- (2) Nominating Committee, Audit Committee, and Compensation Committee; and
- (3) Accounting Auditors.

**Article 5.** *(Method of Public Notices)*

Public notices by the Company shall be given by electronic public notices; provided, however, that in the case where an electronic public notice is impracticable due to an accident or any other unavoidable reason, the same public notice of the Company may be given in the *Nikkei*.

**CHAPTER II**  
**SHARES**

**Article 6.** *(Total Number of Authorized Shares)*

The total number of shares which the Company is authorized to issue shall be 52,214,752,000 shares, and each total number of the classes of shares which the Company is authorized to issue shall be as set forth below; provided, however, that the total number of the classes of shares which the Company is authorized to issue in respect of the First to Fourth Series of Class XIV preferred stock shall not exceed nine hundred million (900,000,000) in total, the total number of the classes of shares which the Company is authorized to issue in respect of the First to Fourth Series of Class XV preferred stock shall not exceed nine hundred million (900,000,000) in total, and the total number of the classes of shares which the Company is authorized to issue in respect of the First to Fourth Series of Class XVI preferred stock shall not exceed fifteen hundred million (1,500,000,000) in total:

Common stock: . . . . .	48,000,000,000 shares
Class XI preferred stock: . . . . .	914,752,000 shares
First Series of Class XIV preferred stock: . . . . .	900,000,000 shares
Second Series of Class XIV preferred stock: . . . . .	900,000,000 shares
Third Series of Class XIV preferred stock: . . . . .	900,000,000 shares
Fourth Series of Class XIV preferred stock: . . . . .	900,000,000 shares
First Series of Class XV preferred stock: . . . . .	900,000,000 shares
Second Series of Class XV preferred stock: . . . . .	900,000,000 shares
Third Series of Class XV preferred stock: . . . . .	900,000,000 shares
Fourth Series of Class XV preferred stock: . . . . .	900,000,000 shares
First Series of Class XVI preferred stock: . . . . .	1,500,000,000 shares
Second Series of Class XVI preferred stock: . . . . .	1,500,000,000 shares
Third Series of Class XVI preferred stock: . . . . .	1,500,000,000 shares
Fourth Series of Class XVI preferred stock: . . . . .	1,500,000,000 shares

**Article 7.** *(Number of Shares Constituting One (1) Unit of Shares)*

The number of shares constituting one (1) unit of shares of the Company shall be one hundred (100) with respect to the common stock and each class of preferred stock, respectively.

**Article 8.** *(Rights Pertaining to Shares Constituting Less Than One (1) Unit)*

A shareholder of the Company may not exercise any rights, except for the rights set forth below (excluding the rights which may not be exercised as the rights pertaining to shares constituting one (1) unit of shares), with respect to shares constituting less than one (1) unit held by such shareholder:

1. The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act of Japan (the “Act”);
2. The right to make a request pursuant to Article 166, Paragraph 1 of the Act;
3. The right to receive an allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by such shareholder; and
4. The right to make a request provided for in the following Article.



**Article 9.** *(Additional Purchase of Shares Constituting Less Than One (1) Unit)*

A shareholder of the Company may request the Company to sell to such shareholder a number of shares which will, when combined with the shares constituting less than one (1) unit already held by such shareholder, constitute one (1) unit of shares pursuant to the Share Handling Regulations.

**Article 10.** *(Record Date)*

1. The Company shall deem shareholders having voting rights appearing in writing or electronically in the register of shareholders as of the end of March 31 of each year as the shareholders who are entitled to exercise their rights at the ordinary general meeting of shareholders for the relevant business year.
2. The provisions of the preceding paragraph shall apply *mutatis mutandis* to the record date for voting rights at the general meetings of holders of classes of stock, where there is a matter to be resolved at an ordinary general meeting of shareholders that requires, in addition to such resolution, a resolution by the relevant general meeting of holders of class of stock.
3. In addition to the preceding two paragraphs, the Company may set an extraordinary record date, when necessary, by a determination by Executive Officer(s) under the authority delegated by the Board of Directors and upon giving a prior public notice thereof.

**Article 11.** *(Shareholder Register Manager, Etc.)*

1. The Company shall appoint a shareholder register manager.
2. The shareholder register manager and its handling office shall be determined by a determination by Executive Officer(s) under the authority delegated by the Board of Directors, and a public notice shall be given with respect thereto.
3. The preparation and keeping of, and other operations relating to, the register of shareholders and the register of stock acquisition rights of the Company shall be entrusted to the shareholder register manager and shall not be handled by the Company.

**Article 12.** *(Share Handling Regulations)*

An entry, whether written or electronic, in the register of shareholders, a repurchase by the Company and an additional purchase by a shareholder of shares constituting less than one (1) unit, and other operations relating to shares and handling fees therefor and the method of request or notice by shareholders with respect to general meetings of shareholders shall be governed by the Share Handling Regulations prescribed by Executive Officer(s) under the authority delegated by the Board of Directors, in addition to laws and regulations and these Articles of Incorporation.

