

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, 2019  
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)

Tomomichi Fujita, +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

Trading Symbols

Name of each exchange on which registered

Common Stock, without par value  
American depositary shares, each of which  
represents two shares of common stock

MFG  
MFG

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, 2019, the following shares of capital stock were issued: 25,392,498,945 shares of common stock (including 6,520,138 shares of common 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 every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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 “Mizuho 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.

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 Five-Year 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;
- problems related to our information technology systems and cyber attacks; 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, 2015, 2016, 2017, 2018 and 2019 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, 2015, 2016, 2017, 2018 and 2019 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, 2015, 2016, 2017, 2018 and 2019 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,				
	2015	2016	2017	2018	2019
	(in millions of yen, except per share data, share number information and percentages)				
<b>Statement of income data:</b>					
Interest and dividend income . . .	¥ 1,457,659	¥ 1,500,171	¥ 1,509,030	¥ 1,761,886	¥ 2,207,443
Interest expense . . . . .	411,982	495,407	601,712	889,936	1,313,476
Net interest income . . . . .	1,045,677	1,004,764	907,318	871,950	893,967
Provision (credit) for loan losses . . . . .	(60,223)	34,560	37,668	(126,362)	32,459
Net interest income after provision (credit) for loan losses . . . . .	1,105,900	970,204	869,650	998,312	861,508
Noninterest income . . . . .	1,801,215	1,883,894	1,368,032	1,604,663	1,222,371
Noninterest expenses . . . . .	1,639,462	1,657,493	1,757,307	1,763,677	1,998,819
Income before income tax expense . . . . .	1,267,653	1,196,605	480,375	839,298	85,060
Income tax expense . . . . .	437,420	346,542	91,244	237,604	9,335
Net income . . . . .	830,233	850,063	389,131	601,694	75,725
Less: Net income (loss) attributable to noncontrolling interests . . . . .	27,185	(429)	26,691	24,086	(8,746)
Net income attributable to MHFG shareholders . . . . .	¥ 803,048	¥ 850,492	¥ 362,440	¥ 577,608	¥ 84,471
Net income attributable to common shareholders . . . . .	¥ 798,138	¥ 848,062	¥ 362,440	¥ 577,608	¥ 84,471
<b>Amounts per share:</b>					
Basic earnings per common share—net income attributable to common shareholders . . . . .	¥ 32.75	¥ 34.19	¥ 14.33	¥ 22.77	¥ 3.33
Diluted earnings per common share—net income attributable to common shareholders . . . . .	¥ 31.64	¥ 33.50	¥ 14.28	¥ 22.76	¥ 3.33
Number of shares used to calculate basic earnings per common share (in thousands) . . . . .	24,368,116	24,806,161	25,285,899	25,366,345	25,362,376
Number of shares used to calculate diluted earnings per common share (in thousands) . . . . .	25,381,047	25,387,033	25,380,302	25,373,931	25,366,898
Cash dividends per share <sup>(1)(2)</sup> :					
Common stock . . . . .	¥ 7.50	¥ 7.50	¥ 7.50	¥ 7.50	¥ 7.50
	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07
Eleventh series class XI preferred stock <sup>(3)</sup> . . . . .	¥ 20.00	¥ 20.00	¥ —	¥ —	¥ —
	\$ 0.17	\$ 0.18	\$ —	\$ —	\$ —



	As of and for the fiscal years ended March 31,				
	2015	2016	2017	2018	2019
	(in millions of yen, except per share data, share number information and percentages)				
<b>Balance sheet data:</b>					
Total assets	¥190,114,354 <sup>(4)</sup>	¥193,810,151 <sup>(4)</sup>	¥200,456,304	¥204,255,642	¥197,611,195
Loans, net of allowance	77,528,017	77,104,122	81,804,233	83,204,742	82,492,742
Total liabilities	181,924,510 <sup>(4)</sup>	185,626,960 <sup>(4)</sup>	191,684,247	194,751,942	188,109,702
Deposits	114,206,441	117,937,722	131,184,953	136,884,006	138,296,916
Long-term debt	14,576,861 <sup>(4)</sup>	14,765,527 <sup>(4)</sup>	14,529,414	12,955,230	11,529,400
Common stock	5,590,396	5,703,144	5,826,149	5,826,383	5,829,657
Total MHFG shareholders' equity	7,930,338	8,014,551	8,261,357	8,868,421	8,726,519
<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	0.42%	0.43%	0.18%	0.28%	0.04%
Net income attributable to common shareholders as a percentage of average MHFG shareholders' equity	13.86%	13.33%	5.25%	8.26%	1.11%
Dividends per common share as a percentage of basic earnings per common share	22.90%	21.94%	52.34%	32.94%	225.23%
Average MHFG shareholders' equity as a percentage of total average assets	3.04%	3.23%	3.38%	3.35%	3.71%
Net interest income as a percentage of total average interest-earning assets	0.63%	0.58%	0.51%	0.47%	0.48%

Notes:

- (1) Yen amounts are expressed in U.S. dollars at the rate of ¥119.96 = \$1.00, ¥112.42 = \$1.00, ¥111.41 = \$1.00, ¥106.20 = \$1.00 and ¥110.68 = \$1.00 for the fiscal years ended March 31, 2015, 2016, 2017, 2018 and 2019, 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) Figures represent cash dividends per share with respect to the applicable fiscal year. Dividends with respect to a fiscal year include year-end dividends and interim dividends. Declaration and payment of dividends are conducted during the immediately following fiscal year, in the case of year-end dividends, or immediately following interim period, in the case of interim dividends.
- (3) 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.
- (4) Total assets, total liabilities and long-term debt have been recalculated to reflect the retrospective adoption of ASU No.2015-03. See note 2 to our consolidated financial statements included elsewhere in this annual report.

## Japanese GAAP Selected Consolidated Financial Information

	As of and for the fiscal years ended March 31,				
	2015	2016	2017	2018	2019
	(in millions of yen, except per share data and percentages)				
<b>Statement of income data:</b>					
Interest income . . . . .	¥ 1,468,976	¥ 1,426,256	¥ 1,445,555	¥ 1,622,354	¥ 2,056,327
Interest expense . . . . .	339,543	422,574	577,737	814,988	1,293,846
Net interest income . . . . .	1,129,433	1,003,682	867,818	807,366	762,480
Fiduciary income . . . . .	52,641	53,458	50,627	55,400	55,153
Net fee and commission income . . . . .	593,360	607,551	603,542	614,349	610,427
Net trading income . . . . .	262,963	310,507	325,332	275,786	297,367
Net other operating income . . . . .	209,340	246,415	245,419	162,454	87,306
General and administrative expenses . . . . .	1,351,611	1,349,593	1,467,221	1,488,973	1,430,850
Other income . . . . .	301,652	365,036	438,042	565,683	447,300
Other expenses . . . . .	207,147	228,807	279,368	192,113	712,927
Income before income taxes <sup>(1)</sup> . . . . .	990,632	1,008,252	784,193	799,953	116,259
Income taxes:					
Current <sup>(2)</sup> . . . . .	260,268	213,289	196,535	190,158	161,376
Deferred . . . . .	44,723	69,260	(58,800)	1,469	(163,879)
Profit <sup>(1)</sup> . . . . .	685,640	725,702	646,457	608,326	118,762
Profit attributable to non- controlling interests <sup>(1)</sup> . . . . .	73,705	54,759	42,913	31,778	22,196
Profit attributable to owners of parent <sup>(1)</sup> . . . . .	¥ 611,935	¥ 670,943	¥ 603,544	¥ 576,547	¥ 96,566
<b>Net income per share:</b>					
Basic . . . . .	¥ 24.91	¥ 26.94	¥ 23.86	¥ 22.72	¥ 3.80
Diluted . . . . .	24.10	26.42	23.78	22.72	3.80
<b>Balance sheet data:</b>					
Total assets . . . . .	¥ 189,684,749	¥ 193,458,580	¥ 200,508,610	¥ 205,028,300	¥ 200,792,226
Loans and bills discounted <sup>(3)</sup> . . . . .	73,415,170	73,708,884	78,337,793	79,421,473	78,456,935
Securities . . . . .	43,278,733	39,505,971	32,353,158	34,183,033	29,774,489
Deposits <sup>(4)</sup> . . . . .	113,452,451	117,456,604	130,676,494	136,463,824	137,649,596
Net assets . . . . .	9,800,538	9,353,244	9,273,361	9,821,246	9,194,038
<b>Risk-adjusted capital data (Basel III)<sup>(5)</sup>:</b>					
Common Equity Tier 1 capital . . . . .	¥ 6,153,141	¥ 6,566,488	¥ 7,001,664	¥ 7,437,048	¥ 7,390,058
Tier 1 capital . . . . .	7,500,349	7,905,093	8,211,522	9,192,244	9,232,160
Total capital . . . . .	9,508,471	9,638,641	10,050,953	10,860,440	10,917,507
Risk-weighted assets . . . . .	65,191,951	62,531,174	61,717,158	59,528,983	57,899,567
Common Equity Tier 1 capital ratio . . . . .	9.43%	10.50%	11.34%	12.49%	12.76%
Tier 1 capital ratio . . . . .	11.50	12.64	13.30	15.44	15.94
Total capital ratio . . . . .	14.58	15.41	16.28	18.24	18.85

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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 the 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 III basis. We utilize the advanced internal ratings-based approach (the “AIRB approach”) for the calculation of risk-weighted assets associated with credit risk and the advanced measurement approach (the “AMA”) for the calculation of operational risk. 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.

In our financial results for the fiscal year ended March 31, 2019, we recorded losses totaling ¥695.4 billion under Japanese GAAP in connection with carrying out our structural reforms as described in “Item 4.B. Business Overview—General—Recording of Losses in Light of Structural Reforms.” The losses consisted of (i) impairment losses on fixed assets and (ii) losses pertaining to the restructuring of securities portfolio, etc., in our markets division. We reviewed the application of impairment losses on long-lived assets in order to enhance the sophistication of our management accounting capabilities, and we also revised our future earnings plans, and branch network strategy, etc., for each business area pursuant to our new Five-Year Business Plan. As a result of these revisions, we recorded impairment losses on fixed assets of ¥500.7 billion under Japanese GAAP, including software attributable to the domestic retail business division and branches that are scheduled to be closed, as an extraordinary loss. Most of the corresponding losses have not been incurred under U.S. GAAP because of the differences in the accounting for impairment of long-lived assets between U.S. GAAP and Japanese GAAP, particularly those related to the allocation of long-lived assets that do not have identifiable cash flows largely independent of the cash flows of other asset groups to individual divisions. In connection with the implementation of the restructuring of the securities portfolio of the markets division in respect of our past investments in foreign bonds, etc., we recorded losses in the amount of ¥194.7 billion under Japanese GAAP. Most of the corresponding losses had already been recognized under U.S. GAAP in respect of our past investments in foreign bonds primarily because they were reported as trading securities under U.S. GAAP.

See “Item 5. Operating and Financial Review and Prospects—Reconciliation with Japanese GAAP” for information on the reconciling items between our U.S. GAAP financial statements and our Japanese GAAP financial statements for the fiscal year ended March 31, 2019.

### **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 Credit, Market and Other 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 manufacturing and real estate industries as well as banks and other financial institutions 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 that are expected to be affected when risk events occur, 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 the status of domestic and global credit cycles, the business environment in particular industries, prices of real estate assets 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.

**Impairment of the carrying value of our long-lived assets could materially and adversely affect our financial condition and results of operations.**

We periodically review our long-lived assets that are held for use for events or changes in circumstances that indicate possible impairment. Our 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. We cannot accurately predict the amount and timing of any impairment of long-lived assets. Should these assets not generate sufficient cash flows to justify their carrying value and we recognize impairment losses thereon, there could be a material adverse effect on our financial condition and results of operations. For example, in the fiscal year ended March 31, 2019 we recorded ¥500.7 billion of impairment losses under Japanese GAAP, which unlike U.S. GAAP allows for the option of allocating entity-wide long-lived assets among individual divisions within an entity. The above losses involved entity-wide long-lived assets, consisting primarily of internally developed software allocated to the domestic retail business division for the purpose of the impairment test under Japanese GAAP.

**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. In particular, our foreign currency funding structure relies more on capital markets compared to our yen-based funding. 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:

- 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;
- adverse developments with respect to our financial condition and results of operations; or
- downgrading of our credit ratings or damage to our reputation.

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

**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, assuming a downgrade occurred on March 31, 2019, the additional collateral requirement in connection with our derivative contracts if other conditions remain unchanged, would have been approximately ¥3.7 billion for a one-notch downgrade and approximately ¥9.0 billion for a two-notch downgrade.

**Failure to maintain capital adequacy ratios and other regulatory standards above minimum required levels could have material adverse effects.**

***Capital adequacy regulations***

We are subject to capital adequacy regulations as prescribed by the Financial Services Agency based on the Basel III rules text issued by the Basel Committee on Banking Supervision, both on a consolidated basis and with respect to each of our principal banking subsidiaries. The capital adequacy ratio rules will continue to be applied in stages over several years, with full application scheduled to commence in January 2027 under the finalized Basel III reforms published by the Basel Committee on Banking Supervision in December 2017. Furthermore, we have been named by the Financial Stability Board as a “global systemically important bank” (G-SIB), and a higher level of capital adequacy ratio is applicable to us as a result. In addition, the list of G-SIBs, including their categorization regarding the level of additional required capital, are updated annually, and there is a possibility that we will be required to have a higher level of capital in the future. See “Item 5. Operating and Financial Review and Prospects—Capital Adequacy” and “Item 4.B. Business Overview—Supervision and Regulation—Capital Adequacy.”

We endeavor to maintain our capital adequacy ratios at an appropriate and sufficient level in light of our risk-asset management plan that is integrated with our business strategy, capital efficiency needs and the status of the risks enumerated in these “Risk Factors.” However, our and our principal banking subsidiaries’ 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 of calculating capital adequacy ratios and other factors. Also, there are regulatory adjustments, such as those related to goodwill and other intangibles, deferred tax assets and investments in the capital of banking, financial and insurance entities, that are deducted from regulatory capital under certain conditions. Our or our principal banking subsidiaries’ regulatory capital and capital adequacy ratios could decline due to such regulations.

If the capital adequacy ratios of us or our principal 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 a plan to limit the outflow of capital or an improvement plan that would strengthen the capital base, a reduction (or slowing of increase) of total assets, a reduction in the size of business operations, a disposition of subsidiary shares and a suspension of all or a portion of business operations. In addition, some of our banking subsidiaries are subject to capital adequacy regulations in foreign jurisdictions such as the United States, and in the event of a breach of these regulations, they could be subject to various restrictions and orders from local authorities. Such events could adversely affect our business, financial condition and results of operations.

### ***Leverage ratio regulations***

In December 2017, the Basel Committee on Banking Supervision published the finalized Basel III reforms in which the framework for the leverage ratio requirements was finalized, and the phased application of the requirements, as prescribed by the Financial Services Agency, commenced on March 31, 2019, with full application scheduled to take effect from January 2022 under the finalized Basel III reforms published by the Basel Committee on Banking Supervision in December 2017. The regulation requires bank holding companies and banks to maintain their leverage ratio, which is a supplementary indicator of the capital adequacy ratio, at a certain level or above. See “Item 5. Operating and Financial Review and Prospects—Capital Adequacy” and “Item 4.B. Business Overview—Supervision and Regulation—Capital Adequacy.” If the leverage ratio falls below that level, the Financial Services Agency could require us to take corrective actions, including the submission of an improvement plan that would strengthen the capital base, a reduction (or slowing of increase) of total assets, a reduction in the size of some business operations, a disposition of subsidiary shares and a suspension of all or a portion of business operations. Such events could adversely affect our business, financial condition and results of operations.

### ***Total Loss Absorbing Capacity (TLAC) regulations***

In November 2015, the Financial Stability Board released a final document requiring G-SIBs to have a certain minimum total loss absorbing capacity (TLAC). The phased application by the Financial Services Agency of TLAC regulations in Japan to Japanese G-SIBs, including us, began on March 31, 2019 with full application, with certain limited exception, to take effect from March 31, 2022. These regulations are applicable to G-SIBs such as us, in addition to capital adequacy regulations. See “Item 5. Operating and Financial Review and Prospects—Capital Adequacy” and “Item 4.B. Business Overview—Supervision and Regulation—Capital Adequacy.” If the TLAC of us or our material subsidiaries fall below a certain threshold, the Financial Services Agency could require the submission of a plan to improve TLAC or may issue a business improvement order which could include various restrictions on, or suspension of portions of, our business. Such events could adversely affect our business, financial condition and results of operations.

### ***Capital procurement***

The capital raising that we conduct in light of our regulatory capital requirements, including those conducted in response to TLAC requirements but excluding Common Equity Tier 1 capital requirements, consists primarily of the issuance of debt instruments. However, in the event of a deterioration in our financial condition or results of operations, a downgrade in our credit rating, or the spread of negative rumors or other reputational damage, an economic downturn in Japan or overseas, financial system instability or financial market turmoil, we may become unable to raise capital at commercially reasonable costs, or at all. This could negatively affect our ability to maintain or improve our capital adequacy ratios in accordance with our plans, and our business, financial condition and results of operations could be materially and adversely affected.

### **Problems relating to our information technology (IT) 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. We endeavor to sustain stable daily operations and develop contingency plans for unexpected events, including the implementation of backup and redundancy measures. Mizuho Bank and Mizuho Trust & Banking are working on shifting to our next-generation accounting system for the purpose of improving our customer service capabilities. Between June 2018 and July 2019, we completed the transition by Mizuho Bank to a new accounting system, and Mizuho Trust & Banking is scheduled to transfer to the new accounting system in July 2019. We are taking measures for a safe and steady transition, such as suspending online services during the transition period.



However, we may not be able to prevent significant disruptions to our information technology systems caused by, among other things, human error, accidents 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.

**Problems relating to cyber attacks could significantly impair our ability to protect our customer's private information and disrupt our business operations.**

Our business depends on the secure processing, storage and transmission of confidential and other information within our global IT systems. There have been a number of highly publicized cases involving financial services companies, consumer-based companies, governmental agencies and other organizations reporting the unauthorized disclosure of client, customer or other confidential information in recent years, as well as cyber attacks involving the dissemination, theft and destruction of corporate information or other assets, as a result of failure by employees or contractors to follow procedures or as a result of actions by third parties, including actions by foreign governments.

As we and our outside contractors continue to be the target of unauthorized access attacks, mishandling or misuse of information, computer viruses or malware, cyber attacks designed to obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, denial of service attacks, data breaches and other events, there can be no assurance that we will not suffer any losses or other consequences in the future as a result of significant incidents due to these cyber attacks. Although our Cyber Incident Response Team (CIRT) has led the implementation of, and continuously endeavors to upgrade, our protective measures using advanced technologies, our IT systems, software and computer networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. Due to the complexity and interconnectedness of our global IT systems, these protective measures may be ineffective, and the process of enhancing our protective measures can itself create a risk of system disruption and security issues, and there can be no assurance that our current or future countermeasures will be sufficient to prevent or mitigate the impact of such incidents.

A cyber attack, information or security breach or a technology failure that involves us or our outside contractors could jeopardize our or our customers', employees', partners', vendors' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, our and our outside contractors' IT systems. Furthermore, such events could cause interruptions or malfunctions in our, our customers', employees', partners', vendors', counterparties' or outside contractor's operations, as well as the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of ours, our employees, our customers or of other third parties. Any of these events could result in reputational damage with our customers and the market, customer dissatisfaction or financial losses, any of which could adversely affect our financial condition and results of operations.

**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, including as a result of cyber attacks.**

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 Act of Japan, may not be effective in preventing all such problems. Leakage of important information in the future, including as a result of cyber attacks, could result in liabilities and regulatory actions and may also lead to significant harm to our reputation. In addition, recent or future regulatory changes, such as the Japan Amended Personal Information Protection Act, the EU General Data Protection Regulation and the UK Competition and Markets Authority's Open Banking standard, increase the risks relating to our ability to comply with rules that

impact our ability to protect information. Non-compliance with such regulations could result in regulatory proceedings, litigation, enforcement or the imposition of fines or penalties. As a result, our business, financial condition and results of operations could be materially and adversely affected.