**CHAPTER III**  
**PREFERRED STOCK**

**Article 13.** (*Preferred Stock Dividends*)

1. In respect of dividends from its surplus provided for in Article 48 (except for interim dividends provided for in the same Article), the Company shall distribute dividends from its surplus by cash on preferred stock (hereinafter referred to as the “Preferred Stock Dividends”) in such amount as provided for below to shareholders of preferred stock (hereinafter referred to as the “Shareholders of Preferred Stock”) or registered stock pledgees in respect of preferred stock (hereinafter referred to as the “Registered Preferred Stock Pledgees”) in priority to holders of common stock (hereinafter referred to as the “Shareholders of Common Stock”), registered stock pledgees in respect of common stock (hereinafter referred to as the “Registered Common Stock Pledgees”); provided, however, that in the case where all or a part of the Preferred Stock Interim Dividends provided for in Article 14 have been paid in the relevant business year, the amount so paid shall be reduced accordingly:

Class XI preferred stock:	Amount decided by the resolution of the Board of Directors on the issuance of such stock, which amount shall not exceed 50 yen per share per year
First to Fourth Series of Class XIV preferred stock:	Amount decided by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors on the issuance of such stock, which amount shall not exceed 100 yen per share per year
First to Fourth Series of Class XV preferred stock:	Amount decided by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors on the issuance of such stock, which amount shall not exceed 100 yen per share per year
First to Fourth Series of Class XVI preferred stock:	Amount decided by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors on the issuance of such stock, which amount shall not exceed 100 yen per share per year

2. In a given business year, if all or a part of the Preferred Stock Dividends have not been paid to the Shareholders of Preferred Stock or Registered Preferred Stock Pledgees, the unpaid amount shall not be accumulated for the subsequent business years.
3. The Company shall not distribute dividends from its surplus to any Shareholder of Preferred Stock or Registered Preferred Stock Pledgee, any amount in excess of the amount of the relevant Preferred Stock Dividends.

**Article 14.** (*Preferred Stock Interim Dividends*)

In respect of interim dividends provided for in Article 48, the Company shall distribute dividends from its surplus by cash in one half (1/2) of the amount of the Preferred Stock Dividends provided for in the main clause of Paragraph 1 of the preceding Article (referred to as the “Preferred Stock Interim Dividends” in these Articles of Incorporation) to the Shareholders of Preferred Stock or Registered Preferred Stock Pledgees in priority to the Shareholders of Common Stock or Registered Common Stock Pledgees.

**Article 15.** *(Distribution of Residual Assets)*

1. In respect of distribution of residual assets, the Company shall pay to the Shareholders of Preferred Stock or Registered Preferred Stock Pledges in priority to the Shareholders of Common Stock or Registered Common Stock Pledges in such amount as provided for below:

Classes XI through the Fourth Series of Class XVI preferred stock: 1,000 yen per share

2. No distribution of residual assets other than those provided for in the preceding paragraph shall be made to any Shareholder of Preferred Stock or Registered Preferred Stock Pledgee.

**Article 16.** *(Voting Rights)*

The Shareholders of Preferred Stock shall not have voting rights at a general meeting of shareholders; provided, however, that the Shareholders of Preferred Stock may have voting rights from the date of an ordinary general meeting of shareholders, in the case where a proposal on the Preferred Stock Dividends is not submitted to such ordinary general meeting of shareholders (except in the case where a resolution of the Board of Directors to pay the Preferred Stock Dividends is made pursuant to the provisions of Article 47 between the last day of the business year and the date of such ordinary general meeting of shareholders), or immediately after the closing of an ordinary general meeting of shareholders, in the case where a proposal on the Preferred Stock Dividends is rejected at such ordinary general meeting of shareholders, until such time as a resolution of the Board of Directors to pay the Preferred Stock Dividends is made pursuant to the provisions of Article 47 or a resolution of an ordinary general meeting of shareholders is passed to grant the Preferred Stock Dividends.

**Article 17.** *(Consolidation or Split of Preferred Stock, Free Allotment of Stock and Rights to Receive Allotment of Offered Stock, Etc.)*

1. The Company shall not consolidate or split any preferred stock, and shall not make any free allotment of any stock for the Shareholders of Preferred Stock.
2. The Company shall not grant the Shareholders of Preferred Stock any rights to receive allotment of offered stock, offered stock acquisition rights, bonds with stock acquisition rights, or offered stock acquisition rights and bonds, either of which are capable of being transferred separately from the others and shall not make any free allotment of any stock acquisition rights for the Shareholder of Preferred Stock.

**Article 18.** *(Acquisition of Preferred Stock)*

1. In respect of the First Series of Class XV through the Fourth Series of Class XVI preferred stock, the Company may acquire each such class of preferred stock, in whole or in part, on the date separately determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors, after such time and at such acquisition price as respectively determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock.
2. In the case of a partial acquisition pursuant to the preceding paragraph, such redemption shall be made by way of lot or pro rata allocation.

**Article 19.** *(Request for Acquisition of Preferred Stock)*

1. Any holder of Class XI preferred stock may request to the Company to acquire the relevant preferred stock held by such Shareholder of Preferred Stock during the period in which such Shareholder of Preferred Stock is entitled to request such acquisition as determined by a resolution of the Board of Directors relating to the issuance of the relevant preferred stock. The Company shall deliver its own common stock to such Shareholder of Preferred Stock, in exchange for the Company's acquisition of the relevant preferred stock.

The terms of acquisition, including the number of the common stock to be delivered per one (1) share of the relevant preferred stock upon such request for acquisition, shall be determined by the relevant resolution of the Board of Directors.

2. Any holder of the First to Fourth Series of Class XIV and the First to Fourth Series of Class XV preferred stock may request to the Company to acquire the relevant preferred stock held by such Shareholder of Preferred Stock during the period in which such Shareholder of Preferred Stock is entitled to request such acquisition as determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock (hereinafter, together with the period provided for in the preceding paragraph, referred to as the "Period for Acquisition Request"). The Company shall deliver its own common stock to such Shareholder of Preferred Stock, in exchange for the Company's acquisition of the relevant preferred stock. The terms of acquisition, including the number of the common stock to be delivered per one (1) share of the relevant preferred stock upon such request for acquisition, shall be determined by the relevant resolution of the Board of Directors or the relevant determination by Executive Officer(s) under the authority delegated by the Board of Directors.

**Article 20.** (*Mandatory Acquisition of Preferred Stock*)

1. The Company may acquire any of Classes XI, the First to Fourth Series of Class XIV and the First to Fourth Series of Class XV preferred stock, in respect of which a request for acquisition has not been made during the Period for Acquisition Request, on the day immediately following the last day of such period (hereinafter referred to as the "Mandatory Acquisition Date") and instead, the Company shall deliver its own common stock to holders of the relevant preferred stock. In this case, the number of shares of the common stock to be delivered in exchange for the acquisition of one (1) share of the relevant preferred stock shall be obtained by dividing the amount equivalent to the subscription money per one (1) share of the relevant preferred stock by the current market price of a share of the common stock of the Company (with respect to the Eleventh Series of Class XI Preferred Stock, 1,000 yen; the same shall apply hereinafter); provided, however, that such current market price of a share of the common stock shall be the daily average price of closing prices (including the closing bid or offered price) of the common stock of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the 30 consecutive trading days (excluding any trading day or days on which no closing prices or closing bids or offered prices are reported) commencing on the 45<sup>th</sup> trading day prior to the Mandatory Acquisition Date, and such calculation shall be made to units of 0.01 yen, and by rounding up to the nearest 0.1 yen when equal to or more than 0.05 yen and disregarding amounts less than 0.05 yen.
2. In respect of Class XI preferred stock, the number of common stock referred to in the preceding paragraph shall not exceed the number of shares obtained by dividing the amount equivalent to the subscription money per one (1) share of the relevant preferred stock by the minimum acquisition price determined by a resolution of the Board of Directors relating to the issuance of the relevant preferred stock. In respect of the First to Fourth Series of Class XIV and the First to Fourth Series of Class XV preferred stock, the number of common stock referred to in the preceding paragraph shall not exceed the number of shares obtained by dividing the amount equivalent to the subscription money per one (1) share of each such class of preferred stock by the minimum acquisition price determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock.
3. In respect of the First and Second Series of Class XIV, the First and Second Series of Class XV and the First and Second Series of Class XVI preferred stock, upon the occurrence of an event determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock as an event where a write-off of the relevant preferred stock or a conversion of the relevant preferred stock into common stock, or financial support or other similar measures taken by a public sector, without which the Company would become non-viable, is determined to be necessary, the Company shall mandatorily acquire the relevant preferred stock, in

whole, free of consideration, on a date which falls after the occurrence of such event as determined by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock and which date shall be separately determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors after the issuance of the relevant preferred stock, or a date which falls after the occurrence of the relevant certain event and which date shall be determined by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock, giving due consideration to the capital adequacy requirements applicable to the Company and other factors.