**Inadequacies in anti-money laundering and counter-terrorism financing measures could subject us to regulatory actions and harm our reputation.**

As financial crimes become more diverse and sophisticated, and incidents of terrorism continue to occur around the world, the importance of anti-money laundering measures and the need to counter the financing of terrorism is rapidly increasing and is a key priority for financial authorities worldwide, including Japan. We have developed a system to comply with applicable laws and regulations in Japan and overseas, and we are continuously implementing measures to further strengthen measures against money laundering. However, there can be no assurance that such measures will be effective in preventing all violations, and failure to comply with regulations and requirements can result in enforcement and/or regulatory proceedings. If we fail to meet the regulatory requirements to which we are subject, or to maintain risk and control procedures and processes that meet the heightened standards established by our regulators and other government agencies, we could be required to enter into settlements, comply with orders, pay additional fines, penalties or judgments, or accept material regulatory restrictions on our businesses. As a result, our business, financial condition and results of operations may 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 (prohibitions partially lifted in October 2017), Syria and North Korea, and we maintain policies and procedures to comply with applicable U.S. laws. 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.

**Violations of laws and regulations related to financial market activities could subject us to adverse consequences such as regulatory actions and reputational harm.**

In conducting our market operations in Japan and overseas, we are subject to the application of the laws and regulations of Japan and other countries and stock exchange rules, as well as being under the supervision of various financial authorities.

While we maintain compliance measures and endeavor to manage compliance risks, there can be no assurance that such measures will be effective in preventing all violations. Misconduct by employees, including improper or illegal conduct, can cause significant reputational harm as well as litigation and regulatory action. As a result, our business, financial condition and results of operations could be materially and adversely affected due to such regulatory actions and reputational damage.

**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 violations.

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.

**Our Five-Year 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 2019, we announced our Five-Year Business Plan for the five fiscal years ending March 31, 2023. 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 due to these or other factors, including, but not limited to, differences in the actual economic environment compared to our assumptions, as well as the risks enumerated in these “Risk Factors.”

For further information of our Five-Year Business Plan, see “Item 4. Business Overview—General and structural reforms.”

**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 banking, 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.

**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 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.

**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 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 strengthen 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.

**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 and bank capital regulations, see "Item 10.B. Additional Information—Memorandum and Articles of Association" and "Item 4.B. Business Overview—Supervision and Regulation—Japan."

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

**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 or that requires us to incur additional costs related to our IT systems, our business, financial condition and results of operations could be materially and adversely affected.

**Uncertainties regarding the future of LIBOR as an interest rate benchmark and any successor thereto subjects us to various risks.**

Many of our products and services refer to benchmark interest rates such as the London Interbank Offered Rate (“LIBOR”) in many currencies, including the U.S. dollar. We also utilize such benchmark interest rates for our own evaluation of financial instruments and various other internal management purposes.

In light of the LIBOR manipulation scandal that surfaced in 2012, many financial authorities around the world have commented on a transition to the risk-free rate as the benchmark interest rate to improve reliability and transparency. In addition, in July 2017, the Chief Executive of the Financial Conduct Authority of the United Kingdom (“FCA”), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to present rates for the calculation of the LIBOR benchmark after 2021, raising the possibility that the continuation of LIBOR on the current basis cannot be guaranteed after 2021, and there is a substantial risk that LIBOR will be discontinued or modified by 2021.

We have established a special division tasked to prepare us for the suspension of publication of LIBOR and the shift to a successor interest rate benchmark. Many unresolved issues remain, such as the selection of successor benchmarks, the timing of their introduction and the transition of a particular benchmark to a replacement rate could result in wide spread dislocation in the financial markets, engender volatility in the pricing of securities, derivatives and other instruments, and suppress capital markets activities. As a result, the transition could, for example, cause hedging accounting items to be derecognized and increase litigation risks regarding our existing products and services, which could adversely impact our profitability. There can be no assurance that a change in the benchmark interest rate and related valuation methods will not have a material adverse effect on our financial condition and results of operations. We may also be adversely affected if the change restricts our ability to provide products and services or if it necessitates the development of additional information technology systems.

**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 such natural disasters and criminal acts. For example, 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.

**Our reputation could be adversely affected if our business operations are perceived as being harmful to the environment and society.**

As concerns regarding environmental and social issues such as climate change have heightened in recent years, we believe that our stakeholders as well as the society at large expect that we, as a financial services provider, give increasing consideration to such issues. While we are strengthening our efforts to reduce environmental and social risks, including establishing policies for engaging with sectors that are likely to exacerbate negative impacts on the environment and society, the expectations placed upon us continue to heighten day by day, and our reputation may be harmed if our efforts fall short of such expectations. As a result, our business, financial condition and results of operations 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 the 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 OF 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 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 was 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 banking 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 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, Mizuho Americas LLC, which holds our primary U.S.-based banking, securities and institutional custody services (trust banking) entities together under it, 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.

In December 2017, two subsidiaries of Mizuho Americas LLC, the former Mizuho Bank (USA) and the Mizuho Trust & Banking Co. (USA), merged. The merged entity, Mizuho Bank (USA), provides both banking services and trust services.

In October 2016, with a view to strengthening our respective asset management businesses, we and The Dai-ichi Life Insurance Company, Limited integrated 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., and formed a new company named Asset Management One Co., Ltd., a consolidated subsidiary of Mizuho Financial Group.

In March 2017, we, Sumitomo Mitsui Trust Holdings, Inc., Resona Bank, Limited as a subsidiary of Resona Holdings, Inc. and The Dai-ichi Life Insurance Company, Limited as a subsidiary of Dai-ichi Life Holdings, Inc. executed a memorandum of understanding to commence detailed analysis and negotiations in preparation for the management integration of Japan Trustee Services Bank, Ltd. (“JTSB”) and Trust & Custody Services Bank, Ltd. (“TCSB”), which was a consolidated subsidiary of Mizuho Financial Group. In March 2018, TCSB executed a management integration agreement with JTSB to carry out the management integration through incorporation of a holding company by joint share transfer. In October 2018, TCSB and JTSB incorporated JTC Holdings, Ltd. (“JTC Holdings”) by joint share transfer. After the joint share transfer, TCSB and JTSB became wholly-owned subsidiaries of JTC Holdings, and JTC Holdings, TCSB and JTSB became equity-method affiliates of Mizuho Financial Group. The purpose of the integration is to contribute to further growth in the domestic securities settlement market and domestic investment chain by realizing more stable and higher quality operations and strengthening its system development capabilities by seeking the benefits of scale.

### **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.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). As a foreign private issuer,

we are exempt from the rules under the Exchange Act that prescribe the furnishing and content of proxy statements to shareholders. Our corporate website is [www.mizuho-fg.co.jp/index.html](http://www.mizuho-fg.co.jp/index.html).

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

### **General**

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

We promoted our medium-term business plan, entitled “Progressive Development of “One Mizuho”—The Path to a Financial Services Consulting Group,” for the three years from the fiscal year ended March 31, 2017. In order to address three material issues in the fiscal year ended March 31, 2019, the final year of the plan, specifically (1) commencement and implementation of fundamental structural reforms, (2) accomplishment of the medium-term business plan and (3) the migration to our next-generation IT system, our group-wide management policy was to progressively develop the One Mizuho strategy by implementing changes to the structure and foundations of our business, further integrating the “customer first” principle into everything we do, and fundamentally increasing productivity.

First, with respect to the commencement and implementation of fundamental structural reforms, in order to strengthen our earning capabilities, we undertook various efforts, including expanding the scope of risk-taking, focusing on areas with growth potential and accelerating the credit review process through a revision of our credit assessment framework. In addition, we endeavored to streamline the number of personnel to align with our business strategy, shift some Head Office personnel to the frontlines and restructure our customer channels by combining branches with respect to banking, trust banking and securities.

Secondly, with respect to the accomplishment of the medium-term business plan, we steadily carried out our initiatives, including strengthening our model for noninterest income business on a global basis and disposing of cross-shareholdings. With respect to financial targets, we achieved the target levels we had set regarding our consolidated Common Equity Tier 1 capital (CET1) ratio and disposing of cross-shareholdings (based on the amount consented to by relevant issuers); however, we were unable to achieve our targets regarding our consolidated ROE, RORA and group expense ratio, partly due to the recording of losses in light of structural reforms, as described below, and other influences.

Thirdly, we worked on the migration to our next-generation IT system as one of our top management priorities and have successfully completed the eight migration steps that were scheduled to be implemented in the fiscal year ended March 31, 2019.

In addition to the above-mentioned initiatives, we have proceeded with initiatives such as the creation of new business opportunities and expansion of solution domains through the use of digital technology and open collaboration with third parties, including those in other industries.

Fourthly, in an effort to contribute to the sustainable development of society and to create new corporate value, we have addressed environmental, social and governance (ESG) issues. With respect to the environment and society, we established Policies on Specific Industrial Sectors, which set forth our policies in response to clients in certain industries where there is a high possibility that our involvement with the client would contribute to an adverse impact on the environment and society. With respect to governance, we revised our executive compensation system, raised the proportion of stock compensation for executives responsible for business execution and implemented other related measures.

Finally, with respect to legal compliance, we continued working on a variety of efforts, such as preventing transactions with individuals or organizations associated with organized crime and taking countermeasures against money laundering and terrorism financing, including our response to the fourth mutual evaluation of Japan by the Financial Action Task Force, an inter-governmental body that promotes measures for combating money laundering and terrorist financing.

### *Recording of Losses in Light of Structural Reforms*

In our financial results for the fiscal year ended March 31, 2019 under Japanese GAAP, we recorded losses totaling ¥695.4 billion in connection with carrying out our structural reforms. Based on our view that the business environment will continue to be challenging for the foreseeable future, we aim to implement feasible measures at an early stage, accelerate the elimination of structural issues, and further solidify our stable profit base.

Our customers' needs and the financial industry are rapidly undergoing structural changes in reflection of the structural shifts occurring in the economy, industry and society such as digitalization, an aging society with low birthrates and globalization. It is essential that we respond quickly to these structural changes, especially in light of increasing uncertainty in the business environment due to concerns regarding a global economic slowdown, signs of a turn in the credit cycle and other factors.

In consideration of the above environment and issues, we launched the 5-Year Business Plan: Transitioning to the Next Generation of Financial Services for the five-year period beginning the fiscal year ending March 31, 2020. Our new business plan is focused on transitioning to the next generation of financial services—forging new forms of partnerships with our customers so that we can respond to their needs as the times change.

Our objective is to build a stronger and more resilient financial group that our customers can depend on in the coming era.

### *Outline of the New Business Plan*

#### *Basic policy*

By implementing forward-looking structural reforms focused on three interconnected areas—business structure, finance structure and corporate foundations—we will endeavor to resolve the mismatch that has arisen in the allocation of corporate resources such as branch offices and human resources and respond to new customer needs in order to transition to the next generation of financial services.

The five-year period of the business plan can be broadly divided into two phases: Phase 1 (three years beginning the fiscal year ending March 31, 2020) in which full implementation of the structural reforms, building the firm foundations for the next generation financial services, will be conducted; and phase 2 (two years beginning the fiscal year ending March 31, 2023), which will aim to achieve the effects of the structural reforms and accelerate further growth.

#### *Key strategy*

In order to transition to the next generation of financial services, we will create new value incorporating both financial and non-financial products and services by going beyond the conventional boundaries of finance in order to forge new forms of partnerships with our customers.

#### *Forging new forms of partnerships with our customers*

- For individual customers: be a partner that helps customers design their lives in a changing society.
- For corporate & institutional clients: be a strategic partner for developing businesses during a period of structural changes in industries.
- For market participants: be a partner with expert knowledge of market mechanisms and the ability to draw on a range of intermediary functions.

For such purpose, we will draw on the strengths that we have cultivated thus far and accelerate our digitalization initiatives and proactive collaboration with external partners.

### *Our key strengths*

- Customer base, network, trustworthiness and dependability
- Financial functions, market presence and ability to respond to non-financial needs
- Approach business as a unified group

We will also uphold “Open & Connected” and “Passionate & Professional” as our action principles.

### Open & Connected

- We will flexibly blend customer segments, regions, functions and other aspects of our business to create new, more open value chains (or the chain of value added in each process before we deliver a product to a customer) spanning across finance and adjacent fields.
- We will proactively collaborate not only within the Mizuho group but also with external partners.

### Passionate & Professional

- Each employee will be encouraged to find a source of inspiration in the dreams and hopes of our customers and better connect with them.
- We will draw on our strengths, backed by our expertise, to anticipate customers’ needs and then think, act and deliver.

### *Priority business domains*

#### *Business structural reforms*

We will implement business structural reforms focused on the following initiatives to better enable us to respond to structural shifts occurring in the economy, industry and society while drawing on our strengths.

- Be a partner that helps customers design their lives in a changing society.
  - Assist customers with asset building to support their life design in an era of lengthening lifespans, and develop professionals capable of providing this assistance.
  - Provide sophisticated solutions for business succession needs and assist clients with needs regarding identifying candidates for senior management roles.
  - Create next-generation branches focused on consulting that combine physical locations and digital channels.
  - Appeal to new customer demographics and create new demand through the application of technology and open collaboration.
- Be a strategic partner for business development under a changing industrial structure.
  - Open collaboration for growth acceleration, including financing the growth of startups and forming industry-government-academia partnerships.
  - Utilize our industry knowledge and other insights to build new forms of partnerships that share business risks.
  - Leveraging our Asian client base and networks in order to support the business development of global clients.
- Be a partner with expert knowledge of market mechanisms and the ability to draw on a range of intermediary functions.
  - By strengthening our global network and products framework, draw on a broad range of intermediary functions to connect investors with other investors and connect issuers with investors.

- Enhance the sophistication of our ALM and portfolio management through flexible asset allocation while maintaining a focus on achieving a balance between realized gains and unrealized gains/losses.

#### *Financial structure reforms*

We will implement financial structure reforms focused on the following initiatives to transition to a flexible business/earnings structure that can better respond to changes in the business and competitive environments:

- Identify business/earnings structure issues in each business domain, focusing on the following four perspectives:
  - Risk and return (gross profits ROE)
  - Cost and return (expense ratio)
  - Growth potential
  - Stability
- Based on the above factors, streamline certain areas and concentrate/re-allocate corporate resources to growth areas.
- After establishing a stable profit base, transition to an earnings structure centered on proactively pursuing earnings streams with upside potential.

#### *Corporate foundations reforms*

We will implement the following initiatives in order to strengthen our corporate foundations as a means of supporting continued competitive advantages:

- Transform our approach to new business and our working style.
  - Focus on the areas of personnel/workplace, IT systems/digital, sales channels and group companies.
  - Revise our human resources management in line with an approach that prioritizes employees' professional growth and career preferences and promote a new human resources management strategy focused on maximizing our workforce value in a manner that is universally recognizable.
- Strengthen group governance.
  - Expand the use of "dual-hat" appointments of executive officers between our holding company and group companies and other methods of strengthening unified management of the group, including group companies other than banking, trust banking and securities subsidiaries. This will enhance our ability to implement key strategies and structural reforms.
- Cultivate a new corporate culture centered on communication.

#### *Sustainability initiatives*

Through the initiatives under the new business plan, we will aim to create new value for our stakeholders as follows:

- For customers: Create new value through finance and surrounding business areas, with an aim to achieve increased customer convenience and business growth.
- For shareholders: Increase corporate value by resolving structural issues and accelerating growth.
- For employees: Create workplaces that give employees a sense of purpose, linked to customer satisfaction.

Based on the above, we will define sustainability for the Mizuho group as “achieving sustainable and stable growth for the group, and through this growth, contributing to the sustainable development and prosperity of the economy, industry and society around the world.” Further, we will select “key sustainability areas” that reflect the expectations and demands of our stakeholders, based on their materiality to and affinity with our strategies, and the medium- to long-term impact on our corporate value. This will form the basis of our efforts to contribute to the realization of the UN’s Sustainable Development Goals (SDGs), the international goals adopted in September 2015 that were set forth in the “2030 Agenda for Sustainable Development.”

#### *Management policy for the fiscal year ending March 31, 2020*

For the first year of the new business plan, we will implement forward-looking structural reforms ahead of schedule. Unified as a group, we will accelerate the structural reforms, and along with this, we will come together as a group to revise various business operations in order to forge new forms of partnerships with our customers as a starting point for creating value in a wide range of areas.

### **Group Operations**

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

We operate our group through five in-house companies, which determine and promote strategies group-wide across banking, trust banking, securities and other business areas according to the attributes of customers, and two units that support all of the in-house companies.

#### *Retail & Business Banking Company*

The Retail & Business Banking Company is responsible for customer segments consisting of individual customers, SMEs and middle-market corporations, engages in consulting services that integrate banking, trust banking, securities and other functions within the Mizuho group, as well as providing convenient financial services by leveraging advanced technologies and forming alliances with other companies.

For individual customers, the Retail & Business Banking Company will strive to improve our capacity to provide consulting services, including asset management and asset succession, while working on the development and provision of convenient services by leveraging advanced technologies and forming alliances with other companies and institutions.

As a reliable partner in an era of lengthening lifespans, we support customers who have concerns about their long term plans, and in addition to the consulting services that combine banking, trust banking and securities functions, we offer our customers asset formation support that utilizes advanced technologies, such as AI-powered asset management advisory services and asset management support utilizing remote channels, etc. Accordingly, in addition to strengthening our efforts related to NISA, a tax exemption program for small investments, and iDeCo, an individual-type defined contribution pension plan, we will strengthen financial education through seminars.

Furthermore, to support the smooth asset succession, we provide services such as inheritance distribution service and testamentary-trust that utilize trust function. We have also expanded our line of products and services such as Multifunctional Safety Trust and a web based app that can be used to manage inheritance.

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 firstly products that meet a diverse range of needs, internet-based services and the development of a new business model that utilizes advanced technology.

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

In addition, in an effort to increase customer convenience, we have enhanced the efficiency of our branch network throughout Japan (Mizuho Bank: 464; Mizuho Trust & Banking: 60; Mizuho Securities: 259; each as of March 31, 2019) and our ATM network (approximately 7,200 locations as of March 31, 2019, including ATMs shared with AEON Bank). We also have 150 of Mizuho Securities “Planet Booths,” which are located in the branches and offices of Mizuho Bank, and 23 of Mizuho Trust & Banking “Trust Lounges,” which are located in the branches and offices of Mizuho Bank, as of March 31, 2019.

Moreover, with the aim of constructing a convenient and efficient channel network that responds to changes in customer needs, we are promoting the next generation of branches and offices which serve as consulting spaces along with a reduction of the number of branches and offices through reorganization and consolidation.

We have also made efforts to enhance customer convenience. For example, we are engaging in collaboration with other companies and are utilizing advanced technologies to offer new financial and other services and to enhance the quality of our internet and smart phone services, in light of changing customer needs due to ongoing digitalization.

In the fiscal year ended March 31, 2019, we strengthened our efforts in new business areas, including the launch of a new affiliate, J.Score CO., LTD, the commencement of discussions into joint establishment of a new bank with LINE Corporation, and the launch of J-Coin Pay, a smartphone-based payment service, in cooperation with approximately 60 other financial institutions.

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

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

In response to increasing customer needs related to their growth strategy or business succession in an unclear business environment, we offer multi-layered solutions in response to the various development stages of our customers’ businesses through the combined strength of our banking, trust banking, securities, asset management and research and consulting functions, based on a customer-focused approach.

Specifically, we offer syndicated loans, advisory services related to overseas expansions, mergers and acquisitions-related services, and business matching services, depending on the customers’ business strategies, in addition to brokering financial products and expanding the customer base for trustee business for defined contribution pension plans, combining financial services and advanced advisory services.

Furthermore, due to the aging of Japanese business owners, business succession and asset inheritance has become a matter of urgency. Using our succession and property know-how, we actively offer solutions for optimal and smooth business succession and asset inheritance, including the inheritance of business ownership and corporate stock as well as corporate reorganization, addressing both individual and corporate needs.

Moreover, we leverage our existing customer base to support the growth of innovative companies that show future promise by means of finance and other solutions.

In light of structural changes in customer needs against the backdrop of further progress in digitalization, an aging society with a low birthrate and other factors, we will enhance the efficiency of sales channels, including physical storefronts, and expand new business areas to realize the wants and desires of individual customers as well as the sustainable growth of corporate customers.

In order to achieve this goal, we will take advantage of our broad customer base, trustworthiness and dependability, as well as our consulting capabilities. At the same time, we will collaborate openly with those both

inside and outside the Mizuho group to provide new value incorporating both financial and non-financial products and services, as a partner for individual customers' life design and corporate customers' growth strategies and business succession.