4. In respect of the Third and Fourth Series of Class XIV, the Third and Fourth Series of Class XV and the Third and Fourth Series of Class XVI preferred stock, upon the occurrence of an event determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock as an event where a write-off of the relevant preferred stock or a conversion of the relevant preferred stock into common stock, or financial support or other similar measures taken by a public sector, without which the Company would become non-viable, is determined to be necessary, the Company shall mandatorily acquire the relevant preferred stock, in whole, on a date which falls after the occurrence of such event as determined by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock and which date shall be separately determined by a resolution of the Board of Directors or a determination by Executive Officer(s) under the authority delegated by the Board of Directors after the issuance of the relevant preferred stock, or a date which falls after the occurrence of the relevant certain event and which date shall be determined by the resolution of the Board of Directors or the determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock, giving due consideration to the capital adequacy requirements applicable to the Company and other factors, and instead, the Company shall deliver its own common stock to holders of the relevant preferred stock. In this case, the terms of acquisition, including the number of shares of the common stock to be delivered in exchange for the acquisition of one (1) share of the relevant preferred stock, shall be determined by the relevant resolution of the Board of Directors or the relevant determination by Executive Officer(s) under the authority delegated by the Board of Directors relating to the issuance of the relevant preferred stock, giving due consideration to the market price of common stock, the subscription price of the relevant preferred stock and other factors.
5. In the calculation of the number of common stock provided for in Paragraphs 1, 2 and 4, any number less than one (1) share shall be treated pursuant to the provisions provided for in Article 234 of the Act.

**Article 21.** (*Order of Priority*)

All classes of preferred stock authorized to be issued by the Company shall rank *pari passu* with each other in respect of the payment of the Preferred Stock Dividends and the Preferred Stock Interim Dividends, and the distribution of residual assets.

## CHAPTER IV

### GENERAL MEETINGS OF SHAREHOLDERS

**Article 22.** (*Convocation of General Meetings of Shareholders*)

An ordinary general meeting of shareholders of the Company shall be convened no later than 3 months from the last day of each business year and an extraordinary general meeting of shareholders shall be convened whenever necessary.

**Article 23.** *(Person Authorized to Convene General Meetings of Shareholders and the Chairman of the Meeting)*

1. The Director concurrently serving as President & CEO shall convene and chair the general meeting of shareholders.
2. In the case where the Director concurrently serving as President & CEO is unable to so act, one of the other Director(s) in the order previously determined by the Board of Directors shall take such person's place.

**Article 24.** *(Disclosure of Reference Materials, Etc. for General Meetings of Shareholders via Internet)*

The Company may, at the time of convocation of a general meeting of shareholders, deem to have provided shareholders with information with respect to matters which shall be stated or indicated in the reference materials for a general meeting of shareholders, business reports, non-consolidated financial documents and consolidated financial documents by disclosing those by way of using the Internet as provided for in the ordinances of the Ministry of Justice.

**Article 25.** *(Method of Adopting Resolutions)*

1. Unless otherwise provided for by laws or regulations or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be adopted by an affirmative vote of a majority of the voting rights held by the shareholders present at the meeting who are entitled to exercise their voting rights.
2. Resolutions of a meeting of shareholders governed by Article 309, Paragraph 2 of the Act shall be adopted by an affirmative vote of not less than two-thirds (2/3) of the voting rights held by the shareholders present at the relevant meeting who shall hold in aggregate not less than one-third (1/3) of the voting rights of the shareholders entitled to exercise their voting rights.

**Article 26.** *(Voting by Proxy)*

1. Shareholders may exercise their voting rights at the relevant general meeting of shareholders by a proxy who shall also be a shareholder of the Company holding voting rights at such meeting.
2. The shareholder or his/her proxy shall submit to the Company a document evidencing the authority of such proxy to act as such at each general meeting of shareholders.

**Article 27.** *(Minutes of General Meetings)*

The minutes of general meetings of shareholders shall be prepared in writing or by electromagnetic file as provided for in laws and regulations.

**Article 28.** *(General Meetings of Holders of Classes of Stock)*

1. Unless otherwise provided for by laws or regulations or these Articles of Incorporation, resolutions of a general meeting of holders of classes of stock shall be adopted by an affirmative vote of a majority of the voting rights held by the holders present at the meeting who are entitled to exercise their voting rights.
2. Resolutions provided for in Article 324, Paragraph 2 of the Act shall be adopted by an affirmative vote of not less than two-thirds (2/3) of the voting rights held by the holders present at the relevant meeting who shall hold in aggregate not less than one-third (1/3) of the voting rights of the holders entitled to exercise their voting rights.
3. The provisions of Articles 23, 24 and 26 and the preceding Article shall apply *mutatis mutandis* to the general meetings of holders of classes of stock.

**CHAPTER V**  
**DIRECTORS AND BOARD OF DIRECTORS**

**Article 29.** *(Number)*

The Company shall have not more than fifteen (15) Directors.

**Article 30.** *(Method of Appointment)*

1. The Director(s) shall be appointed at a general meeting of shareholders.
2. A resolution for the appointment of Director(s) shall be adopted by an affirmative vote of a majority of the voting rights held by the shareholders present at the relevant meeting who shall hold in aggregate not less than one-third (1/3) of the voting rights of the shareholders entitled to exercise their voting rights.
3. Cumulative voting shall not be used for the appointment of Director(s).

**Article 31.** *(Method of Dismissal)*

A resolution for the dismissal of Director(s) shall be adopted by an affirmative vote of a majority of the voting rights held by the shareholders present at the relevant general meeting of shareholders who shall hold in aggregate not less than one-third (1/3) of the voting rights of the shareholders entitled to exercise their voting rights.

**Article 32.** *(Term of Office)*

The term of office of Director(s) shall expire at the closing of the ordinary general meeting of shareholders concerning the last business year ending within one (1) year after their appointment.

**Article 33.** *(Chairman and Deputy Chairman)*

The Board of Directors may, by its resolutions, appoint Chairman and Deputy Chairman.

**Article 34.** *(Person Authorized to Convene Meetings of the Board of Directors and Chairman of the Meeting)*

1. Unless otherwise provided for by laws or regulations, a Director previously appointed by the Board of Directors shall convene and chair the meeting of the Board of Directors.
2. In the case where the Director appointed pursuant to the preceding paragraph is unable to so act, one of the other Director(s) in the order previously determined by the Board of Directors shall take such person's place.

**Article 35.** *(Notice to Convene Meetings of the Board of Directors)*

1. Notice to convene a meeting of the Board of Directors shall be given to each Director not less than three (3) days prior to the date set for such meeting; provided, however, that in case of emergency, such period may be shortened.
2. A meeting of the Board of Directors may be held without taking the procedures of convocation with the consent of all the Directors.

**Article 36.** *(Method of Adopting Resolutions of the Board of Directors)*

1. Resolutions of a meeting of the Board of Directors shall be adopted by an affirmative vote of a majority of the Directors present at the relevant meeting who shall constitute a majority in number of all the Directors entitled to take part in the vote.

2. Notwithstanding the provisions of the preceding paragraph, in cases where Director(s) submit a proposal with respect to a matter which is the purpose of the resolution of the Board of Directors, if all Directors who are entitled to vote agree in writing or by means of electromagnetic file to such proposal, it shall be deemed that the resolution to approve such proposal at a meeting of the Board of Directors has been made.

**Article 37.** *(Minutes of Meetings of the Board of Directors)*

The minutes of the meetings of the Board of Directors shall be prepared in writing or by electromagnetic file as provided for in laws and regulations, and the Director(s) present thereat shall affix their names and seals thereon, or electronic signatures thereto.

**Article 38.** *(Regulations of the Board of Directors)*

Matters concerning the Board of Directors shall be governed by the Regulations of the Board of Directors prescribed by the Board of Directors, in addition to laws and regulations and these Articles of Incorporation.

**Article 39.** *(Liability Limitation Agreements with Outside Director(s))*

Pursuant to the provisions provided for in Article 427, Paragraph 1 of the Act, the Company may enter into liability limitation agreements with any Outside Director which limit the liability provided for in Article 423, Paragraph 1 of the Act to the higher of either (i) the pre-determined amount not less than twenty million (20,000,000) yen or (ii) the amount prescribed in laws and regulations, provided that such Outside Director is bona fide and without gross negligence in performing his/her duty.

## CHAPTER VI

### NOMINATING COMMITTEE, AUDIT COMMITTEE, AND COMPENSATION COMMITTEE

**Article 40.** *(Method of Designation)*

1. Committee members who shall constitute the Nominating Committee, the Audit Committee, and the Compensation Committee shall be designated by the Board of Directors.
2. The chairman of each committee shall be designated by the Board of Directors.

**Article 41.** *(Regulations of Each Committee)*

Matters concerning each committee shall be governed by the Regulations of each committee prescribed by the Board of Directors, in addition to laws and regulations and these Articles of Incorporation.

## CHAPTER VII

### EXECUTIVE OFFICERS

**Article 42.** *(Number)*

The Company shall have no less than one (1) Executive Officer.

**Article 43.** *(Method of Appointment)*

Executive Officers shall be appointed by the Board of Directors.

**Article 44.** *(Term of Office)*

The term of office of Executive Officers shall expire at the closing of the first meeting of the Board of Directors convened after the closing of the ordinary general meeting of shareholders concerning the last business year ending within one (1) year after their appointment.



**Article 45.** *(Representative Executive Officer(s) and Executive Officer(s) with Titles)*

1. The Representative Executive Officer(s) shall be designated by the Board of Directors.
2. The Board of Directors shall, by its resolutions, appoint the President & CEO.
3. The Board of Directors may, by its resolutions, appoint Deputy President & CEO(s), Senior Managing Executive Officer(s), and Managing Executive Officer(s).

**CHAPTER VIII**

**ACCOUNTING**

**Article 46.** *(Business Year)*

The business year of the Company shall be the one-year period from April 1 of each year through March 31 of the following year.

**Article 47.** *(Organizations that Decide Dividends from Surplus, Etc.)*

The Company shall decide distribution of dividends from surplus and other matters provided for in each item of Article 459, Paragraph 1 of the Act, not by a resolution of a general meeting of shareholders, but by a resolution of the Board of Directors, unless otherwise provided for in laws or regulations.

**Article 48.** *(Record Date for Distribution of Dividends from Surplus)*

The record dates for distribution of dividends from surplus of the Company shall be March 31 and September 30 of each year (in these Articles of Incorporation, distribution of dividends from surplus made with the record date of September 30 of each year shall be referred to as “interim dividends”).