#### *Corporate & Institutional Company*

The Corporate & Institutional Company is responsible for customer segments consisting of large corporations, financial institutions and public-sector entities in Japan, provides custom-designed solutions for each client on a group-wide basis to meet their capital raising, asset management and business/financial strategy related needs.

For large corporate customers, based on our solid customer relationships and utilizing our global industry knowledge, we offer group-wide financial solutions that are tailored for each customer, such as fund management, underwriting of equity and bonds, M&A advisory and risk hedging products, etc., on a global basis to meet their needs in fund-raising, investment, management and financial strategies. In March 2019, in consideration of increasing customer needs for a diverse range of financial solutions, we made IBJ Leasing Company, Limited (which plans to change its trade name to Mizuho Leasing Company, Limited in October 2019) our equity method affiliate and increased our ability to offer solutions.

Mizuho Bank and Mizuho Securities have introduced the dual-hat structure in several offices in Japan. Through the global inter-sectoral group collaboration, they provide our customers with solutions based on their capital management, business strategy and financial strategy on a global basis.

Mizuho Bank and Mizuho Trust & Banking together provide solutions related to real estate, where we have a leading track record in the industry in Japan. They also work together in the areas of pension, asset securitization, securities management, stock transfer agent, consulting, etc., in response to our customers' diversified needs for investment and asset optimization.

Further, we are proactively providing risk money to renewable energy companies and startups to develop next-generation industries and growth companies and promote collaboration among companies over their business areas.

For 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 diversified needs of customers.

For public sector customers, as a leading bank with a wealth of experience and a solid track record, 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 addition, in the field of revitalizing rural regions in Japan, an important matter to the Japanese economy, we engage in Public Private Partnerships/Private Finance Initiatives (PPP and PFI) projects in collaboration with regional financial institutions, national and regional government entities and their affiliates.

We will build new relationships with customers and endeavor to realize value co-creation and co-prosperity based on changes in customer needs in response to changes in social and industrial structures.

In order to achieve this goal, as a strategic partner for our customers' business development, we will utilize our sophisticated industry knowledge and competency to create business opportunities for our customers and to demonstrate our ability to draw on a broad range of intermediary functions in the sharing of business risks, with an open mindset.



### *Global Corporate Company*

The Global Corporate Company is responsible for customer segments consisting of both Japanese companies operating outside Japan and non-Japanese companies, provides various solutions by taking advantage of our deep understanding of our clients' businesses and our strengths in corporate finance and transaction banking, such as lending and corporate bond underwriting.

For our Japanese corporate customers, we provide integrated 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 Asia, we support Japanese corporate customers developing new markets by offering advisory and other services.

We are also expanding business with non-Japanese corporate customers. We use our global network to support U.S. and European global companies developing business in Asia as well as Asian multinational enterprises expanding within Asia. For our non-Japanese corporate customers, we are pursuing the Global 300 Strategy, which involves focusing on a group of approximately 300 blue-chip companies around the world. Taking the characteristics of each industry sector into consideration, we take a focused approach based on our know-how and insight on the business and financial aspects. Through a close relationship with top management, we aim to develop long-term relationships with our customers. Our market presence within the United States continues to grow, including in the area of investment-grade corporate debt underwriting, based on the enhanced sophistication in the collaboration between our banking and securities functions.

Meanwhile, we are enhancing our support to clients by expanding our global office network and strengthening the framework to support our customers' business outside Japan. We have recently opened the Mizuho Bank (China), Ltd. Shanghai Hongqiao Sub-Branch and Mizuho Securities Europe GmbH.

We are forming business alliances with government-affiliated institutions and financial institutions to provide up-to-date local information to our customers. We are also enhancing our service framework to address the diverse business needs of customers, including post-entry support.

We will adjust our business portfolio in anticipation of future growth constraints, such as future regulatory changes and our foreign currency funding capabilities. At the same time, we will collaborate with customers in their development of global businesses to strengthen cross-regional business value chains. In order to achieve this goal, as a strategic partner that supports the development of businesses globally, we will link customers and our business functions located in Asia with those in other regions, based on our network in the rapidly growing Asian economies and our presence in the fertile U.S. capital markets.

### *Global Markets Company*

The Global Markets Company is responsible for market-related businesses, engages in sales and trading services for a wide range of customers, from individuals to institutional investors, by offering market products to meet their risk hedging and asset management needs through collaboration between the Mizuho group's banking, trust banking and securities functions, as well as investments in equity, fixed income and others.

To become a top-class Asian player in the global markets, our basic strategy is to enhance our presence in the market so that we can develop the most suitable products and organizational structure based on arising customer needs.

With respect to the sales and trading business, through a management structure based on customer segments, we offer detailed products and services based on our sophisticated knowledge, experience and expertise to meet the diverse needs of our customers and support their global business by integrating our banking, trust banking and securities functions as well as our broad customer base, network and presence in the financial market.

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 the banking and securities to provide products that meet our customers' needs.

With respect to our asset liability management, we contribute to balance sheet management through the stabilization of domestic currency and foreign currency liquidity management. Also, as for the investment business, we earn stable revenue by constructing a diversified portfolio in interest rates, equity and credit markets, and appropriate asset allocation with using our early warning control to reflect the changes of market environment flexibly. In the previous fiscal year we started the implementation of initiatives for taking risks, and we continue to implement management focusing on achieving an appropriate balance between realized gains and unrealized gains/losses by restructuring stable earning sources with risk-taking capabilities.

In addition, we are also actively working on the advancement of our early warning control and decision making through digitalization by the use of advanced technology such as AI.

We aim to realize a stable earnings structure in the investment business and to improve sales and trading services with clearly defined focus areas which enable us to draw on diverse intermediary functions through the market and create diverse value for our customers.

In order to achieve this goal, as a partner with expert knowledge of market mechanisms that has insight into markets, we will enhance our asset allocation and product lineup and aim to establish a stable profit base. At the same time, we will provide appropriate investment opportunities to investors with different risk appetite.

#### *Asset Management Company*

The Asset Management Company is responsible for businesses related to asset management, provides products and services that meet the asset management needs of our wide range of customers, from individuals to institutional investors, through the collaboration between the group's banking, trust banking and securities functions as well as Asset Management One Co., Ltd.

For individual customers, we offer investment products that contribute to their medium- to long-term asset formation.

For institutional investors such as pension funds, we offer consulting services to meet their diversified and sophisticated asset management needs.

We offer our customers investment products that are best suited to them in collaboration with Mizuho Alternative Investments, LLC, our New York-based hedge fund manager, Asset Management One Alternative Investments, Ltd., our Tokyo-based financial gatekeeper, Eurekahedge Pte, LTD., our Singapore-based hedge fund database provider, and Matthews Asia, an independent, privately owned firm and the largest dedicated Asia investment specialist in the U.S.

In addition, in various product fields, we are focusing on developing and offering products through collaboration with BlackRock, Inc. and Partner Group AG.

We will continue to transform our business structure to achieve the high capital efficiency that is inherent to the asset management business, and at the same time, support customers' medium-to long-term asset formation, and thereby contribute to the revitalization of domestic financial assets.

In order to achieve this goal, we will enhance our value-add capabilities relating to asset management by strengthening our investing and solution-providing capabilities, and we will respond to changing customer needs

in a unified group manner. At the same time, we will pursue efficiency and progressiveness through innovation and business process reformation.

### *Global Products Unit*

The Global Products Unit engages in the provision of a wide range of solutions, including M&A, real estate, project finance, domestic and foreign settlement services, asset management and stock transfer agency, as the unit responsible for providing solutions to a wide range of customer segments, including individual customers, corporate clients and investors, in the areas of investment banking and transaction banking.

In the investment banking business we provide sophisticated financial solutions mainly in the business areas as follows:

- In the mergers and acquisitions business, with an aim to increase the corporate value of our customers, we offer sophisticated solutions in response to our customers' needs, mainly in the areas of cross-border mergers and acquisitions, business succession and management buyouts.
- In the real estate business, by taking full advantage of our extensive knowledge and skills developed through the collaboration of our group companies, we offer various real estate-backed financing methods and real estate-related investment strategy support.
- In the asset finance business, by strengthening the collaboration between banking, trust banking and securities functions and by arranging customers' asset securitization, we satisfy their demands such as diversification of fund-raising sources and improvement of financial indices achieved by removing assets from their balance sheet.
- In the project finance business, we provide various financial products and services internationally, including long-term loan facilities for large-scale mining and public infrastructure development, and domestically, including loans for renewable energy-related projects and arrangement of PFI/PPP deals. In addition, we offer investment opportunities to institutional investors through our managed infrastructure debt funds.
- In the corporate finance business, we proactively provide a wide variety of fund raising solutions in the syndicated loan and debt and equity capital markets.

In the transaction business we provide various solutions in accordance with customer needs and the character of their business:

- For our corporate customers in the transaction business, we offer various financial services and products such as online 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 in collaboration with our group companies and leveraging the latest technological innovations.

In the fiscal year ended March 31, 2019, Trust & Custody Services Bank, Ltd. incorporated JTC Holdings, Ltd. by implementing a joint share transfer with Japan Trustee Services Bank, Ltd. for the purpose of realizing more stable and higher quality operations by seeking economies of scale.

As uncertainty grows in the operating environment that our customers and society confront today, we will align ourselves with our customers' changing needs and will provide helpful solutions based on our high level of expertise and knowledge.

In addition, we will support each in-house company's pursuit of its strategies and contribute to increasing the group's stable earnings capability by calibrating the allocation of corporate resources for each product and by effectively creating value chains on a group-wide basis.

#### *Research & Consulting Unit*

The Research & Consulting Unit offers a wide variety of solutions that combine the following:

- research functions that provide deep analysis, spanning from industrial to macroeconomic analysis;
- consulting functions that cover many fields, including business strategy; and
- IT and digital technology insights.

In the research field, we conduct deep investigations and wide-ranging analyses from macro-economics to industry and business trends, and link research and business origination function.

In the consulting field, we also offer a wide range of functions to help solve various issues that companies face, including those regarding management/HR planning/IT strategy and business succession, as well as social issues within the public sector, including the environment, energy, infrastructure and health care by utilizing financial engineering and digital knowledge.

In a rapidly changing economic and social environment, including an aging society with a low birthrate, digitalization and globalization, we will aim to further contribute to creating new value for our customers and society by utilizing our expertise, including industry expertise that can better respond to structural shifts in the needs of our customers, and by creating value chains on a group-wide basis.

In order to realize new value creation, we will work to increase the sophistication of our research functions, enhance our consulting business, leverage IT and digital technology and to address other challenges.

#### **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.

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, leasing companies and other non-bank finance companies.
- Asset management 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 April 28, 2019): (i) ordinary banks, of which there were 123, not including foreign commercial banks with banking operations in Japan; and (ii) trust banks, of which there were 14, 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 mostly based in one of the prefectures of Japan and are generally much smaller in terms of total assets than city banks. In recent years, as a consequence of changes in the business environment, the number of regional banks that integrate their businesses with other regional banks has been increasing. 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 April 28, 2019, there were 56 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 April 2019, the maximum deposit amount that Japan Post Bank Co., Ltd. may accept increased from 13 million yen in aggregate for ordinary deposits and time deposits to a total of 26 million yen, 13 million yen each for ordinary deposits and time deposits.

In recent years, as a result of technological advances in the digital field called "FinTech," entry from different industries into areas considered to be the inherent business of financial institutions such as settlement services has been increasing.

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 or the minimum leverage 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 holding company or 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.

Furthermore, under the Japanese TLAC regulations introduced in March 2019, the Financial Services Agency, acting on behalf of the Prime Minister, may order the bank holding company of a G-SIB in Japan to be designated as the domestic resolution entity of such G-SIB to submit reports related to improvement of TLAC or may issue a business improvement order to such domestic resolution entity if the external TLAC ratio of the domestic resolution entity or the internal TLAC of its material subsidiaries in Japan fall below the minimum requirements. See “Total Loss Absorbing Capacity” below.

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 has been performed pursuant to a Financial Inspection Manual published by the Financial Services Agency, but on December 15, 2017 the Financial Services Agency announced a plan to repeal the Financial Inspection Manual after April 1, 2019 and establish a new framework for bank supervision. In order to upgrade the quality of its supervisory activities, strengthen Japan’s financial infrastructure, and to enable the Japanese economy to realize its full potential, the Financial Services Agency embarked on the review of the supervisory approaches. The Financial Services Agency announced the “JFSA’s supervisory approaches—Replacing checklists with engagement” in June 2018 and the “JFSA’s Supervisory Approaches Aimed at Financial Stability (Basic Policy on Prudential Policies)” in March 2019, and is committed to continuous improvement of the supervisory approaches through dialogue with financial institutions, etc.

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. 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 2019, 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, is 0.033%.

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.

Further, under a possible model of Single Point of Entry (“SPE”) resolution described in the Japanese TLAC regulations published by the Financial Services Agency in March 2019, if the Financial Services Agency determines that a material subsidiary in Japan of a Japanese financial institution that is a G-SIB is non-viable due to material deterioration of its financial condition after recognizing that it is or is likely to be unable to fully perform its obligations with its assets, or that it has suspended, or is likely to suspend, repayment of its obligations, and issues an order concerning restoration of financial soundness, including recapitalization and restoration of liquidity of such material subsidiary, to the resolution entity in Japan of such financial institution, the material subsidiary’s internal TLAC instruments will be written off or, if applicable, converted into equity in accordance with the applicable terms of such internal TLAC instruments. Following the write-off or conversion of internal TLAC instruments, if the Prime Minister recognizes that the resolution entity in Japan of the financial institution is or is likely to be unable to fully perform its obligations with its assets, or that it has suspended or is likely to suspend, repayment of its obligations, as a result of the resolution entity’s loans to, or other investment in, its material subsidiaries that are designated by the Financial Services Agency as being systemically important or that are subject to TLAC requirements or similar requirements imposed by a relevant foreign authority, becoming subject to loss absorption or otherwise, and further recognizes that the failure of such resolution entity is likely to cause a significant disruption to the Japanese financial market or system, the Prime Minister may, following deliberation by the Financial Crisis Management Meeting, confirm that specified item 2 measures (tokutei dai nigo sochi) need to be applied to the resolution entity for its orderly resolution.

### *Recovery and Resolution Plan*

In November 2018, the Financial Stability Board published the latest list of G-SIBs. The list is annually updated by the Financial Stability Board in each November, and the list as of November 2018 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. In 2016, the law was further amended to extend the period for application to March 31, 2022. None of the financial institutions within the Mizuho group are subject to such special exceptions.

### *Bank Holding Companies*

Under the amendments to the Banking Act, which became effective from April 2017, a bank holding company is required to administrate the businesses of the bank holding company group and is, in principle, prohibited from carrying out businesses other than administrating such businesses and matters incidental to such businesses; however, given prior approval of the Prime Minister, a bank holding company may carry out certain operations common to its group companies so as to improve the efficiency of their operations. 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. Despite the foregoing shareholding restrictions, under the amendments to the Banking Act, which became effective from April 2017, bank holding companies and banks, with prior approval of the Prime Minister, can acquire and own voting rights of companies whose businesses contribute or are expected to contribute to the increased sophistication of the banking business or the enhancement of customer convenience by utilizing information and communication technology that exceed the threshold of the voting rights described above.

### *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 tameno 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.

In addition, in June 2018, the Financial Services Agency announced in the “JFSA’s supervisory approaches—Replacing checklists with engagement” that it would, using current practice as a starting point, discuss the future policy direction of loan classification, loan write-offs and loan-loss provisioning with financial institutions, external auditors and other experts. Based on this, the Financial Services Agency established the “Study Group on Supervisory Approaches to Lending Practices” in June 2018, and is planning to discuss and issue discussion papers regarding future supervisory approaches towards lending and to engage in dialogues with a wide range of stakeholders.

#### *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 Act 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, 2022. The Bank’s Shareholdings Purchase Corporation purchased ¥1,305.3 billion of shares during the period from March 12, 2009 through March 31, 2017. The Bank’s Shareholdings Purchase Corporation will dispose of the purchased shares by March 31, 2032 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 and Mizuho Trust & Banking 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 were increased by 20% increments per year, and became fully effective in March 2018.

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 was phased in starting in March 2016 at 0.625% and became 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 was 1.0%. The additional loss absorption capacity requirement was the same as that imposed by the Financial Stability Board, which was phased in starting in March 2016 at 0.25% and became fully effective in March 2019 at 1.0%.

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 risk, market risk and operational risk.

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.

In December 2017, the Basel Committee on Banking Supervision (“BCBS”) published the finalized Basel III reforms endorsed by the Group of Central Bank Governors and Heads of Supervision. The finalized reforms complement the initial phase of Basel III reforms set forth above, seek to restore credibility in the calculation of risk-weighted assets and improve the comparability of banks’ capital ratios. Such reforms include the following elements:

- a revised standardized approach for credit risk, which is designed to improve the robustness and risk sensitivity of the existing approach;
- revisions to the internal ratings-based approach for credit risk, where the use of the most advanced internally modelled approaches for low-default portfolios will be limited;
- revisions to the credit valuation adjustment (CVA) framework, including the removal of the internally modelled approach and the introduction of a revised standardized approach;
- a revised standardized approach for operational risk, which will replace the existing standardized approaches and the advanced measurement approaches;
- revisions to the capital floor, under which banks’ risk-weighted assets generated by internal models must be no lower than 72.5% of the total risk-weighted assets as calculated using only the standardized approaches under the revised Basel III framework; and
- requirements to disclose their risk-weighted assets based on the standardized approaches.

In addition, under the finalized Basel III reforms, G-SIBs are required to meet a leverage ratio buffer, which will take the form of a Tier 1 capital buffer set at 50% of the applicable G-SIB’s risk-weighted capital buffer, and various refinements are made to the definition of the leverage ratio exposure measure based on the text of the leverage ratio framework issued by the BCBS in January 2014.

The revised framework will mainly take effect from January 1, 2022, and the revisions to the capital floor will be phased in from January 1, 2022, with the initial capital floor of 50%, and will be fully implemented at 72.5% from January 1, 2027.

For further information regarding 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. 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 defined as Tier 1 capital, and the minimum leverage ratio is defined as 3%. The Financial Services Agency applied the requirement from March 31, 2019 to meet the minimum leverage ratio for bank holding companies and banks with international operations.

The leverage ratio requirements under the finalized definition of the leverage ratio exposure measure and the leverage ratio buffer requirement for G-SIBs, will take effect from January 1, 2022.

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 BCBS 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. The BCBS 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 BCBS finalized the NSFR framework in October 2014, and the NSFR was scheduled to be introduced as a minimum standard on March 31, 2019 by the Financial Services Agency, but the introduction was postponed in March 2019.



### *Total Loss Absorbing Capacity*

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.

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, and a revised version of this document was published in April 2018. In March 2019, the Financial Services Agency published regulatory notices and related materials to implement the TLAC requirements in Japan, which is being phased in for Japanese G-SIBs beginning March 31, 2019. According to the Financial Services Agency's approach above, which is subject to change based on future international discussions, the preferred resolution strategy for G-SIBs in Japan as well as a domestic systematically important bank in Japan which is deemed of particular need for a cross-border resolution arrangement and of particular systemic significance to Japanese financial system if it fails (together with G-SIBs in Japan, the "Covered SIBs") is SPE resolution, in which resolution tools are applied to the ultimate holding company 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 Covered SIB in crisis. To implement this SPE resolution strategy effectively, the Financial Services Agency requires the ultimate holding company in Japan of the relevant Covered SIB designated as the resolution entity in Japan of such Covered SIB by the Financial Services Agency to (i) meet the minimum external TLAC requirements, and (ii) cause their material subsidiaries or material sub-groups that are designated as systemically important by the Financial Services Agency or that are subject to TLAC requirements or similar requirements by the relevant foreign authority to maintain a certain level of capital and debt recognized as having loss-absorbing and recapitalization capacity, or internal TLAC. Under the Japanese TLAC regulations, the Financial Services Agency designated Mizuho Financial Group as the resolution entity in Japan for our group, which is subject to the external TLAC requirements in Japan, and designated Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities as Mizuho Financial Group's material subsidiaries in Japan which are subject to Japan's internal TLAC requirements. In addition, under the Japanese TLAC regulations, G-SIBs are required to meet a minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets from March 31, 2019 and at least 18% from March 31, 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator from March 31, 2019, and at least 6.75% from March 31, 2022. Japanese G-SIBs are allowed to count the Japanese Deposit Insurance Fund Reserves in an amount equivalent to 2.5% of their consolidated risk-weighted assets from March 31, 2019, and 3.5% of their consolidated risk-weighted assets from March 31, 2022, as their external TLAC.