**Article 49.** *(Prescription for Payment of Dividends)*

In the case where the dividends from its surplus are distributed by cash, the Company shall be released from the obligation to pay such dividends from the surplus which have not been received after the lapse of five (5) years from the date of commencement of payment thereof.

[ Translation ]

Effective from January 8, 2003  
As amended on May 13, 2016

## REGULATIONS OF THE BOARD OF DIRECTORS

### CHAPTER I

#### PURPOSE

**Article 1.** *(Purpose)*

These Regulations provide for matters concerning the Board of Directors pursuant to laws and regulations, the Articles of Incorporation, and the Corporate Governance Guidelines.

### CHAPTER II

#### ORGANIZATION

**Article 2.** *(Function)*

The Board of Directors shall conduct the following matters.

- (1) Determine the matters provided for in Article 10 of these Regulations
- (2) Supervise the execution of duties by directors, executive officers as defined in the Companies Act, and executive officers as defined in our internal regulations, and specialist officers

**Article 3.** *(Constitution)*

The Board of Directors shall consist of all the directors.

### CHAPTER III

#### HOLDING, CONVOCAION AND CHAIRMAN OF MEETINGS

**Article 4.** *(Holding of Meetings)*

1. Meetings of the Board of Directors shall be held ordinarily and extraordinarily.
2. Ordinary meetings of the Board of Directors shall be held at least once every three (3) months.
3. Extraordinary meetings of the Board of Directors shall be held whenever necessary.
4. Meetings of the Board of Directors shall be held at the head office of the Company; provided, however, that when necessary, a meeting of the Board of Directors may be held at another location or at multiple locations by a method such as teleconference.

**Article 5.** *(Person Authorized to Convene Meetings and Chairman of Meetings)*

1. Unless otherwise provided for in laws and regulations, each meeting of the Board of Directors will be convened and chaired by a director who does not concurrently serve as an executive officer as defined in the Companies Act, executive director, executive officer as defined in our internal regulations,

specialist officer, or employee of the Company or a subsidiary of the Company (“Non-Executive Director”) as previously appointed by the Board of Directors.

2. In the case where the director appointed pursuant to the preceding paragraph is unable to so act, one of the other Non-Executive Director(s) in the order previously determined by the Board of Directors shall take such person’s place.
3. The Board of Directors may, by its resolution, appoint a Non-Executive Director as a Deputy Chairman to assist the Chairman.
4. Any Director who is not a director provided for under the provisions of paragraph 1 or paragraph 2 or any executive officer as defined in the Companies Act may demand the convocation of a meeting of the Board of Directors in accordance with the provisions of laws and regulations.
5. Any person appointed by the Nominating Committee, the Compensation Committee, or the Audit Committee from among their members may convene a meeting of the Board of Directors in accordance with the provisions of laws and regulations.

**Article 6.** (*Convocation and Reduction of Convocation Period*)

Notices to convene a meeting of the Board of Directors shall be issued to each director not less than three (3) days prior to the date of that meeting; provided, however, that in case of emergency, such period may be shortened.

**Article 7.** (*Omission of Convocation Notice*)

A meeting of the Board of Directors may be held without taking the procedures for convocation provided for in the preceding Article with the consent of all of the directors.

## CHAPTER IV

### QUORUM AND METHOD OF ADOPTING RESOLUTIONS

**Article 8.** (*Quorum and Method of Adopting Resolutions*)

1. Resolutions of meetings of the Board of Directors shall be adopted by an affirmative vote of a majority of the directors present at the relevant meeting who shall constitute a majority in number of all the directors entitled to take part in the vote.
2. Notwithstanding the provisions of the preceding paragraph, in the case where director(s) submit a proposal with respect to a matter which is the purpose of the resolution of the Board of Directors, if all directors who are entitled to vote agree in writing or by means of electromagnetic file to such proposal, it shall be deemed that the resolution to approve such proposal at a meeting of the Board of Directors has been made.

**Article 9.** (*Person Who Has Special Interests*)

Any person who has special interests with respect to a matter to be resolved at a meeting of the Board of Directors may not participate in voting for resolution thereof.