### *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 Personal Information Protection Commission 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 became 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.

In February 2018, the Financial Services Agency issued “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism” to clarify the basic stance on risk management practices against money laundering and terrorists financing in order to encourage financial institutions to improve their regimes to effectively prevent money laundering and terrorists financing. The guidelines were partially revised on April 10, 2019, intending to further enhance financial institutions’ risk management for anti-money laundering and combating the financing of terrorism.

#### *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, Dallas, San Francisco and Washington, D.C. representative offices. We also own one bank in the United States, Mizuho Bank (USA), which is engaged primarily in the banking services, trust services and custody business, and Mizuho Securities USA LLC, a U.S. broker dealer engaged in the securities business.

The Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (the “PATRIOT Act”), contains measures to prevent, detect and prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations, creating new crimes and penalties and expanding the extraterritorial jurisdiction of the United States. The Bank Secrecy Act, as amended, imposes anti-money laundering compliance obligations on U.S. financial institutions, including the U.S. offices of foreign banks. 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. As a matter of law, these three companies are required to act as a source of financial strength to Mizuho Bank (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. As FHCs, we, Mizuho Bank, and Mizuho Americas and the companies under their control are permitted to engage in a broader range of activities in the U.S. and abroad than permitted for bank holding companies and their subsidiaries. For example, 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, and therefore enables our group to promote our investment banking business on a broader basis in the United States.

To retain our status as an FHC, we must also comply with certain 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 maintenance of a common equity Tier 1 risk-based capital ratio of at least 6.5%, a Tier 1 risk-based capital ratio of at least 8%, 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 we and 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 an FHC 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, as a general matter, 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 same single-borrower lending limits that apply to federal branches and agencies, which are substantially similar to 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 (“NYDFS”) as well as by the Federal Reserve. 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 may require higher amounts for supervisory reasons. Each other U.S. branch and representative office of Mizuho Bank is also subject to regulation and examination by the state banking authority of the state in which such branch or representative office is located. The deposits of Mizuho Bank’s U.S. branches are not insured by the Federal Deposit Insurance Corporation (“FDIC”).

Mizuho Bank (USA) is a New York state-chartered bank that is a member of the Federal Reserve System whose deposits are insured by the FDIC. As such, Mizuho Bank (USA) is subject to regulation, supervision and examination by the Federal Reserve and the NYDFS, as well as to relevant FDIC regulation.

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 of 2010 (the “Dodd-Frank Act”), provides a broad framework for significant regulatory changes across most areas of U.S. financial regulation. Among other things, the Dodd-Frank Act addresses systemic risk oversight, minimum leverage and risk-based capital requirements for insured depository institutions and depository institution holding companies, and the resolution of failing systemically significant financial institutions.

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 banking organization is subject to comparable home country standards. [In February 2014, the Federal Reserve Board finalized rules (the “FBO Rules”) under Regulation YY that impose enhanced prudential standards on certain large foreign banking organizations having a U.S. presence, such as Mizuho Bank. Under the FBO Rules, 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, in August 2018, the Federal Reserve Board finalized single counterparty credit limits for large foreign banking organizations with respect to their U.S. operations. In addition, under the FBO Rules, foreign banking organizations with consolidated U.S. assets of \$50 billion or more (excluding the assets of U.S. branches and agencies) are, as of July 1, 2016, required to establish or designate a separately capitalized top-tier U.S. intermediate holding company (“IHC”) that would 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 FBO Rules, we established a new U.S. bank holding company, Mizuho Americas, a wholly owned direct subsidiary of Mizuho Bank as of July 1, 2016. Mizuho Americas is currently the holding company for our U.S. bank subsidiary, Mizuho Bank (USA), our U.S. securities broker dealer, Mizuho Securities USA LLC, and certain other our U.S. subsidiaries. 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.

On May 24, 2018, the U.S. Economic Growth, Regulatory Relief and Consumer Protection Act (the “Reform Act”) was signed into law. Among other regulatory changes, the Reform Act raised the threshold for automatic application of enhanced prudential standards to foreign banking organizations (“FBOs”) under the Dodd-Frank Act. The Reform Act, however, did not require the Federal Reserve Board to change the enhanced prudential standards applicable to FBOs with more than \$100 billion in total consolidated assets, such as us.

In April 2019, the Federal Reserve Board issued a proposed rule that would implement the Reform Act’s changes to the application of enhanced prudential standards with respect to FBOs (the “FBO Tailoring Proposal”). The FBO Tailoring Proposal would delineate three categories of enhanced prudential standards applicable to FBOs based on an FBO’s asset size and other factors such as the degree of the cross-jurisdictional activity, reliance on short-term wholesale funding, nonbank assets, and off-balance sheet exposures of an FBO’s U.S. operations. The FBO Tailoring Proposal generally would determine the stringency of enhanced prudential standards applicable to FBOs based on the risk profile of the FBO’s U.S. operations, rather than its global footprint, with most enhanced prudential standards applying only to FBOs with combined U.S. assets of at least \$100 billion. FBOs with global assets of \$100 billion or more and relatively limited U.S. presence would be subject to certain minimum standards, with the Federal Reserve Board relying primarily on compliance with comparable home-country prudential standards with respect to such FBOs.

If the Federal Reserve Board were to adopt final rules amending the enhanced prudential standards currently applicable to us, we cannot predict, at this time, the scope of any such final rules (including the extent to which such final rules would be consistent with the FBO Tailoring Proposal) or the effect that such rules would have on our activities, financial condition and/or results of operations.

Under Section 13 of the Bank Holding Company Act, as amended, also known as the “Volcker Rule,” any insured depository institution (subject to certain exceptions including for depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets and significant trading assets and liabilities), any company that controls such an institution, 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. In December 2013, U.S. financial regulators approved final rules implementing the Volcker Rule, and established a deadline of July 21, 2015 for banking entities to conform their activities and investments to the requirements of the final rules. In December 2014, the Federal Reserve Board extended the conformance period to July 21, 2017 for investments in and relationships with certain funds that were in place prior to December 31, 2013. In addition, prior to the expiration of the general conformance period, banking entities with investments in or relationships with certain “illiquid” funds” were permitted to seek an additional one-time extension by the Federal Reserve Board of up to five years. All investments in and relationships with funds covered by the Volcker Rule made after December 31, 2013 must have been divested or restructured by July 21, 2015.

The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. [For example, on May 24, 2018, the U.S. Economic Growth, Regulatory Relief and Consumer Protection Act (the “Reform Act”) was signed into law. Among other regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by modifying the Volcker Rule to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets or significant trading assets and liabilities, and by raising the threshold for automatic application of enhanced prudential standards to FBOs under the Dodd-Frank Act.. The ultimate consequences of the Reform Act on us and our U.S. operations remain uncertain. The scope any additional future legislation is not possible to determine at this time, and we cannot predict what impact, if any, such future legislative developments will have on us if and when such legislation is enacted.

#### *Cybersecurity and privacy developments in Europe and the U.S.*

The European Union General Data Protection Regulation (“GDPR”) replaced the existing E.U. Data Protection Directive and, as a regulation, took effect in all EU member states from May 25, 2018. Although a number of the existing principles for the protection of personal data remains, the GDPR is designed to harmonize data privacy laws across Europe and reshape the way organizations approach data privacy. The GDPR introduced new obligations and expanded its territorial reach. It applies to all organizations processing or holding personal data of EU ‘data subjects’ (regardless of the organization’s location) as well as to organizations outside the EU that offer goods or services in the EU, or that monitor the behavior of EU data subjects. Personal data is information that can be used to identify a natural person, including a name, a photo, an email address, or a computer IP address. Compliance with the GDPR requires companies to analyze and evaluate how they handle data in the ordinary course of their business, from processes to technology. It imposes a prescriptive approach to compliance requiring organizations to demonstrate and record compliance and to provide much more detailed information to data subjects regarding processing. EU data subjects need to be given full disclosure about how their personal data is used and stored. In that connection, consent must be explicit and companies must be in a position to delete information from their global systems permanently if consent were withdrawn. Financial regulators and data protection authorities throughout the EU will have significantly increased audit and investigatory powers under GDPR to probe how personal data is being used and processed. Penalties for non-compliance are material. Serious breaches of GDPR include antitrust-like fines on companies of up to the greater of €20 million or 4% of global group turnover in the preceding year, regulatory action and reputational risk.

In the United States, federal and state regulators, including the Financial Industry Regulatory Authority (“FINRA”) and the NYDFS, have increasingly focused on cybersecurity risks and responses for regulated entities. For example, on March 1, 2017, the revised NYDFS cybersecurity regulation became effective. The

regulation applies to any person licensed or chartered by the NYDFS, including New York state-chartered banks and NYDFS-licensed branches of non-U.S. banks such as Mizuho Bank (USA) and the New York branch of Mizuho Bank, and requires each company to assess its specific risk profile periodically and design a program that addresses its risks “in a robust fashion”, including addressing risks posed by third-party service providers, training and retention of specialized staff to address cybersecurity risks, maintaining systems designed to reconstruct material financial transactions and complying with security requirements for non-public information. Each covered entity must monitor its systems and networks and notify the superintendent of the NYDFS within 72 hours after it is determined that a material cybersecurity event has occurred. Senior management of the covered entity is required to file an annual certification confirming compliance with the NYDFS regulations beginning February 15, 2018. Similarly, FINRA has identified cybersecurity as a significant risk and will assess firms’ programs to mitigate those risks.

#### *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 a portion of the period covered by this disclosure, Mizuho Bank was a party to a legacy counter guarantee that was opened in connection with activity of its customer for the benefit of an Iranian bank. When the guarantee was entered into, the bank in question, which is related to the Government of Iran, had not been designated under U.S. Executive Orders (“E.O.”) 13224 or 13382, although it was subsequently so designated. Mizuho Bank maintained this guarantee post-designation only after confirming that such a transaction did not involve prohibited or sanctionable activity under U.S. or other economic sanctions. As contractual obligations, this guarantee could not be exited by Mizuho Bank unilaterally. In the fiscal year ended March 31, 2019, Mizuho Bank received fees of less than ¥1 million attributable to this guarantee and earned net profits of less than that amount. Mizuho Bank terminated the counter guarantee in July 2018 before the issuance of E.O. 13846.

#### *Activities through correspondent banking accounts*

In the fiscal year ended March 31, 2019, Mizuho Bank conducted a limited number of fund transfers 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, or through other correspondent banking accounts on behalf of such Iranian banks. These transfers were mainly associated with requests by our customers after the relaxation of applicable sanctions pursuant to the Joint Comprehensive Plan of Action and prior to the full re-imposition of such U.S. sanctions on November 5, 2018. 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

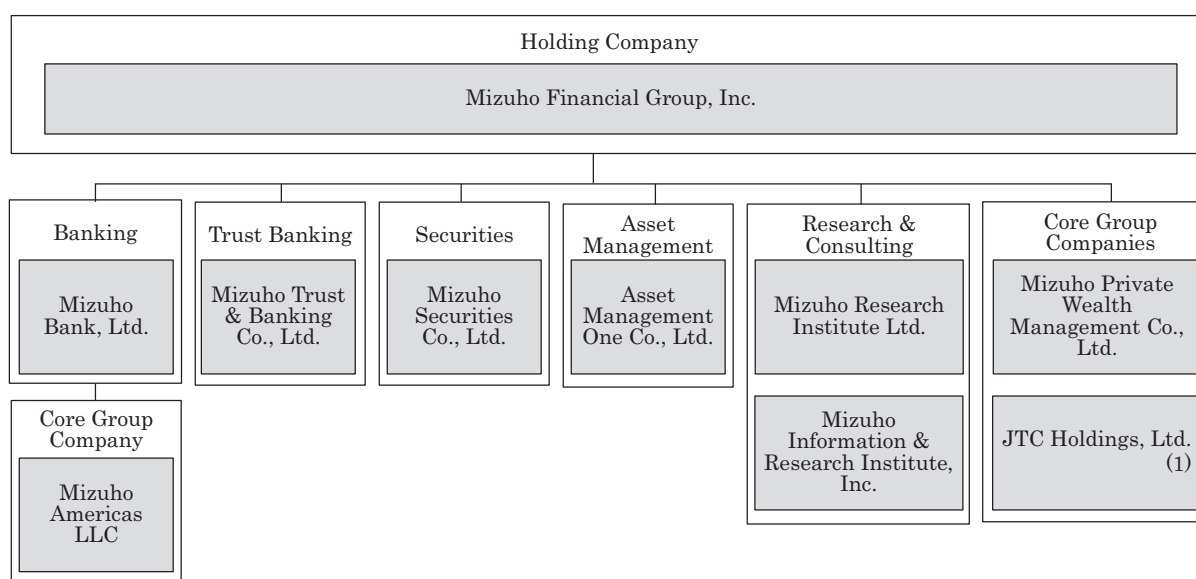
U.S. or other economic sanctions and obtaining licenses issued by Japan’s Ministry of Finance where necessary. Estimated gross revenue to Mizuho Bank in the fiscal year ended March 31, 2019 attributable to fees for these activities was less than ¥12 million, with a net profit of less than that amount. Mizuho Bank will process transfers through these accounts only under the limited circumstances where Mizuho Bank believes the transfer would conform to its 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, 2019:



Note:

(1) JTC Holdings, in which we have a 27.0% equity interest, is an equity-method affiliate of ours.

The following table sets forth information with respect to our principal consolidated subsidiaries as of March 31, 2019:

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%
Mizuho Research Institute Ltd. ....	Japan	Research and consulting	98.6%	98.6%
Mizuho Information & Research Institute, Inc. ....	Japan	Information technology	91.5%	91.5%
Asset Management One Co., Ltd. ....	Japan	Investment management	70.0%	51.0%
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 Realty Co., Ltd. ....	Japan	Real estate agency	100.0%	100.0%
Mizuho Factors, Limited ....	Japan	Factoring	100.0%	100.0%
Mizuho Realty One Co., Ltd. ....	Japan	Holding company	100.0%	100.0%
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%
J.Score CO., LTD ....	Japan	Lending	50.0%	50.0%
Mizuho Trust Systems Company, Limited ....	Japan	Subcontracted calculation services, software development	50.0%	50.0%
Mizuho Capital Co., Ltd. ....	Japan	Venture capital	50.0%	50.0%
<b>Overseas</b>				
Mizuho Americas LLC ....	USA	Holding company	100.0%	100.0%
Mizuho Bank (China), Ltd. ....	China	Banking	100.0%	100.0%
Mizuho International plc ....	UK	Securities and banking	100.0%	100.0%
Mizuho Securities Asia Limited ....	China	Securities	100.0%	100.0%
Mizuho Securities USA LLC ....	USA	Securities	100.0%	100.0%
Mizuho Bank Europe 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) ....	USA	Banking and trust	100.0%	100.0%
Mizuho Securities Europe GmbH ....	Germany	Securities	100.0%	100.0%
Mizuho Capital Markets LLC ....	USA	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, 2018 and 2019:

	As of March 31,	
	2018	2019
	(in millions of yen)	
Land .....	¥ 566,040	¥ 563,032
Buildings .....	811,911	826,781
Equipment and furniture .....	484,102	472,186
Leasehold improvements .....	97,066	97,508
Construction in progress .....	25,849	37,174
Software .....	1,463,786	1,366,481
Total .....	3,448,754	3,363,162
Less: Accumulated depreciation and amortization .....	1,332,570	1,462,210
Premises and equipment—net .....	<u>¥2,116,184</u>	<u>¥1,900,952</u>

Our head office is located at 1-5-5 Otemachi, Chiyoda-ku, Tokyo, Japan. The headquarter building is leased from a third party.

The total area of land related to our material office and other properties as of March 31, 2019 was approximately 650,000 square meters for owned land and approximately 13,000 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, small and medium-sized enterprises (“SME”s), 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.

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 the execution of customer transactions and sales commission of investment trusts and asset-based revenue, which mainly include fees received from investment trust management companies in return for administration services, such as record keeping services, of investment trusts;
- 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;
- fee and commission from asset management business, including investment trust management fees and investment advisory fees for investment trusts;
- fee and commission from trust-related business, including trust fees earned primarily through fiduciary asset management and administration service for corporate pension plans and investment funds and other trust-related fees such as brokerage commissions of real estate property, sales commissions of beneficial interest in real estate trust and charges for stock transfer agent services;
- fee and commission from agency business, including administration service fees related to our agency business such as Japan’s principal public lottery program and revenue from standing proxy services; and
- fees for other customer services, including various revenues such as guarantee fees, sales commissions of life insurance, service charges for electronic banking, financial advisory fees and service charges for software development.

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 debt securities reported as Trading securities.

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.

As to the recent economic environment, the gradual recovery in the global economy has continued, driven by the strong expansion of the United States' economy. On the other hand, the Chinese and European economies showed a clear slowdown due mainly to the influence of trade friction between the United States and China.

In Japan, although the economy continued to recover, exports declined due to weak overseas economies and production remained weak. Employment conditions have been favorable, and consumer spending maintained a gradual recovery trend. The Bank of Japan continues “quantitative and qualitative monetary easing with yield curve control” to achieve the price stability target of 2%, but it is indicated that it will be difficult to achieve this target by the end of the 2020 fiscal year.

In the United States, the economy continued its steady expansion due to such factors as tax cuts and increases in government spending. However, there was a downturn in business confidence in the manufacturing industry due primarily to the impact of the trade friction with such countries as China. While the unemployment rate remained low and wage level growth has accelerated somewhat, spillover effects on prices have yet to be

observed. The Federal Reserve Board (“FRB”) has changed its stance regarding interest rates from one with an inclination towards rate increases to a more wait-and-see stance and announced their planned suspension of the shrinking of their balance sheet.

In Europe, the economy remained weak. Business confidence showed a clear downturn mainly in the manufacturing industry. The European Central Bank (“ECB”) suspended new assets purchases but maintained its policy rate as uncertainties such as concerns regarding Brexit increase.

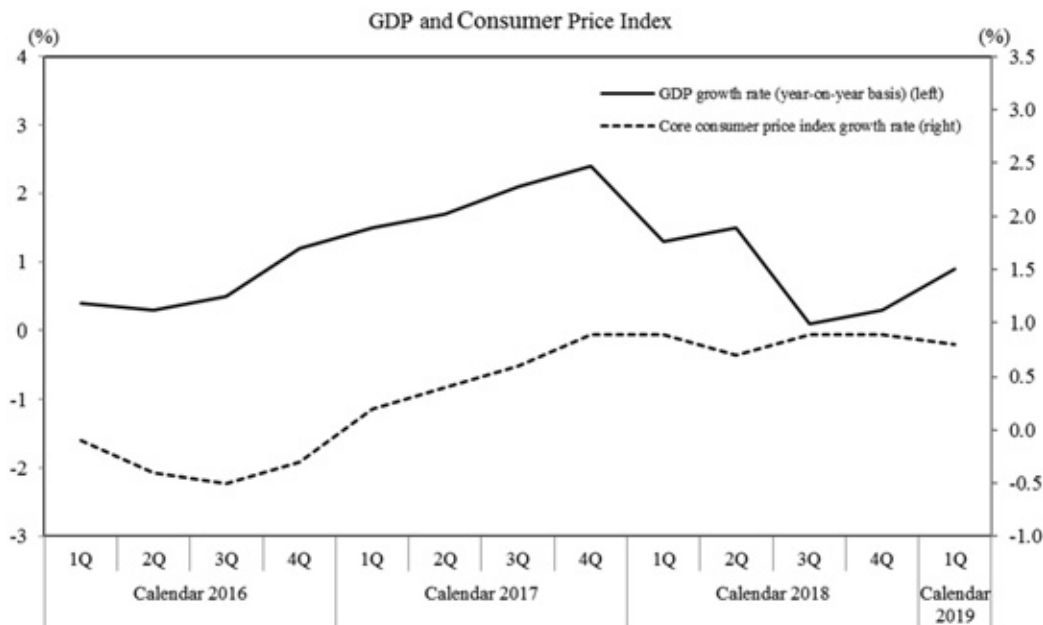
In Asia, the Chinese economy remained stagnant. In China, export growth slowed rapidly due mainly to the impact of trade friction between the United States and China.

In emerging countries, the economies generally continued to recover. However, in some countries with current account deficits, the risk of cash outflows remained amid concerns regarding uncertainty in U.S. trade policies and the Chinese economy.

As for the future outlook of the global economy, recovery is expected to continue, particularly in the United States, but it is necessary to monitor increasing uncertainties such as developments in U.S. trade policies, political concerns in Europe, the economic outlook for China and emerging countries and geopolitical risks in the Middle East.

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

- 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 2016 through the first quarter of 2019:



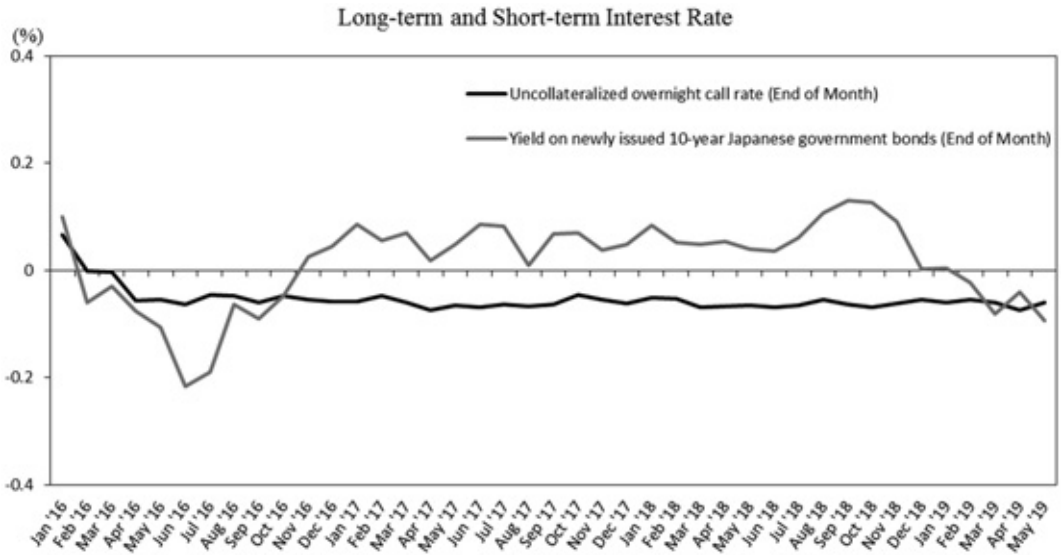
Japan's real gross domestic product on a year-on-year basis increased by 0.9%, 1.9% and 0.7% in the fiscal years ended March 31, 2017, 2018 and 2019, respectively. Japan's real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, increased consecutively from the first quarter of calendar year 2015 through the first quarter of calendar year 2019. Japan's core nationwide consumer price index decreased by 0.2% in the fiscal year ended March 31, 2017, increased by 0.7% and 0.8% in the fiscal years ended March 31, 2018 and 2019, respectively.

- In September 2016, the Bank of Japan decided to introduce “quantitative and qualitative monetary easing with yield curve control” by strengthening its two previous policy frameworks, namely “quantitative and qualitative monetary easing (“QQE”)” and “QQE with a negative interest rate.” The new policy framework consists of two major components: (1) “yield curve control” in which the Bank of Japan will control short-term and long-term interest rates; and (2) an “inflation-overshooting commitment” in which the Bank of Japan commits itself to expand the monetary base until the year-on-year rate of increase in the observed consumer price index exceeds the price stability target of 2% and stays above the target in a stable manner. Under the new policy framework, the Bank of Japan decided to set the guideline for market operations under which, regarding short-term interest rates, the Bank of Japan will apply a negative interest rate of minus 0.1% to certain excess balances in current accounts held by financial institutions at the Bank of Japan, while for long-term interest rates, it would purchase Japanese government bonds to control long-term interest rates so that the yield of 10-year Japanese government bonds will remain at around 0%. In addition, the Bank of Japan decided to introduce the following new tools of market operations so as to control the yield curve smoothly: (i) outright purchases of Japanese government bonds with yields designated by the Bank of Japan; and (ii) fixed-rate funds-supplying operations for a period of up to ten years (thereby extending the longest maturity of the operation of one year).

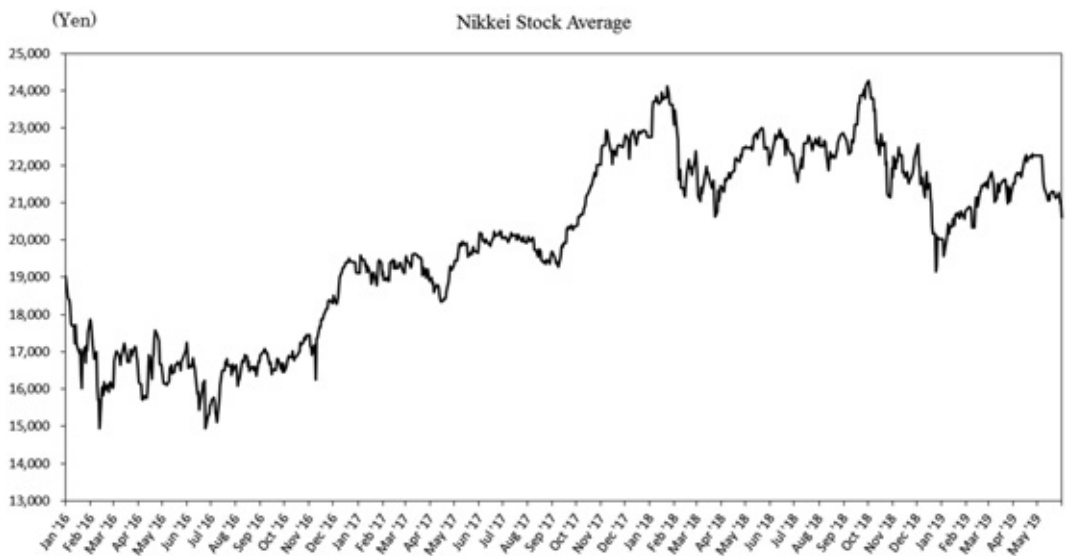
In July 2018, the Bank of Japan decided to strengthen its commitment to achieving its price stability target by introducing forward guidance for policy rates, and to enhance the sustainability of “quantitative and qualitative monetary easing with yield curve control.” In its forward guidance, the Bank of Japan stated its intention to maintain the current extremely low levels of short-term and long-term interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices, including the effects of the consumption tax hike scheduled to take place in October 2019. The Bank of Japan also indicated its aim to ease the yield curve, stating that it would purchase Japanese government bonds so that the yield of 10-year Japanese government bonds will remain at around 0%, although it might move upward and downward to some extent mainly depending on developments in economic activity and prices, and the Bank of Japan would purchase the Japanese government bonds in a flexible manner with regard to the purchase amount. In addition, the Bank of Japan decided to reduce the size of the excess balances in financial institutions' current account to which a negative interest rate is applied under the condition that yield curve control can be conducted appropriately.

In April 2019, the Bank of Japan decided upon the clarification of forward guidance for policy rates and implementation of measures contributing to the continuation of powerful monetary easing, including the expansion of eligible collateral for the bank's provision of credit, with a view to making clearer its policy stance to persistently continue with powerful monetary easing. The Bank of Japan stated its intention to maintain the current extremely low levels of short-term and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices, including developments in overseas economies and the effects of the scheduled consumption tax hike.

The following chart shows movements in long-term interest rates from January 2016 to May 2019, represented by the yield on newly issued 10-year Japanese government bonds, and in short-term interest rates during the same period, represented by the uncollateralized overnight call rate used in the interbank market:



- According to Teikoku Databank, a Japanese research institution, there were 8,153 corporate bankruptcies in the fiscal year ended March 31, 2017, involving approximately ¥1.9 trillion in total liabilities, 8,285 corporate bankruptcies in the fiscal year ended March 31, 2018, involving approximately ¥2.6 trillion in total liabilities, and 8,057 corporate bankruptcies in the fiscal year ended March 31, 2019, involving approximately ¥1.6 trillion in total liabilities. The number of corporate bankruptcies showed a decrease from the previous year for the first time in two years, which was the fewest in ten years since the financial crisis in 2008. The amount of total liabilities decreased by approximately ¥1.0 trillion from the previous fiscal year.
- The following chart shows the daily closing price of the Nikkei Stock Average from January 2016 to May 2019:



The Nikkei Stock Average, which is an average of the price of 225 stocks listed on the Tokyo Stock Exchange, increased by 12.8% to ¥18,909.26 during the fiscal year ended March 31, 2017, followed by a 13.5% increase to ¥21,454.30 during the fiscal year ended March 31, 2018 and a 1.2% decrease to ¥21,205.81 during the fiscal year ended March 31, 2019. Thereafter, the Nikkei Stock Average decreased to ¥20,601.19 as of May 31, 2019.

- The following chart shows the yen/dollar spot rate of 5 p.m. Tokyo time published by the Bank of Japan from January 2016 to May 2019:



The yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥111.80 to \$1.00 as of March 31, 2017, ¥106.19 to \$1.00 as of March 30, 2018, and ¥110.75 to \$1.00 as of March 29, 2019. Thereafter, the yen strengthened to ¥108.78 to \$1.00 as of May 31, 2019.

- According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, housing starts in Japan increased by 5.8% in the fiscal years ended March 31, 2017, decreased by 2.8% in the fiscal year ended March 31, 2018 and increased by 0.7% in the fiscal year ended March 31, 2019.
- According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, the average published housing land prices in Japan was unchanged in calendar year 2016 and increased by 0.3% and 0.6% in calendar year 2017 and 2018, 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, 2019, we strengthened our capital base mainly as a result of earning ¥96.5 billion of profit attributable to owners of parent (under Japanese GAAP).

With respect to redemptions of previously issued securities, since April 2018, we have redeemed various securities that are eligible regulatory 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 2018 and June 2019, we redeemed ¥274.5 billion and ¥303.0 billion of non-dilutive Tier 1 preferred securities issued by our overseas special purpose companies in January 2008 and July 2008, respectively. With respect to Tier 2 capital, in June 2019, we redeemed ¥54.0 billion of dated subordinated bonds issued by our



subsidiary bank in June 2009. In addition, we have decided to redeem ¥20.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments in July 2019, which were issued by Mizuho Financial Group in July 2014.

With respect to new issuances of Additional Tier 1 capital, in July 2018, we issued ¥350.0 billion of perpetual subordinated bonds with optional-redemption clause and write-down clause that are Basel III-eligible Additional Tier 1 capital instruments through public offerings to wholesale investors in Japan. With respect to new issuances of Tier 2 capital, in June 2018, we issued ¥40.0 billion and ¥70.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to wholesale and retail investors, respectively, in Japan. In June 2019, we issued ¥90.0 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.

Our Common Equity Tier 1 capital ratio under Basel III was 12.49% and 12.76% as of March 31, 2018 and 2019, respectively.

#### *Steady Returns to Shareholders*

Annual cash dividends for the fiscal year ended March 31, 2019 were ¥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 for 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***

##### *Implementation of the Next-generation IT Systems*

Since June 11, 2018, Mizuho Bank and Mizuho Trust & Banking have been engaging in a multi-stage process of migration to, and the implementation of, our next-generation IT systems, including accounting system. As of July 5, 2019, we have completed eight out of the nine required phases.

##### *New Share Issuance of LINE Credit Corporation and Establishment of a Joint Venture*

In November 2018, LINE Corporation (“LINE”) and we agreed to executing new share issuance by LINE Credit Corporation (“LINE Credit”) through third-party allotment to the parties' respective group companies, namely LINE Financial Corporation (“LINE Financial”), Mizuho Bank and Orient Corporation (“Orico”). In May 2019, this third-party allotment was completed and resulted in 51% of the voting rights held by LINE Financial, 34% held by Mizuho Bank and 15% held by Orico. LINE Credit will seek to establish an innovative own-scoring platform and provide useful loan services to customers.

In May 2019, LINE and we also established a joint venture through their respective subsidiaries, LINE Financial and Mizuho Bank. Subject to any required regulatory approval, the joint venture will start preparation

to establish a new bank. By fully utilizing the large customer base and sophisticated user interface and user experience of LINE and our financial expertise, the new bank, which will be linked to the LINE mobile application, will seek to provide user-friendly smartphone-based banking services.

#### *Signing of the Capital and Business Alliance Agreement between Mizuho Bank and IBJ Leasing Company*

In February 2019, Mizuho Bank and IBJ Leasing Company, Limited (“IBJ Leasing”) adopted a resolution to enter into a capital and business alliance and executed a capital and business alliance agreement. Through the subscription for the entire shares of common stock of IBJ Leasing to be issued by IBJ Leasing through third-party allotment and the share transfers from existing shareholders by off-market negotiated transactions conducted in March 2019, together with the shares we had already owned, we currently hold 23.5% of the shares of common stock of IBJ Leasing, which makes IBJ Leasing our equity-method affiliate.

#### *Disposing of Our Cross-shareholdings*

Reflecting the potential impact on our financial position associated with the risk of stock price fluctuation, as a basic policy, unless we consider holdings to be meaningful, we will not hold the shares of other companies as cross-shareholdings. We promote cross-shareholdings disposal through initiatives to enhance capital efficiency by implementing in-house company return on equity as an internal performance indicator. Under Japanese GAAP on an acquisition cost basis, our total Japanese stock portfolio (included within other securities which have readily determinable fair value) as of March 31, 2015 was ¥1,962.9 billion, and we have reduced such amount by ¥543.0 billion as of March 31, 2019.

#### **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. 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. 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 groups of loans that are collectively evaluated for impairment. 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.

### ***Impairment of Investment Securities***

U.S. GAAP requires the recognition in earnings of an impairment loss on investment securities for a decline in fair value that is other-than-temporary. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date.

For debt securities, in the case where we have 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 through earnings. In these cases, we evaluate expected cash flows to be received and determine 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 further details on the amount of the impairment losses on debt securities, see note 4 to the consolidated financial statements included elsewhere in this annual report.

Our assessment of impairment involves analyzing risks and uncertainties resulting from market conditions and the condition of specific issuers or industries. Significant changes in any of these factors could significantly affect our financial condition and results of operations.

### ***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 pricing models 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 28 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, including the impact of a valuation allowance, 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 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. 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 21 to the consolidated financial statements included elsewhere in this annual report.

### ***Accounting for Goodwill and Intangible Assets***

#### ***Goodwill***

Goodwill is tested for impairment at least annually or more often if events or circumstances indicate there may be impairment. For both the annual and interim tests, we have the option to either (a) perform a quantitative impairment test or (b) first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, in which case we would perform the quantitative test. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its estimated fair value. The estimated fair value of the reporting units is derived based on valuation techniques that we believe market participants would use for each of the reporting units. We generally determine the estimated fair value by utilizing a discounted cash flow methodology or methodologies that incorporate price-to-book multiples of certain comparable companies. A change in the estimation could have an impact on impairment recognition because it is driven by hypothetical assumptions, such as projected earnings and discount rates. The estimation is based on information available to management at the time the estimation is made.

#### ***Intangible Assets***

Intangible assets having indefinite useful lives 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. Management judgment is required to evaluate whether indications of potential impairment have occurred, and to test intangible assets for impairment, if required.

## Operating Results

The following table shows certain information as to our income, expenses and net income for the fiscal years ended March 31, 2017, 2018 and 2019:

	<b>Fiscal years ended March 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in billions of yen)		
Interest and dividend income . . . . .	¥1,509	¥1,762	¥2,207
Interest expense . . . . .	<u>602</u>	<u>890</u>	<u>1,313</u>
Net interest income . . . . .	907	872	894
Provision (credit) for loan losses . . . . .	<u>38</u>	<u>(126)</u>	<u>32</u>
Net interest income after provision (credit) for loan losses . . . . .	869	998	862
Noninterest income . . . . .	1,368	1,605	1,222
Noninterest expenses . . . . .	<u>1,757</u>	<u>1,764</u>	<u>1,999</u>
Income before income tax expense . . . . .	480	839	85
Income tax expense . . . . .	<u>91</u>	<u>237</u>	<u>9</u>
Net income . . . . .	389	602	76
Less: Net income (loss) attributable to noncontrolling interests . . . . .	<u>27</u>	<u>24</u>	<u>(9)</u>
Net income attributable to MHFG shareholders . . . . .	<u>¥ 362</u>	<u>¥ 578</u>	<u>¥ 85</u>

The following is a discussion of major components of our net income attributable to MHFG shareholders for the fiscal years ended March 31, 2017, 2018 and 2019.

## 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, 2017, 2018 and 2019:

	Fiscal years ended March 31,								
	2017			2018			2019		
	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	¥ 37,389	¥ 27	0.07%	¥ 39,812	¥ 27	0.07%	¥ 38,914	¥ 26	0.07%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	5,079	18	0.35	5,283	23	0.43	6,201	32	0.51
Trading account assets	4,408	27	0.62	4,654	50	1.07	5,930	71	1.19
Investments	20,357	78	0.38	21,267	97	0.46	20,109	137	0.68
Loans	53,930	510	0.95	58,049	511	0.88	55,897	531	0.95
Total interest-earning assets	121,163	660	0.54	129,065	708	0.55	127,051	797	0.63
Deposits	83,293	51	0.06	90,078	60	0.07	87,168	94	0.11
Short-term borrowings <sup>(1)</sup>	14,177	27	0.19	13,678	43	0.31	14,011	69	0.49
Trading account liabilities	1,697	14	0.82	1,454	27	1.87	1,735	34	1.93
Long-term debt	14,523	178	1.22	13,032	197	1.51	12,285	217	1.77
Total interest-bearing liabilities	113,690	270	0.24	118,242	327	0.28	115,199	414	0.36
Net	7,473	390	0.30	10,823	381	0.27	11,852	383	0.27
<b>Foreign:</b>									
Interest-bearing deposits in other banks	7,671	48	0.63	8,363	94	1.13	5,951	95	1.59
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	9,213	79	0.85	9,251	132	1.43	9,924	228	2.30
Trading account assets	10,335	136	1.31	10,821	152	1.41	9,197	141	1.53
Investments	3,915	87	2.24	3,544	77	2.18	4,471	95	2.13
Loans	25,412	499	1.96	24,822	599	2.41	28,037	851	3.03
Total interest-earning assets	56,546	849	1.50	56,801	1,054	1.86	57,580	1,410	2.45
Deposits	23,173	214	0.92	24,567	323	1.32	26,693	519	1.95
Short-term borrowings <sup>(1)</sup>	17,112	109	0.63	16,385	222	1.35	15,094	357	2.37
Trading account liabilities	1,049	7	0.71	1,235	14	1.16	1,249	16	1.29
Long-term debt	655	2	0.32	732	4	0.49	701	7	0.95
Total interest-bearing liabilities	41,989	332	0.79	42,919	563	1.31	43,737	899	2.06
Net	14,557	517	0.71	13,882	491	0.55	13,843	511	0.39
<b>Total:</b>									
Total interest-earning assets	177,709	1,509	0.85	185,866	1,762	0.95	184,631	2,207	1.20
Total interest-bearing liabilities	155,679	602	0.39	161,161	890	0.55	158,936	1,313	0.83
Net	¥ 22,030	¥ 907	0.46	¥ 24,705	¥ 872	0.40	¥ 25,695	¥ 894	0.37

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, 2019 Compared to Fiscal Year Ended March 31, 2018*

Interest and dividend income increased by ¥445 billion, or 25.3%, from the previous fiscal year to ¥2,207 billion in the fiscal year ended March 31, 2019. Domestic interest and dividend income accounted for ¥797 billion of the total amount, an increase of ¥89 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥1,410 billion, an increase of ¥356 billion from the previous fiscal year.

Long-term interest rates continued to be in the vicinity of 0% under the Bank of Japan's "Quantitative and Qualitative Monetary Easing with Yield Curve Control." Short-term interest rates also continued to be in the vicinity of 0%. Under such circumstances, the average yield on domestic loans increased by 0.07 percentage points from the previous fiscal year to 0.95% in the fiscal year ended March 31, 2019, and the average rate on domestic deposits remained at a low level and slightly increased by 0.04 percentage points from the previous fiscal year to 0.11% in the fiscal year ended March 31, 2019. The average yield on foreign loans increased by 0.62 percentage points from the previous fiscal year to 3.03% in the fiscal year ended March 31, 2019, and the average rate on foreign deposits increased by 0.63 percentage points from the previous fiscal year to 1.95% in the fiscal year ended March 31, 2019.