## CHAPTER V

### MATTERS TO BE RESOLVED

**Article 10.** *(Matters to be Resolved)*

1. The following matters shall be resolved at a meeting of the Board of Directors.
  - (1) Important matters concerning the management policy of the Company and its subsidiaries and other entities administered by the Company (collectively, the “Mizuho Group”)
    - (i) Basic matters concerning the management of the Mizuho Group
    - (ii) Basic matters concerning annual business plans and mid- and long-term business plans of the Mizuho Group;
    - (iii) Basic matters concerning the capital policy of the Mizuho Group (together with the preceding two items, these form the “basic management policy” under Article 416, Paragraph 1, Item 1 (a) of the Companies Act);
    - (iv) “System to ensure the properness of operations” of the Mizuho Group (the “Internal Control System”);
    - (v) Matters concerning changes of particularly important companies of the Mizuho Group; and
    - (vi) Basic matters concerning risk governance, risk management, compliance, and internal auditing of the Mizuho Group.
  - (2) Important matters concerning the Company
    - (i) Determination of convocation of general meetings of shareholders and agenda thereof;
    - (ii) Determination of person authorized to convene general meetings of shareholders and the chairman thereof (including the order in which substitutes are to be determined);
    - (iii) Appointment and removal of directors with special titles;
    - (iv) Appointment and dismissal of executive officers as defined in the Companies Act;
    - (v) Appointment and removal of representative executive officers as defined in the Companies Act, and executive officers as defined in the Companies Act with special titles;
    - (vi) Matters concerning the interrelationship between executive officers as defined in the Companies Act, including the commission to executive officers as defined in the Companies Act, and hierarchy of commands of executive officers as defined in the Companies Act;
    - (vii) Selection and appointment of, dismissal and removal of, and commission to executive officers as defined in our internal regulations with special titles;
    - (viii) Approval of competitive transactions and conflicting interest transactions by directors and executive officers as defined in the Companies Act;
    - (ix) Determination of person authorized to convene meetings of the Board of Directors and the Chairman thereof (including the order in which substitutes are to be determined);
    - (x) Determination of director to receive demands for convocation of meetings of the Board of Directors from executive officers as defined in the Companies Act;
    - (xi) Appointment and removal of members who constitute the Nominating Committee, the Compensation Committee, and the Audit Committee;
    - (xii) Appointment and removal of the Chairman of each of the Nominating Committee, the Compensation Committee, and the Audit Committee;

- (xiii) Determination of a person to represent the Company in any action between the Company and a member of the Audit Committee;
  - (xiv) Matters concerning business transfers, etc. (including transfers of shares or equity of subsidiaries), mergers, absorption-type company splits, incorporation-type company splits, share exchanges, and share transfers of the Company which require the approval of a general meeting of shareholders;
  - (xv) Approval of financial statements, business reports and supplementary schedules, temporary financial statements, and consolidated financial statements;
  - (xvi) Distribution of surplus and other matters the Board of Directors is authorized to determine pursuant to the provisions of the Articles of Incorporation;
  - (xvii) Determination of approval of transfers of stock acquisition rights with restriction on transfers; and
  - (xviii) Establishment of, revisions to, and abolition of particularly important internal regulations.
- (3) Important matters concerning the management of subsidiaries, etc.
- (i) Matters concerning transfer of particularly important subsidiaries and other entities administered by the Company
  - (ii) Basic matters concerning risk governance, risk management, compliance, and internal auditing of the core group companies (meaning the “core group companies” as provided in the Group Management Administration Regulations)
  - (iii) Selection and appointment of, dismissal and removal of, and commission to executive officers as defined in our internal regulations with special titles of management category A companies (companies categorized into “management category A” under the Group Management Administration Regulations)
- (4) Other matters provided for in laws and regulations or the Articles of Incorporation, or resolved at a General Meeting of Shareholders
- (5) Any other matter that a Director believes should be proposed at a meeting of the Board of Directors
2. The Supplementary Provisions of the Regulations of the Board of Directors shall apply as the operating standards with respect to the matters to be resolved in the preceding paragraph.

## CHAPTER VI

### REPORTS, ETC. TO THE BOARD OF DIRECTORS

**Article 11.** *(Business Execution Reports)*

1. Executive officer(s) as defined in the Companies Act shall report to the Board of Directors at least once every three (3) months on the status of the execution of his or her duties.
2. Each person appointed by the Nominating Committee, the Compensation Committee, or the Audit Committee from among their members shall report without delay to the Board of Directors on the status of the execution of the duties of that committee.
3. The Supplementary Provisions of the Regulations of the Board of Directors shall apply as the operating standards with respect to the matters to be reported to the Board of Directors.

**Article 12.** *(Other Reports, etc.)*

1. The Board of Directors may, when necessary, have executive officers as defined in the Companies Act, executive officers as defined in our internal regulations, specialist officers, and employees of the Company, and directors, executive officers as defined in our internal regulations, specialist officers, and employees of subsidiaries, etc., of the Company, and outside experts, etc., attend meetings of the Board of Directors and seek their reports and opinions.
2. If an executive officer as defined in the Companies Act, executive officer as defined in our internal regulations, specialist officer or employee of the Company, or a director, executive officer as defined in our internal regulations, specialist officer or employee of subsidiaries, etc. of the Company receives a request from the Board of Directors, that person shall attend a meeting of the Board of Directors and explain matters requested by the Board of Directors.