The increase in domestic interest and dividend income was due mainly to an increase in interest income from investments. The increase in interest income from investments was due mainly to income related to the redemption of a portion of our holdings of preferred stock of a Japanese corporation. Changes in the average yields on domestic interest-earning assets contributed to an increase in interest and dividend income of ¥95 billion, and changes in the average balances of domestic interest-earning assets contributed to a decrease of ¥6 billion, resulting in the ¥89 billion increase 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 income from foreign call loans and funds sold, and receivable under resale agreements and securities borrowing transactions. The increase in interest income from foreign loans and the increase in interest income from foreign call loans and funds sold, and receivable under resale agreements and securities borrowing transactions were due mainly to an increase in the average yield reflecting a general increase in U.S. dollar interest rate levels. Changes in the average yield on foreign interest-earning assets contributed to an increase in interest and dividend income of ¥292 billion, and changes in the average balance of foreign interest-earning assets contributed to an increase of ¥64 billion, resulting in the ¥356 billion overall increase in foreign interest and dividend income.

Interest expense increased by ¥423 billion, or 47.5%, from the previous fiscal year to ¥1,313 billion in the fiscal year ended March 31, 2019. Domestic interest expense accounted for ¥414 billion of the total amount, an increase of ¥87 billion from the previous fiscal year, and foreign interest expense accounted for ¥899 billion of the total amount, an increase of ¥336 billion from the previous fiscal year.

The changes in the average interest rates on domestic interest-bearing liabilities contributed to an increase in interest expense of ¥93 billion, and the changes in the average balance of domestic interest-bearing liabilities contributed to a decrease in interest expense of ¥6 billion, resulting in the ¥87 billion overall increase in domestic interest expense.

The increase in foreign interest expense was due mainly to increases in the average rates on foreign deposits and short-term borrowings reflecting a general increase in U.S. dollar interest rate levels. The changes in the average interest rates on foreign interest-bearing liabilities contributed to an increase in interest expense of ¥324 billion, and the changes in the average balance of foreign interest-bearing liabilities contributed to an increase in interest expense of ¥12 billion, resulting in the ¥336 billion overall increase in foreign interest expense.



As a result of the foregoing, net interest income increased by ¥22 billion, or 2.5%, from the previous fiscal year to ¥894 billion. The average interest rate spread declined by 0.03 percentage points from the previous fiscal year to 0.37% in the fiscal year ended March 31, 2019. 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.

*Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

Interest and dividend income increased by ¥253 billion, or 16.8%, from the previous fiscal year to ¥1,762 billion in the fiscal year ended March 31, 2018. Domestic interest and dividend income accounted for ¥708 billion of the total amount, an increase of ¥48 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥1,054 billion, an increase of ¥205 billion from the previous fiscal year.

Long-term interest rates continued to be in the vicinity of 0% under the Bank of Japan's "Quantitative and Qualitative Monetary Easing with Yield Curve Control." Short-term interest rates also continued to be in the vicinity of 0%. Under such circumstances, the average yield on domestic loans decreased by 0.07 percentage points from the previous fiscal year to 0.88% in the fiscal year ended March 31, 2018, and the average rate on domestic deposits remained at a low level and slightly increased by 0.01 percentage points from the previous fiscal year to 0.07% in the fiscal year ended March 31, 2018. The average yield on foreign loans increased by 0.45 percentage points from the previous fiscal year to 2.41% in the fiscal year ended March 31, 2018, and the average rate on foreign deposits increased by 0.40 percentage points from the previous fiscal year to 1.32% in the fiscal year ended March 31, 2018.

The increase in domestic interest and dividend income was due mainly to an increase in the average balance. Changes in the average yields on domestic interest-earning assets contributed to an overall increase in interest and dividend income of ¥4 billion, and changes in the average balances of domestic interest-earning assets contributed to an overall increase in interest and dividend income of ¥44 billion, resulting in the ¥48 billion increase 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 income from foreign call loans and funds sold, and receivable under resale agreements and securities borrowing transactions. The increase in interest income from foreign loans and the increase in interest income from foreign call loans and funds sold, and receivable under resale agreements and securities borrowing transactions were due mainly to an increase in the average yield, reflecting a general increase in U.S. dollar interest rate levels. Changes in the average yield on foreign interest-earning assets contributed to an increase in interest and dividend income of ¥213 billion, and changes in the average balance of foreign interest-earning assets contributed to a decrease of ¥8 billion, resulting in the ¥205 billion overall increase in foreign interest and dividend income.

Interest expense increased by ¥288 billion, or 47.8%, from the previous fiscal year to ¥890 billion in the fiscal year ended March 31, 2018. Domestic interest expense accounted for ¥327 billion of the total amount, an increase of ¥57 billion from the previous fiscal year, and foreign interest expense accounted for ¥563 billion of the total amount, an increase of ¥231 billion from the previous fiscal year.

The changes in the average interest rates on domestic interest-bearing liabilities contributed to an increase in interest expense of ¥74 billion, and the changes in the average balance of domestic interest-bearing liabilities contributed to a decrease in interest expense of ¥17 billion, resulting in the ¥57 billion overall increase in domestic interest expense.

The increase in foreign interest expense was due mainly to increases in the average rates on foreign deposits and short-term borrowings, reflecting a general increase in U.S. dollar interest rate levels. The changes in the average interest rates on foreign interest-bearing liabilities contributed to an increase in interest expense of ¥221 billion, and the changes in the average balance of foreign interest-bearing liabilities contributed to an increase in interest expense of ¥10 billion, resulting in the ¥231 billion overall increase in foreign interest expense.

As a result of the foregoing, net interest income decreased by ¥35 billion, or 3.9%, from the previous fiscal year to ¥872 billion. The average interest rate spread declined by 0.06 percentage points from the previous fiscal year to 0.40% in the fiscal year ended March 31, 2018. 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, 2019 Compared to Fiscal Year Ended March 31, 2018*

We recorded a provision for loan losses of ¥32 billion in the fiscal year ended March 31, 2019 compared to a credit for loan losses of ¥126 billion in the fiscal year ended March 31, 2018. The change was due mainly to the absence of the significant reversal that was recorded in the fiscal year ended March 31, 2018 related to improvements in the credit condition of some domestic borrowers.

#### *Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

We recorded a credit for loan losses of ¥126 billion in the fiscal year ended March 31, 2018 compared to a provision for loan losses of ¥38 billion in the fiscal year ended March 31, 2017. The change was due mainly to improvements in the credit condition of some borrowers in the domestic manufacturing industry as well as the gradual recovery in the economic environment.

### ***Noninterest Income***

The following table shows a breakdown of noninterest income for the fiscal years ended March 31, 2017, 2018 and 2019:

	<b>Fiscal years ended March 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in billions of yen)		
Fee and commission . . . . .	¥ 826	¥ 866	¥ 853
Fee and commission from deposits and lending business . . . . .	165	157	152
Fee and commission from securities-related business . . . . .	166	180	145
Fee and commission from trust related business . . . . .	109	122	125
Fee and commission from remittance business . . . . .	108	110	110
Fee and commission from asset management business . . . . .	79	101	98
Fee and commission from agency business . . . . .	36	37	36
Fee and commission from guarantee related business . . . . .	26	28	29
Fees for other customer services . . . . .	137	131	158
Foreign exchange gains (losses)—net . . . . .	69	92	94
Trading account gains (losses)—net . . . . .	(42)	237	329
Investment gains (losses)—net . . . . .	333	297	(160)
Debt securities . . . . .	60	8	(4)
Equity securities . . . . .	273	289	(156)
Equity in earnings (losses) of equity method investees—net . . . . .	27	24	29
Gains on disposal of premises and equipment . . . . .	6	8	5
Other noninterest income . . . . .	149	81	72
Total noninterest income . . . . .	<u>¥1,368</u>	<u>¥1,605</u>	<u>¥1,222</u>

*Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018*

Noninterest income decreased by ¥383 billion, or 23.9%, from the previous fiscal year to ¥1,222 billion in the fiscal year ended March 31, 2019. The decrease was due mainly to investment losses—net of ¥160 billion compared to investment gains—net of ¥297 billion in the previous fiscal year, offset in part by an increase in trading account gains—net of ¥92 billion.

*Fee and commission*

Fee and commission decreased by ¥13 billion, or 1.4%, from the previous fiscal year to ¥853 billion in the fiscal year ended March 31, 2019. The decrease was due mainly to a decrease in fee and commission from securities-related business of ¥35 billion, or 19.3%, offset in part by an increase in fees for other customer services of ¥27 billion, or 20.4%. The decrease in fee and commission from securities-related business was due mainly to a decrease in brokerage fees amid a relative weakness in market conditions in the fiscal year ended March 31, 2019 compared to the previous fiscal year.

*Foreign exchange gains (losses)—net*

Foreign exchange gains—net increased by ¥2 billion, or 2.2%, from the previous fiscal year to ¥94 billion in the fiscal year ended March 31, 2019. The change was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2019.

*Trading account gains (losses)—net*

Trading account gains—net increased by ¥92 billion, or 38.8%, from the previous fiscal year to ¥329 billion in the fiscal year ended March 31, 2019. The increase in trading account gains—net was due mainly to an increase in gains related to changes in the fair value of receive-fixed, pay-variable interest-rate swaps reflecting a decline in long-term interest rates.

*Investment gains (losses)—net*

Investment gains (losses)—net was a loss of ¥160 billion in the fiscal year ended March 31, 2019 compared to a gain of ¥297 billion in the previous fiscal year. The change was due mainly to a change to investment losses related to equity securities of ¥156 billion in the fiscal year ended March 31, 2019 from investment gains related to equity securities of ¥289 billion for the previous fiscal year. The change to investment losses related to equity securities was due mainly to an increase in losses related to changes in the fair value of Japanese equity securities in the fiscal year ended March 31, 2019, which mostly reflected the relative weakness in market conditions. For further information, see note 4 to our consolidated financial statements included elsewhere in this report.

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 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. We adopted ASU No.2016-01 on April 1, 2018. The effect of the adoption on us was limited.

*Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

Noninterest income increased by ¥237 billion, or 17.3%, from the previous fiscal year to ¥1,605 billion in the fiscal year ended March 31, 2018. The increase was due mainly to trading account gains—net of ¥237 billion compared to trading account losses—net of ¥42 billion in the previous fiscal year, offset in part by a decrease in other noninterest income of ¥68 billion and a decrease in investment gains—net of ¥36 billion.

### *Fee and commission*

Fee and commission increased by ¥40 billion, or 4.8%, from the previous fiscal year to ¥866 billion in the fiscal year ended March 31, 2018. The increase was due mainly to an increase in fee and commission from asset management business of ¥22 billion, or 27.8%, and fee and commission from securities-related business of ¥14 billion, or 8.4%. The increase in fee and commission from asset management business was due mainly to an increase in fees related to investment trust management and investment advisory management businesses. The increase in fee and commission from securities-related business was due mainly to the relative strength in market conditions in the fiscal year ended March 31, 2018 compared to the previous fiscal year.

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

Foreign exchange gains—net increased by ¥23 billion, or 33.3%, from the previous fiscal year to ¥92 billion in the fiscal year ended March 31, 2018. The change was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2018.

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

Trading account gains (losses)—net was a gain of ¥237 billion in the fiscal year ended March 31, 2018 compared to a loss of ¥42 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. Long-term interest rates rose and unrealized losses of fair value increased during the previous fiscal year. The fluctuation range of long-term interest rates narrowed, unrealized losses decreased, and unrealized profit increased.

### *Investment gains (losses)—net*

Investment gains—net decreased by ¥36 billion, or 10.8 %, from the previous fiscal year to ¥297 billion in the fiscal year ended March 31, 2018. The decrease was due mainly to a decrease in investment gains related to bonds of ¥52 billion, or 86.7%, from the fiscal year to ¥8 billion in the fiscal year ended March 31, 2018. The decrease in investment gains related to bonds was due mainly to a decrease in gains on sales of investment account bonds and an increase in losses on sales of investment account bonds in the fiscal year ended March 31, 2018.

### ***Noninterest Expenses***

The following table shows a breakdown of noninterest expenses for the fiscal years ended March 31, 2017, 2018 and 2019:

	<b>Fiscal years ended March 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in billions of yen)</b>		
Salaries and employee benefits . . . . .	¥ 663	¥ 688	¥ 683
General and administrative expenses . . . . .	571	586	762
Occupancy expenses . . . . .	195	192	208
Fee and commission expenses . . . . .	177	189	190
Provision (credit) for losses on off-balance-sheet instruments . . . . .	19	(30)	(9)
Other noninterest expenses . . . . .	132	139	165
Total noninterest expenses . . . . .	<u>¥1,757</u>	<u>¥1,764</u>	<u>¥1,999</u>

*Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018*

Noninterest expenses increased by ¥235 billion, or 13.3%, from the previous fiscal year to ¥1,999 billion in the fiscal year ended March 31, 2019. The increase was due mainly to an increase in general and administrative expenses of ¥176 billion, or 30.0%, and a decrease in credit for losses on off-balance-sheet instruments of ¥21 billion, or 70.0%.

We will continue to enhance the efficiency of our organizational structure and staffing by reorganizing head office personnel, shifting some to the frontlines and placing a limit on hiring. We will also restructure our customer channels by combining branches to offer banking, trust banking, and securities services jointly through the same branches.

*General and administrative expenses*

General and administrative expenses increased by ¥176 billion, or 30.0%, from the previous fiscal year to ¥762 billion in the fiscal year ended March 31, 2019. The increase was due mainly to the commencement of depreciation of the next-generation IT systems.

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

Credit for losses on off-balance-sheet instruments decreased by ¥21 billion from the previous fiscal year to ¥9 billion in the fiscal year ended March 31, 2019. The change was due mainly to a decrease in reversal of allowance for losses on guarantees.

*Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

Noninterest expenses increased by ¥7 billion, or 0.4%, from the previous fiscal year to ¥1,764 billion in the fiscal year ended March 31, 2018. The increase was due mainly to an increase in salaries and employee benefits of ¥25 billion, or 3.8%, and general and administrative expenses of ¥15 billion, or 2.6%, offset in part by credit for losses on off-balance-sheet instruments of ¥30 billion compared to provision for losses on off-balance-sheet instruments of ¥19 billion in the previous fiscal year.

We will continue to aim to achieve sustainable growth of the group looking ahead ten years and to secure future competitive superiority. These efforts include organization and personnel optimization, system structural reform, channel reconstruction and strengthening of earnings.

*Salaries and employee benefits*

Salaries and employee benefits increased by ¥25 billion, or 3.8%, from the previous fiscal year to ¥688 billion in the fiscal year ended March 31, 2018 due mainly to an increase in personnel expenses reflecting an increase in domestic personnel and an increase in bonuses at overseas branches. Additional information regarding pension and other employee benefit plans is included in note 21 to our consolidated financial statements included elsewhere in this annual report.

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

Provision (credit) for losses on off-balance-sheet instruments was a credit of ¥30 billion in the fiscal year ended March 31, 2018 compared to a provision of ¥19 billion in the previous fiscal year. The change was due mainly to an increase in reversal of allowance for losses on guarantees.

## Income Tax Expense

The following table shows the components of income tax expense (benefit) for the fiscal years ended March 31, 2017, 2018 and 2019:

	<b>Fiscal years ended March 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in billions of yen)		
<b>Current:</b>			
Domestic .....	¥ 130	¥130	¥ 116
Foreign .....	68	47	50
Total current tax expense .....	198	177	166
<b>Deferred:</b>			
Domestic .....	(100)	58	(162)
Foreign .....	(7)	2	5
Total deferred tax expense (benefit) .....	(107)	60	(157)
Total income tax expense .....	<u>¥ 91</u>	<u>¥237</u>	<u>¥ 9</u>

### *Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018*

Income tax expense decreased by ¥228 billion, or 96.2%, from the previous fiscal year to ¥9 billion in the fiscal year ended March 31, 2019 due to a decrease in current tax expense of ¥11 billion and a decrease in deferred tax expense of ¥217 billion related to a deferred tax benefit of ¥157 billion in the current fiscal year as compared to a deferred tax expense of ¥60 billion in the previous fiscal year. The decrease in current tax expense was due mainly to a decrease in the taxable income of principal banking subsidiaries. The change in deferred tax expense (benefit) was due mainly to decreases in deferred tax liabilities of principal banking subsidiaries relating to a decrease in deferred tax liabilities attributable to equity securities.

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 immaterial.

### *Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

Income tax expense increased by ¥146 billion, or 160.4%, from the previous fiscal year to ¥237 billion in the fiscal year ended March 31, 2018 due to a decrease in current tax expense of ¥21 billion and an increase in deferred tax expense of ¥167 billion related to a deferred tax expense of ¥60 billion in the current fiscal year as compared to a deferred tax benefit of ¥107 billion in the previous fiscal year. The decrease in current tax expense was due mainly to a decrease in the taxable income of principal banking subsidiaries. The change in deferred tax expense (benefit) was due mainly to decreases in deferred tax assets in 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 unchanged at approximately one-third of overall deferred tax assets during the fiscal year ended March 31, 2018.

The following table shows components of deferred tax assets (liabilities) as of March 31, 2017, 2018 and 2019:

	As of March 31,		
	2017	2018	2019
	(in billions of yen)		
Deferred tax assets:			
Allowance for loan losses	¥ 184	¥ 127	¥ 123
Premises and equipment	4	5	74
Derivative financial instruments	14	53	48
Investments	498	454	—
Trading securities	31	2	—
Net operating loss carryforwards	452	178	168
Other	190	204	216
Gross deferred tax assets	1,373	1,023	629
Valuation allowance	(438)	(163)	(158)
Deferred tax assets, net of valuation allowance	935	860	471
Deferred tax liabilities:			
Prepaid pension cost and accrued pension liabilities	195	255	248
Investments	—	—	198
Available-for-sale securities	724	764	12
Trading securities	—	—	9
Other	92	90	62
Gross deferred tax liabilities	1,011	1,109	529
Net deferred tax assets (liabilities)	¥ (76)	¥ (249)	¥ (58)

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

#### *Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018*

Net income (loss) attributable to noncontrolling interests was a loss of ¥9 billion in the fiscal year ended March 31, 2019 compared to income of ¥24 billion in the previous fiscal year.

#### *Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

Net income attributable to noncontrolling interests decreased by ¥3 billion from the previous fiscal year to ¥24 billion in the fiscal year ended March 31, 2018.

### ***Net Income Attributable to MHFG Shareholders***

#### *Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018*

As a result of the foregoing, net income attributable to MHFG shareholders decreased by ¥493 billion, or 85.3%, from the previous fiscal year to ¥85 billion in the fiscal year ended March 31, 2019.

#### *Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥216 billion, or 59.7%, from the previous fiscal year to ¥578 billion in the fiscal year ended March 31, 2018.

### **Business Segments Analysis**

We manage our group under an in-house company system based on our 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 banking and securities functions under a holding company structure, to speedily provide high-quality financial services that closely match customer needs.

Specifically, the company system is classified into the following five in-house companies, each based on a customer segment: the Retail & Business Banking Company, the Corporate & Institutional Company, the Global Corporate Company, the Global Markets Company, and the Asset Management Company. We regard these customer segments as our operating segments.

For a brief description of our each business segment, see note 32 to our consolidated financial statements included elsewhere in this annual report.

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

### *Consolidated Results of Operations*

Consolidated gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 were ¥1,827.7 billion, a decrease of ¥167.9 billion compared to the fiscal year ended March 31, 2018. Consolidated general and administrative expenses for the fiscal year ended March 31, 2019 were ¥1,440.6 billion, a decrease of ¥3.6 billion compared to the fiscal year ended March 31, 2018. Consolidated equity in earnings of equity method investees—net for the fiscal year ended March 31, 2019 was ¥51.2 billion, an increase of ¥29.7 billion compared to the fiscal year ended March 31, 2018. Consolidated net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 were ¥408.4 billion, a decrease of ¥129.6 billion compared to the fiscal year ended March 31, 2018.