**CHAPTER VII**

**EXECUTIVE OFFICERS AS DEFINED IN THE COMPANIES ACT WITH SPECIAL TITLES AND  
EXECUTIVE OFFICERS AS DEFINED IN OUR INTERNAL REGULATIONS WITH SPECIAL  
TITLES**

**Article 13.** *(Executive Officers as Defined in the Companies Act with Special Titles)*

1. The Board of Directors shall, by its resolution, appoint a President & CEO from among the executive officers as defined in the Companies Act.
2. The Board of Directors may, by its resolution, appoint one or more Deputy President & Executive Officer, Senior Managing Executive Officer, and Managing Executive Officer from among the executive officers as defined in the Companies Act.

**Article 14.** *(Executive Officers as Defined in our Internal Regulations with Special Titles)*

The Board of Directors may, by its resolution, appoint one or more Deputy President & Executive Officer, Senior Managing Executive Officer, and Managing Executive Officer from among the executive officers as defined in our internal regulations.

**CHAPTER VIII**

**PRESIDENT & CEO**

**Article 15.** *(Duties of the President & CEO)*

The President & CEO shall oversee the business of the Company as the chief executive officer of the Mizuho Group (Group CEO).

**Article 16.** *(Delegation to the President & CEO)*

The determination of businesses other than the matters provided for in Article 10 of these Regulations shall be delegated to the President & CEO.

## CHAPTER IX

### DIRECTORS WITH SPECIAL TITLES

**Article 17.** (*Directors with Special Titles*)

The Board of Directors may, by its resolution, appoint a Chairman, Deputy Chairman, and other directors with special titles from among the Non-Executive Directors.

## CHAPTER X

### MINUTES

**Article 18.** (*Minutes*)

The minutes of meetings of the Board of Directors shall be prepared in writing or by electromagnetic file as provided for in laws and regulations, and the Directors present thereat shall affix their names and seals thereon or electronic signatures thereto.

## CHAPTER XI

### OTHER MATTERS

**Article 19.** (*Amendment and Abolition*)

These Regulations and the Supplementary Provisions of the Regulations of the Board of Directors may be amended or abolished by a resolution of the Board of Directors.

**Article 20.** (*Division in Charge*)

The division in charge for administering these Regulations is the Corporate Secretariat.

## Code of Ethics for Financial Professionals

### Article 1 (Objective)

This *Code of Ethics for Financial Professionals* (hereinafter referred to as the “Code”) sets forth the code with which the financial professionals of the Mizuho Financial Group, Inc. (hereinafter referred to as “the Company”) must comply.

### Article 2 (Definition)

For the purposes of this Code, “financial professionals” refers to the Company’s Director(s), executive officer(s) as defined in the Companies Act, executive officer(s), specialist officer(s) as defined in our internal regulations, and employees involved in finance, accounting, and disclosure.

### Article 3 (Conflicts of Interest)

The financial professionals must always act honestly and ethically, including in cases in which their personal interests and professional interests conflict with each other either substantially or formally.

### Article 4 (Disclosure)

The financial professionals must submit, report, disclose and carry out all other external announcements of the financial reports, etc. of the Company in a complete, fair, accurate, and timely manner, as well as in a manner easy to understand.

### Article 5 (Compliance with Laws and Regulations, etc.)

The financial professionals must comply with all laws, regulations, rules and accounting principles that apply to the execution of their duties.

### Article 6 (Prohibited Acts)

The financial professionals must not take actions to deceive, extort, conciliate, or mislead auditing corporations involved in audits of the financial statements of the Company with the objective of causing misunderstanding regarding said financial statements.

### Article 7 (Reporting)

In the case that a violation of this Code has occurred or is suspected to have occurred, the financial professionals must make a report immediately, in accordance with the Compliance Manual and other relevant regulations of the Company.

### Article 8 (Liability)

1. The financial professionals must always act in accordance with this Code.
2. In the case that a financial professional has violated this Code, they will not only be subject to disciplinary action under the regulations of the Company but may also bear civil or criminal liability under the related laws and regulations.

### Article 9 (Amendment and Cancellation)

Amendment or cancellation of this Code shall be carried out with the approval of the Board of Directors.



**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yasuhiro Sato, certify that:

1. I have reviewed this annual report on Form 20-F of Mizuho Financial Group, Inc. (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: July 21, 2016

By: /s/ Yasuhiro Sato

Name: Yasuhiro Sato

Title: Chief Executive Officer

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Koichi Iida, certify that:

1. I have reviewed this annual report on Form 20-F of Mizuho Financial Group, Inc. (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: July 21, 2016

By:  /s/ Koichi Iida

Name: Koichi Iida

Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the annual report of Mizuho Financial Group, Inc. on Form 20-F for the year ended March 31, 2016 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the United States Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Yasuhiro Sato, Chief Executive Officer, and Koichi Iida, Chief Financial Officer of Mizuho Financial Group, Inc., each certifies that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Mizuho Financial Group, Inc.

Date: July 21, 2016

By: /s/ Yasuhiro Sato  
Name: Yasuhiro Sato  
Title: Chief Executive Officer

By: /s/ Koichi Iida  
Name: Koichi Iida  
Title: Chief Financial Officer