	<b>Mizuho Financial Group (Consolidated)</b>						<b>Total</b>
	<b>Retail &amp; Business Banking Company</b>	<b>Corporate &amp; Institutional Company</b>	<b>Global Corporate Company</b>	<b>Global Markets Company</b>	<b>Asset Management Company</b>	<b>Others<sup>(3)</sup></b>	
<b>Fiscal year ended March 31, 2017<sup>(4)</sup>:</b>							
	(in billions of yen)						
Gross profits + Net gains (losses) related to ETFs and others <sup>(1)</sup> . . . . .	¥716.7	¥438.3	¥339.4	¥549.3	¥48.8	¥ 36.7	¥2,129.2
General and administrative expenses . . . . .	719.3	199.9	239.2	191.2	29.3	31.4	1,410.3
Equity in earnings (losses) of equity method investees—net . . . . .	14.9	1.0	0.9	—	0.5	1.6	18.9
Amortization of goodwill and others . . . . .	0.4	0.4	0.4	2.3	4.0	2.7	10.2
Others . . . . .	—	—	—	—	—	(27.7)	(27.7)
Net business profits (losses) <sup>(2)</sup> + Net gains (losses) related to ETFs and others . . . . .	<u>¥ 11.9</u>	<u>¥239.0</u>	<u>¥100.7</u>	<u>¥355.8</u>	<u>¥16.0</u>	<u>¥(23.5)</u>	<u>¥ 699.9</u>



Mizuho Financial Group (Consolidated)							
Fiscal year ended March 31, 2018 <sup>(4)</sup> :	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others <sup>(3)</sup>	Total
(in billions of yen)							
Gross profits + Net gains (losses) related to ETFs and others <sup>(1)</sup> . . . . .	¥726.9	¥431.4	¥340.7	¥389.2	¥50.1	¥ 57.3	¥1,995.6
General and administrative expenses . . . . .	724.8	202.5	250.9	201.2	27.6	37.2	1,444.2
Equity in earnings (losses) of equity method investees—net . . . . .	12.7	1.0	2.3	—	2.9	2.6	21.5
Amortization of goodwill and others . . . . .	0.4	0.4	0.4	2.3	8.0	2.4	13.9
Others . . . . .	—	—	—	—	—	(21.0)	(21.0)
Net business profits (losses) <sup>(2)</sup> + Net gains (losses) related to ETFs and others . . . . .	<u>¥ 14.4</u>	<u>¥229.5</u>	<u>¥ 91.7</u>	<u>¥185.7</u>	<u>¥17.4</u>	<u>¥ (0.7)</u>	<u>¥ 538.0</u>

Mizuho Financial Group (Consolidated)							
Fiscal year ended March 31, 2019 <sup>(4)</sup> :	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others <sup>(3)</sup>	Total
(in billions of yen)							
Gross profits+ Net gains (losses) related to ETFs and others <sup>(1)</sup> . . . . .	¥707.2	¥473.8	¥416.1	¥192.0	¥49.7	¥ (11.1)	¥1,827.7
General and administrative expenses . . . . .	713.7	198.2	251.8	203.3	27.3	46.3	1,440.6
Equity in earnings (losses) of equity method investees—net . . . . .	18.1	0.9	7.3	—	1.3	23.6	51.2
Amortization of goodwill and others . . . . .	0.4	0.4	0.4	2.3	8.0	2.1	13.6
Others . . . . .	—	—	—	—	—	(16.3)	(16.3)
Net business profits (losses) <sup>(2)</sup> + Net gains (losses) related to ETFs and others . . . . .	<u>¥ 11.2</u>	<u>¥276.1</u>	<u>¥171.2</u>	<u>¥(13.6)</u>	<u>¥15.7</u>	<u>¥(52.2)</u>	<u>¥ 408.4</u>
Fixed assets <sup>(5)</sup> . . . . .	<u>¥499.3</u>	<u>¥225.8</u>	<u>¥176.9</u>	<u>¥ 92.6</u>	<u>¥ 0.1</u>	<u>¥662.5</u>	<u>¥1,657.2</u>

Notes:

- (1) “Gross profits + Net gains (losses) related to ETFs and others” is reported instead of sales reported by general corporations. Gross profits is defined as the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income. Net gains (losses) related to ETFs and others consist of net gains (losses) on ETFs held by Mizuho Bank and Mizuho Trust & Banking and net gains (losses) on operating investment securities of Mizuho Securities on its consolidated basis. For the fiscal years ended March 31, 2017, 2018 and 2019, net gains related to ETFs and others amounted to ¥36.5 billion, ¥80.2 billion and ¥15.0 billion, respectively, of which ¥32.6 billion, ¥70.1 billion and ¥7.3 billion, respectively, are included in “Global Markets Company.”
- (2) Net business profits is used in Japan as a measure of the profitability of core banking operations and is defined as gross profits (as defined above) less general and administrative expenses plus equity in earnings (losses) of equity method investees—net and others. Measurement of net business profits is required for regulatory reporting to the Financial Services Agency.

- (3) “Others” includes items which should be eliminated as internal transactions between each segment on a consolidated basis.
- (4) Beginning on April 1, 2018, new allocation methods for income and expense transactions between each segment and “Others” have been applied. In connection with the use of the new allocation methods, the presentation of “Net business profits” has changed to “Net business profits (losses) + Net gains (losses) related to ETFs and others.” Before the change, “Net gains (losses) related to ETFs and others” were included in “Gross profits” of each segment and eliminated in “Others.” In addition, “Amortization of goodwill and others” has been presented as a new item. Figures for the fiscal years ended March 31, 2017 and 2018 have been restated for the new allocation methods. These changes more appropriately reflect the performance of each of the operating segments in accordance with internal managerial accounting rules and practices. Furthermore, income and expense of foreign branches of Mizuho Bank and foreign subsidiaries with functional currency other than Japanese Yen have been translated for purposes of segment reporting using the budgeted foreign currency rates. Prior period comparative amounts for these foreign currency income and expense have been translated using current period budgeted foreign currency rates.
- (5) “Fixed assets” is presented based on Japanese GAAP and corresponds to the total amount of the following U.S. GAAP accounts, Premises and equipment-net, Goodwill, and Intangible assets. The above tables do not include other asset amounts because “Fixed assets” is the only balance sheet metric that management uses when evaluating and making decisions pertaining to the operating segments. “Fixed assets” has been allocated to each segment starting in the fiscal year ended March 31, 2019 to enhance management’s analysis of our operations. “Others” in “Fixed assets” includes assets of headquarters that have not been allocated to each segment, “Fixed assets” pertaining to consolidated subsidiaries that are not subject to allocation, consolidating adjustments, and others. Certain “Fixed assets” expenses have been allocated to the in-house company segments using a reasonable allocation criteria.

#### *Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018*

##### *Retail & Business Banking Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 were ¥707.2 billion, a decrease of ¥19.7 billion, or 2.7%, compared to the fiscal year ended March 31, 2018. The decrease was attributable mainly to a decrease of net interest income and asset management-related revenue which were offset in part by an increase in solution-related revenue.

General and administrative expenses for the fiscal year ended March 31, 2019 decreased by ¥11.1 billion, or 1.5%, compared to the fiscal year ended March 31, 2018 to ¥713.7 billion.

Equity in earnings of equity method investees—net for the fiscal year ended March 31, 2019 increased by ¥5.4 billion, or 42.5%, compared to the fiscal year ended March 31, 2018 to ¥18.1 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 decreased by ¥3.2 billion, or 22.2%, compared to the fiscal year ended March 31, 2018 to ¥11.2 billion.

##### *Corporate & Institutional Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 were ¥473.8 billion, an increase of ¥42.4 billion, or 9.8%, compared to the fiscal year ended March 31, 2018. The increase was attributable mainly to an increase in M&A and initial public offering-related revenue.

General and administrative expenses for the fiscal year ended March 31, 2019 decreased by ¥4.3 billion, or 2.1%, compared to the fiscal year ended March 31, 2018 to ¥198.2 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 increased by ¥46.6 billion, or 20.3%, compared to the fiscal year ended March 31, 2018 to ¥276.1 billion.

### *Global Corporate Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 were ¥416.1 billion, an increase of ¥75.4 billion, or 22.1%, compared to the fiscal year ended March 31, 2018. The increase was attributable mainly to the increase in loan related-revenue.

General and administrative expenses for the fiscal year ended March 31, 2019 increased by ¥0.9 billion, or 0.4%, compared to the fiscal year ended March 31, 2018 to ¥251.8 billion.

Equity in earnings of equity method investees—net for the fiscal year ended March 31, 2019 increased by ¥5.0 billion, or 217.4%, compared to the fiscal year ended March 31, 2018 to ¥7.3 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 increased by ¥79.5 billion, or 86.7%, compared to the fiscal year ended March 31, 2018 to ¥171.2 billion.

### *Global Markets Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 were ¥192.0 billion, a decrease of ¥197.2 billion, or 50.7%, compared to the fiscal year ended March 31, 2018. The decrease was attributable mainly to the restructuring of our securities portfolio in respect of past investments in foreign bonds. See “Item 3.A. Key Information—Japanese GAAP Selected Consolidated Financial Information”

General and administrative expenses for the fiscal year ended March 31, 2019 increased by ¥2.1 billion, or 1.0%, compared to the fiscal year ended March 31, 2018 to ¥203.3 billion.

As a result, we recorded net business losses + net gains related to ETFs and others of ¥13.6 billion for the fiscal year ended March 31, 2019 compared to net business profits + net gains related to ETFs and others of ¥185.7 billion the fiscal year ended March 31, 2018.

### *Asset Management Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 decreased by ¥0.4 billion, or 0.8%, compared to the fiscal year ended March 31, 2018 to ¥49.7 billion.

General and administrative expenses for the fiscal year ended March 31, 2019 were ¥27.3 decreased by ¥0.3 billion, or 1.1%, compared to the fiscal year ended March 31, 2018 to ¥27.3 billion.

Equity in earnings of equity method investees—net for the fiscal year ended March 31, 2019 decreased by ¥1.6 billion, or 55.2%, compared to the fiscal year ended March 31, 2018 to ¥1.3 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2019 decreased by ¥1.7 billion, or 9.8%, compared to the fiscal year ended March 31, 2018 to ¥15.7 billion.

### *Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

#### *Retail & Business Banking Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 were ¥726.9 billion, an increase of ¥10.2 billion, or 1.4%, compared to the fiscal year ended March 31, 2017. The increase was attributable mainly to an increase of non-interest income such as solution-related revenue and asset management-related revenue which more than offset a decrease of interest income.

General and administrative expenses for the fiscal year ended March 31, 2018 increased by ¥5.5 billion, or 0.8%, compared to the fiscal year ended March 31, 2017 to ¥724.8 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 increased by ¥2.5 billion, or 21.0%, compared to the fiscal year ended March 31, 2017 to ¥14.4 billion.

#### *Corporate & Institutional Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 were ¥431.4 billion, a decrease of ¥6.9 billion, or 1.6%, compared to the fiscal year ended March 31, 2017. The decrease was attributable mainly to a decrease in M&A and equity capital markets-related revenue.

General and administrative expenses for the fiscal year ended March 31, 2018 increased by ¥2.6 billion, or 1.3%, compared to the fiscal year ended March 31, 2017 to ¥202.5 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 decreased by ¥9.5 billion, or 4.0%, compared to the fiscal year ended March 31, 2017 to ¥229.5 billion.

#### *Global Corporate Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 were ¥340.7 billion, an increase of ¥1.3 billion, or 0.4%, compared to the fiscal year ended March 31, 2017. The increase was attributable mainly to an increase of interest and non-interest income in Asia offset in part by the stagnation of our solution-related business such as M&A in the Americas.

General and administrative expenses for the fiscal year ended March 31, 2018 increased by ¥11.7 billion, or 4.9%, compared to the fiscal year ended March 31, 2017 to ¥250.9 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 decreased by ¥9.0 billion, or 8.9%, compared to the fiscal year ended March 31, 2017 to ¥91.7 billion.

#### *Global Markets Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 were ¥389.2 billion, a decrease of ¥160.1 billion, or 29.1%, compared to the fiscal year ended March 31, 2017. The decrease was attributable mainly to the decrease of bond-related revenue under adverse market conditions.

General and administrative expenses for the fiscal year ended March 31, 2018 increased by ¥10.0 billion, or 5.2%, compared to the fiscal year ended March 31, 2017 to ¥201.2 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 decreased by ¥170.1 billion, or 47.8%, compared to the fiscal year ended March 31, 2017 to ¥185.7 billion.

#### *Asset Management Company*

Gross profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 were ¥50.1 billion, an increase of ¥1.3 billion, or 2.7%, compared to the fiscal year ended March 31, 2017. The increase was attributable mainly to the increase in the balance of asset formation products.

General and administrative expenses for the fiscal year ended March 31, 2018 decreased by ¥1.7 billion, or 5.8%, compared to the fiscal year ended March 31, 2017 to ¥27.6 billion.

As a result, net business profits + net gains related to ETFs and others for the fiscal year ended March 31, 2018 increased by ¥1.4 billion, or 8.8%, compared to the fiscal year ended March 31, 2017 to ¥17.4 billion.

## Geographical Segment Analysis

The following table presents consolidated income statement and total assets information by major geographic area. Foreign activities are defined as business transactions that involve customers residing outside of Japan. However, as our operations are highly integrated globally, we have made estimates and assumptions for the allocation of assets, liabilities, income and expenses among the geographic areas.

	Japan	Americas			Asia/Oceania excluding Japan, and others	Total
		United States	Others	Europe		
(in billions of yen)						
<b>Fiscal year ended March 31, 2017:</b>						
Total revenue <sup>(1)</sup> . . . . .	¥ 1,748	¥ 500	¥ 70	¥ 191	¥ 368	¥ 2,877
Total expenses <sup>(2)</sup> . . . . .	1,712	303	29	136	216	2,396
Income before income tax expense . . . .	36	197	41	55	152	481
Net income . . . . .	¥ 6	¥ 168	¥ 39	¥ 39	¥ 137	¥ 389
Total assets at end of fiscal year . . . . .	¥138,832	¥30,262	¥4,203	¥10,629	¥16,530	¥200,456
<b>Fiscal year ended March 31, 2018:</b>						
Total revenue <sup>(1)</sup> . . . . .	¥ 2,003	¥ 655	¥ 64	¥ 197	¥ 448	¥ 3,367
Total expenses <sup>(2)</sup> . . . . .	1,583	479	38	173	255	2,528
Income before income tax expense . . . .	420	176	26	24	193	839
Net income . . . . .	¥ 231	¥ 153	¥ 24	¥ 21	¥ 173	¥ 602
Total assets at end of fiscal year . . . . .	¥142,588	¥28,136	¥4,380	¥11,678	¥17,474	¥204,256
<b>Fiscal year ended March 31, 2019:</b>						
Total revenue <sup>(1)</sup> . . . . .	¥ 1,705	¥ 792	¥ 66	¥ 250	¥ 616	¥ 3,429
Total expenses <sup>(2)</sup> . . . . .	2,082	697	46	203	316	3,344
Income before income tax expense . . . .	(377)	95	20	47	300	85
Net income . . . . .	¥ (331)	¥ 85	¥ 17	¥ 35	¥ 270	¥ 76
Total assets at end of fiscal year . . . . .	¥133,443	¥25,913	¥4,825	¥15,323	¥18,107	¥197,611

### 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, 2019 Compared to Fiscal Year Ended March 31, 2018*

In the fiscal year ended March 31, 2019, we recorded a net loss in Japan. Among the geographical regions in which we recorded net income, 20.9% of the net income was derived from the United States, 4.2% from the Americas excluding the United States, 8.5% from Europe and 66.4% from Asia/Oceania excluding Japan, and others. At March 31, 2019, 67.5% of total assets were allocated to Japan, 13.1% to the United States, 2.4% to the Americas excluding the United States, 7.8% to Europe and 9.2% to Asia/Oceania excluding Japan, and others.

In Japan, total revenue decreased by ¥298 billion from the previous fiscal year due primarily to a change from investment gains related to equity securities to investment losses related to equity securities, offset in part by an increase in trading account gains—net. The change from investment gains related to equity securities to investment losses related to equity securities was due mainly to unrealized losses on Japanese equity securities reflecting the relative weakness in market conditions. The increase in trading account gains—net was due mainly to an increase in gains related to changes in the fair value of receive-fixed, pay-variable interest-rate swaps reflecting a decline in long-term interest rates. Total expenses increased by ¥499 billion from the previous fiscal year due mainly to a change from credit to provision for loan losses and an increase in general and administrative

expenses. In addition, we had an income tax benefit of ¥46 billion in Japan in the fiscal year ended March 31, 2019 compared to an income tax expense of ¥189 billion in the previous fiscal year. The tax benefit was the result of a decrease in deferred tax liabilities. As a result, net income in Japan decreased by ¥562 billion to a net loss of ¥331 billion. Total assets in Japan decreased by ¥9,145 billion due primarily to decreases in loans, interest-bearing deposits and receivables under securities borrowing transactions, offset in part by an increase in receivables under resale agreements.

In the United States, total revenue increased by ¥137 billion due primarily to increases in interest income from receivables under resale agreements and securities borrowing transactions. The increase in interest income from receivables under resale agreements and securities borrowing transactions was due mainly to an increase in the average yield reflecting a general increase in U.S. dollar interest rate levels. Total expenses increased by ¥218 billion due mainly to increases in expenses on payables under repurchase agreements and securities lending transactions and deposits. As a result, net income in the United States decreased by ¥68 billion. Total assets in the United States decreased by ¥2,223 billion due primarily to a decrease in trading account assets, offset in part by an increase in receivables under resale agreements.

In the Americas excluding the United States, total revenue increased by ¥2 billion due primarily to an increase in interest income from loans, offset in part by a decrease in trading account gains—net. Total expenses increased by ¥8 billion due mainly to an increase in expenses on deposits. As a result, net income in the Americas excluding the United States decreased by ¥7 billion. Total assets in the Americas excluding the United States increased by ¥445 billion due primarily to an increase in loans.

In Europe, total revenue increased by ¥53 billion due primarily to an increase in interest from loans. Total expenses increased by ¥30 billion due mainly to increases in expenses on deposits and other noninterest expenses, offset in part by a change from provision to credit for loan losses. As a result, net income in Europe increased by ¥14 billion. Total assets in Europe increased by ¥3,645 billion due primarily to increases in trading account assets and loans.

In Asia/Oceania excluding Japan, and others, total revenue increased by ¥168 billion due primarily to an increase in interest income from loans. Total expenses increased by ¥61 billion due mainly to an increase in expenses on deposits. As a result, net income in Asia/Oceania excluding Japan, and others increased by ¥97 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥633 billion due primarily to an increase in loans, offset in part by a decrease in investment securities.

#### *Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017*

In the fiscal year ended March 31, 2018, 38.5% of our net income was derived from Japan, 25.4% from the United States, 3.9% from the Americas excluding the United States, 3.5% from Europe and 28.7% from Asia/Oceania excluding Japan, and others. At March 31, 2018, 69.8% of total assets were allocated to Japan, 13.8% to the United States, 2.1% to the Americas excluding the United States, 5.7% to Europe and 8.6% to Asia/Oceania excluding Japan, and others.

In Japan, total revenue increased by ¥255 billion from the previous fiscal year due primarily to a change from trading account losses—net to trading account gains—net. The change from trading account losses—net to trading account gains—net was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated securities. Total expenses decreased by ¥129 billion from the previous fiscal year due mainly to a change from provision to credit for loan losses. In addition, income tax expense increased by ¥159 billion from the previous fiscal year to ¥189 billion in the fiscal year ended March 31, 2018. As a result, net income in Japan increased by ¥225 billion. Total assets in Japan increased by ¥3,756 billion due primarily to an increase in investment securities.

In the United States, total revenue increased by ¥155 billion due primarily to increases in interest income from receivables under resale agreements and securities borrowing transactions, interest-bearing deposits and

loans. The increase in interest income from receivables under resale agreements and securities borrowing transactions, interest-bearing deposits and loans was due mainly to an increase in market interest rates. Total expenses increased by ¥176 billion due mainly to increases in expenses on payables under repurchase agreements and securities lending transactions and deposits. As a result, net income in the United States decreased by ¥15 billion. Total assets in the United States decreased by ¥2,126 billion due primarily to a decrease in trading account assets, offset in part by an increase in interest-bearing deposits.

In the Americas excluding the United States, total revenue decreased by ¥6 billion due primarily to a decrease in other noninterest income, including foreign exchange gains (losses)—net, offset in part by an increase in trading account gains—net. Total expenses increased by ¥9 billion due mainly to an increase in expenses on deposits. As a result, net income in the Americas excluding the United States decreased by ¥15 billion. Total assets in the Americas excluding the United States increased by ¥177 billion due primarily to an increase in trading account assets, offset in part by a decrease in loans.

In Europe, total revenue increased by ¥6 billion due primarily to an increase in interest from loans, offset in part by a decrease in interest from trading account assets. Total expenses increased by ¥37 billion due mainly to increases in expenses on deposits and provision for loan losses. As a result, net income in Europe decreased by ¥18 billion. Total assets in Europe increased by ¥1,049 billion due primarily to increases in trading account assets and loans.

In Asia/Oceania excluding Japan, and others, total revenue increased by ¥80 billion due primarily to an increase in interest income from loans. Total expenses increased by ¥39 billion due mainly to an increase in expenses on deposits. As a result, net income in Asia/Oceania excluding Japan, and others increased by ¥36 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥944 billion due primarily to an increase in loans.

## Financial Condition

### Assets

Our assets as of March 31, 2018 and 2019 were as follows:

	As of March 31,		Increase (decrease)
	2018	2019	
	(in billions of yen)		
Cash and due from banks	¥ 1,686	¥ 1,404	¥ (282)
Interest-bearing deposits in other banks	46,485	44,269	(2,216)
Call loans and funds sold	720	763	43
Receivables under resale agreements	8,081	12,997	4,916
Receivables under securities borrowing transactions	4,409	2,578	(1,831)
Trading account assets	24,303	21,018	(3,285)
Investments	26,770	24,163	(2,607)
Loans	83,515	82,800	(715)
Allowance for loan losses	(310)	(307)	3
Loans, net of allowance	83,205	82,493	(712)
Premises and equipment—net	2,116	1,901	(215)
Due from customers on acceptances	213	187	(26)
Accrued income	301	343	42
Goodwill	95	95	—
Intangible assets	84	74	(10)
Deferred tax assets	57	50	(7)
Other assets	5,731	5,276	(455)
Total assets	<u>¥204,256</u>	<u>¥197,611</u>	<u>¥(6,645)</u>

Total assets decreased by ¥6,645 billion from March 31, 2018 to ¥197,611 billion as of March 31, 2019. This decrease was due mainly to decreases of ¥3,285 billion in trading account assets, ¥2,607 billion in investments, ¥2,216 billion in interest-bearing deposits in other banks and ¥1,831 billion in receivables under securities borrowing transactions, offset by an increase of ¥4,916 billion in receivables under resale agreements.

## Loans

### Loans outstanding

The following table shows our loans outstanding as of March 31, 2018 and 2019 based on classifications by domicile and industry segment:

	As of March 31,				Increase	
	2018		2019		(decrease)	
	(in billions of yen, except percentages)					
<b>Domestic:</b>						
Manufacturing . . . . .	¥ 8,156	9.7%	¥ 9,558	11.5%	¥ 1,402	1.8%
Construction and real estate . . . . .	8,102	9.7	8,955	10.8	853	1.1
Services . . . . .	5,024	6.0	5,113	6.2	89	0.2
Wholesale and retail . . . . .	5,113	6.1	5,163	6.2	50	0.1
Transportation and communications . . . . .	3,565	4.3	3,622	4.4	57	0.1
Banks and other financial institutions . . . . .	4,471	5.3	4,303	5.2	(168)	(0.1)
Government and public institutions . . . . .	8,882	10.6	2,359	2.8	(6,523)	(7.8)
Other industries <sup>(1)</sup> . . . . .	5,018	6.0	5,478	6.6	460	0.6
Individuals . . . . .	10,329	12.4	9,858	11.9	(471)	(0.5)
Mortgage loans . . . . .	9,445	11.3	8,950	10.8	(495)	(0.5)
Other . . . . .	884	1.1	908	1.1	24	0.0
Total domestic . . . . .	58,660	70.1	54,409	65.6	(4,251)	(4.5)
<b>Foreign<sup>(2)</sup>:</b>						
Commercial and industrial . . . . .	17,195	20.6	19,087	23.0	1,892	2.4
Banks and other financial institutions . . . . .	7,465	8.9	9,126	11.0	1,661	2.1
Government and public institutions . . . . .	303	0.4	297	0.4	(6)	0.0
Other . . . . .	38	0.0	33	0.0	(5)	0.0
Total foreign . . . . .	25,001	29.9	28,543	34.4	3,542	4.5
Subtotal . . . . .	83,661	100.0%	82,952	100.0%	(709)	—
Less: Unearned income and deferred loan fees—net . . . . .	(146)		(152)		(6)	
Total loans before allowance for loan losses . . . . .	¥83,515		¥82,800		¥ (715)	

### Notes:

- (1) Other industries under Domestic include trade receivables and lease receivables of consolidated variable interest entities.
- (2) Certain comparative amounts under Foreign as of March 31, 2018 have been reclassified in order to conform to the current presentation.

Total loans before allowance for loan losses decreased by ¥715 billion from March 31, 2018 to ¥82,800 billion as of March 31, 2019. Loans to domestic borrowers decreased by ¥4,251 billion to ¥54,409 billion due mainly to a decrease in loans to government and public institutions, offset in part by an increase in manufacturing.

Loans to foreign borrowers increased by ¥3,542 billion from March 31, 2018 to ¥28,543 billion as of March 31, 2019. The increase in loans to foreign borrowers was due mainly to increases in loans to commercial and industrial and banks and other financial institutions.



Within our loan portfolio, the proportion of loans to domestic borrowers against gross total loans decreased from 70.1% to 65.6%, while that of loans to foreign borrowers against gross total loans increased from 29.9% to 34.4%. 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 for the corporate portfolio segment and pool allocations for the retail portfolio segment 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 small loans that are less than a specified amount by pooling customers and loans with similar risk characteristics, and the risk is assessed mainly based on past due status 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:

<b>Obligor category<sup>(1)(2)</sup></b>	<b>Obligor rating<sup>(3)</sup></b>	<b>Definition</b>
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 conditions.
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.

#### Notes:

- (1) Special attention obligors are watch obligors with debt in troubled debt restructuring or 90 days or more delinquent debt. Loans to such obligors are considered impaired.
- (2) We classify loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans.
- (3) Equivalent obligor ratings are determined for the other portfolio segment.

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 Credit, Market and Other 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, 2019, the balance of restructurings that are troubled debt restructurings was ¥296 billion, and the balance of restructurings that are not troubled debt restructurings was ¥19 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, 2019 was ¥2 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, 2018 and 2019 based on classifications by domicile and industry segment:

	As of March 31,				Increase (decrease)	
	2018		2019		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 . . . . .	¥142	1.7%	¥109	1.1%	¥(33)	(0.6)%
Construction and real estate . . . . .	41	0.5	46	0.5	5	0.0
Services . . . . .	58	1.2	74	1.4	16	0.2
Wholesale and retail . . . . .	131	2.6	135	2.6	4	0.0
Transportation and communications . . . . .	28	0.8	31	0.9	3	0.1
Banks and other financial institutions . . . . .	12	0.3	10	0.2	(2)	(0.1)
Other industries . . . . .	4	0.0	9	0.1	5	0.1
Individuals . . . . .	90	0.9	81	0.8	(9)	(0.1)
Total domestic . . . . .	506	0.9	495	0.9	(11)	0.0
Foreign . . . . .	109	0.4	151	0.5	42	0.1
Total impaired loans . . . . .	<u>¥615</u>	0.7	<u>¥646</u>	0.8	<u>¥ 31</u>	0.1

Impaired loans increased by ¥31 billion from March 31, 2018 to ¥646 billion as of March 31, 2019. Impaired loans to domestic borrowers decreased by ¥11 billion due mainly to improvements in the credit condition of some borrowers in the manufacturing industry. Impaired loans to foreign borrowers increased by ¥42 billion, and the relative impact of foreign currency fluctuations on such amount was immaterial.

Reflecting the aforementioned change, the percentage of impaired loans within gross total loans increased from 0.7% as of March 31, 2018 to 0.8% as of March 31, 2019 due to an increase in impaired loans. The percentage of impaired loans net of allowance for loan losses to gross total loans net of allowance for loan losses increased from 0.37% as of March 31, 2018 to 0.41% as of March 31, 2019 due to an increase in impaired loans net of allowance for loan losses and a decrease in gross total loans net of allowance for loan losses.

#### *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, 2018 and 2019:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2018</u>	<u>2019</u>	
	<i>(in billions of yen, except percentages)</i>		
Allowance for loan losses on impaired loans <sup>(1)</sup> (A) . . . . .	¥ 153	¥ 169	¥ 16
Allowance for loan losses on non-impaired loans (B) . . . . .	157	138	(19)
Total allowance for loan losses (C) . . . . .	<u>¥ 310</u>	<u>¥ 307</u>	<u>¥ (3)</u>
Impaired loans requiring an allowance for loan losses (D) . . . . .	¥ 478	¥ 529	¥ 51
Impaired loans not requiring an allowance for loan losses (E) . . . . .	137	117	(20)
Non-impaired loans <sup>(2)</sup> (F) . . . . .	<u>83,046</u>	<u>82,306</u>	<u>(740)</u>
Gross total loans (G) . . . . .	<u>¥83,661</u>	<u>¥82,952</u>	<u>¥ (709)</u>
Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D) x100 . . . . .	31.87%	31.99%	0.12%
Percentage of allowance for loan losses on non-impaired loans against the balance of non-impaired loans (B)/(F) x100 . . . . .	0.19	0.17	(0.02)
Percentage of total allowance for loan losses against gross total loans (C)/(G) x100 . . . . .	0.37	0.37	0.00

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Notes:

- (1) The allowance for loan losses on impaired loans includes the allowance for groups of loans totaling ¥246 billion and ¥257 billion as of March 31, 2018 and 2019, 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 ¥3 billion from March 31, 2018 to ¥307 billion as of March 31, 2019 due to a decrease in allowance for loan losses on non-impaired loans, offset in part by an increase in allowance for loan losses on impaired loans. The allowance for loan losses on non-impaired loans decreased due mainly to upgrades in the obligor categories of a broad range of borrowers, reflecting the continuing gradual recovery of the Japanese economy. The allowance for loan losses on impaired loans increased due mainly to an increase in allowance for loan losses on foreign impaired loans. As a result, the percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance increased by 0.12 percentage points to 31.99%. The percentage of total allowance for loan losses against gross total loans was unchanged as the rate of decrease in allowance for loan losses matched that of the decrease in gross total loans.

In the fiscal year ended March 31, 2019, impaired loans increased by 5.0% due mainly to an increase in foreign impaired loans. Allowance for loan losses on impaired loans increased by 11.0%.

The coverage ratio for impaired loans, calculated as the percentage of total allowance for loan losses against total impaired loans, decreased by 2.82 percentage points as of March 31, 2019 compared to the previous fiscal year. The decrease was due to an increase in impaired loans and a 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, 2018 and 2019:

	Fiscal years ended March 31,		Increase (decrease)
	2018	2019	
	(in billions of yen)		
Allowance for loan losses at beginning of fiscal year	¥ 480	¥310	¥(170)
Provision (credit) for loan losses	(126)	32	158
Charge-offs:			
Domestic:			
Manufacturing	(6)	(4)	2
Construction and real estate	—	(1)	(1)
Services	(5)	(2)	3
Wholesale and retail	(12)	(10)	2
Transportation and communications	(1)	—	1
Other industries	—	(2)	(2)
Individuals	(5)	(5)	—
Total domestic charge-offs	(29)	(24)	5
Foreign	(27)	(24)	3
Total charge-offs	(56)	(48)	8
Recoveries:			
Domestic:			
Manufacturing	1	1	—
Construction and real estate	1	1	—
Services	2	1	(1)
Wholesale and retail	1	3	2
Banks and other financial institutions	1	—	(1)
Individuals	2	1	(1)
Total domestic recoveries	8	7	(1)
Foreign	7	7	—
Total recoveries	15	14	(1)
Net charge-offs	(41)	(34)	7
Others <sup>(1)</sup>	(3)	(1)	2
Balance at end of fiscal year	¥ 310	¥307	¥ (3)

Note:

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

We recorded a provision for loan losses of ¥32 billion in the fiscal year ended March 31, 2019 compared to a credit for loan losses of ¥126 billion in the fiscal year ended March 31, 2018. The change was due mainly to the absence of the significant reversal that was recorded in the fiscal year ended March 31, 2018 related to improvements in the credit condition of some domestic borrowers.

Charge-offs decreased by ¥8 billion from the previous fiscal year to ¥48 billion for the fiscal year ended March 31, 2019. The decrease was due mainly to a decrease in charge-offs of domestic loans.

## Investments

The majority of our investments are available-for-sale and held-to-maturity securities, which at March 31, 2018 and 2019 were as follows:

	As of March 31,						Increase (decrease)		
	2018			2019			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<sup>(1)</sup>:</b>									
Debt securities:									
Japanese government bonds . . .	¥13,334	¥13,332	¥ (2)	¥11,889	¥11,897	¥ 8	¥(1,445)	¥(1,435)	¥ 10
Other than Japanese government bonds . . . . .	6,253	6,301	48	6,205	6,236	31	(48)	(65)	(17)
Total . . . . .	<u>¥19,587</u>	<u>¥19,633</u>	<u>¥ 46</u>	<u>¥18,094</u>	<u>¥18,133</u>	<u>¥ 39</u>	<u>¥(1,493)</u>	<u>¥(1,500)</u>	<u>¥ (7)</u>
<b>Held-to-maturity securities:</b>									
Debt securities:									
Japanese government bonds . . .	¥ 1,960	¥ 1,984	¥ 24	¥ 1,120	¥ 1,140	¥ 20	¥ (840)	¥ (844)	¥ (4)
Agency mortgage-backed securities . . . . .	558	538	(20)	484	470	(14)	(74)	(68)	6
Total . . . . .	<u>¥ 2,518</u>	<u>¥ 2,522</u>	<u>¥ 4</u>	<u>¥ 1,604</u>	<u>¥ 1,610</u>	<u>¥ 6</u>	<u>¥ (914)</u>	<u>¥ (912)</u>	<u>¥ 2</u>

Note:

(1) Equity securities (marketable) were excluded from available-for-sale securities as of March 31, 2018 to align with current period presentation.

Available-for-sale securities measured at fair value decreased by ¥1,500 billion from March 31, 2018 to ¥18,133 billion at March 31, 2019. This decrease was due primarily to a decrease in Japanese government bonds. Held-to-maturity securities measured at amortized cost decreased by ¥914 billion from March 31, 2018 to ¥1,604 billion at March 31, 2019. This decrease was due primarily to a decrease in Japanese government bonds due to redemptions. See note 4 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 majority of which consists of Japanese government bonds. As of March 31, 2019, we had a total of ¥18,133 billion of available-for-sale securities within our investments, of which ¥11,897 billion was Japanese government bonds. We had ¥19,633 billion and ¥18,133 billion of available-for-sale securities measured at fair value as of March 31, 2018 and 2019, respectively, and net unrealized gains of ¥46 billion and ¥39 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 resulting fluctuations in interest rates 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, 2019 was approximately 2.1 years compared to 2.5 years as of March 31, 2018.

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.

#### *Trading Account Assets*

Trading account assets decreased by ¥3,285 billion from March 31, 2018 to ¥21,018 billion at March 31, 2019. The decrease was due mainly to settlements of derivatives in a gain position and decreases in U.S. treasury bonds due to sales and redemptions.

#### *Liabilities*

The following table shows our liabilities as of March 31, 2018 and 2019:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2018</u>	<u>2019</u>	
	(in billions of yen)		
Deposits . . . . .	¥136,884	¥138,297	¥ 1,413
Due to trust accounts . . . . .	3,993	312	(3,681)
Call money and funds purchased . . . . .	2,105	2,842	737
Payables under repurchase agreements . . . . .	16,657	14,640	(2,017)
Payables under securities lending transactions . . . . .	1,833	1,798	(35)
Other short-term borrowings . . . . .	1,688	1,995	307
Trading account liabilities . . . . .	13,115	10,121	(2,994)
Bank acceptances outstanding . . . . .	213	187	(26)
Income taxes payable . . . . .	65	59	(6)
Deferred tax liabilities . . . . .	306	108	(198)
Accrued expenses . . . . .	233	289	56
Long-term debt . . . . .	12,955	11,529	(1,426)
Other liabilities . . . . .	4,705	5,933	1,228
Total liabilities . . . . .	<u>¥194,752</u>	<u>¥188,110</u>	<u>¥(6,642)</u>

Total liabilities decreased by ¥6,642 billion from March 31, 2018 to ¥188,110 billion at March 31, 2019. This decrease was due primarily to decreases of ¥4,689 billion in short-term borrowings and ¥2,994 billion in trading account liabilities, offset in part by an increase of ¥1,413 billion in deposits. 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, 2018 and 2019:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2018</u>	<u>2019</u>	
	(in billions of yen)		
Domestic:			
Noninterest-bearing deposits . . . . .	¥ 21,069	¥ 23,845	¥ 2,776
Interest-bearing deposits . . . . .	91,207	84,019	(7,188)
Total domestic deposits . . . . .	<u>112,276</u>	<u>107,864</u>	<u>(4,412)</u>
Foreign:			
Noninterest-bearing deposits . . . . .	2,257	1,794	(463)
Interest-bearing deposits . . . . .	22,351	28,639	6,288
Total foreign deposits . . . . .	<u>24,608</u>	<u>30,433</u>	<u>5,825</u>
Total deposits . . . . .	<u>¥136,884</u>	<u>¥138,297</u>	<u>¥ 1,413</u>



Deposits increased by ¥1,413 billion from March 31, 2018 to ¥138,297 billion at March 31, 2019. Domestic deposits decreased by ¥4,412 billion from March 31, 2018 to ¥107,864 billion at March 31, 2019. Domestic interest-bearing deposits decreased by ¥7,188 billion from March 31, 2018 to ¥84,019 billion at March 31, 2019 due mainly to decreases in ordinary deposits and other deposits, and domestic noninterest-bearing deposits increased by ¥2,776 billion to ¥23,845 billion at March 31, 2019. Foreign deposits increased by ¥5,825 billion from March 31, 2018 to ¥30,433 billion at March 31, 2019 due mainly to increases in time deposits and certificates of deposit.

### Short-term Borrowings

The following table shows a breakdown of our short-term borrowings as of March 31, 2018 and 2019:

	As of March 31,								
	2018			2019			Increase (decrease)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
	(in billions of yen)								
Due to trust accounts . . . . .	¥ 3,993	¥ —	¥ 3,993	¥ 312	¥ —	¥ 312	¥(3,681)	¥ —	¥(3,681)
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . . . .	6,724	13,871	20,595	7,294	11,986	19,280	570	(1,885)	(1,315)
Other short-term borrowings . . . . .	827	861	1,688	926	1,069	1,995	99	208	307
Total short-term borrowings . . . . .	<u>¥11,544</u>	<u>¥14,732</u>	<u>¥26,276</u>	<u>¥8,532</u>	<u>¥13,055</u>	<u>¥21,587</u>	<u>¥(3,012)</u>	<u>¥(1,677)</u>	<u>¥(4,689)</u>

Short-term borrowings decreased by ¥4,689 billion from March 31, 2018 to ¥21,587 billion at March 31, 2019. Domestic short-term borrowings decreased by ¥3,012 billion due mainly to a decrease in due to trust accounts. Foreign short-term borrowings decreased by ¥1,677 billion due mainly to a decrease in payables under repurchase agreements.

### Trading Account Liabilities

Trading account liabilities decreased by ¥2,994 billion from March 31, 2018 to ¥10,121 billion at March 31, 2019. The decrease was due mainly to settlements of derivatives in a loss position.

### Equity

The following table shows a breakdown of equity as of March 31, 2018 and 2019:

	As of March 31,		Increase (decrease)
	2018	2019	
	(in billions of yen)		
MHFG shareholders' equity:			
Common stock . . . . .	¥5,826	¥5,830	¥ 4
Retained earnings . . . . .	1,306	2,741	1,435
Accumulated other comprehensive income, net of tax . . . . .	1,742	164	(1,578)
Treasury stock, at cost . . . . .	(6)	(8)	(2)
Total MHFG shareholders' equity . . . . .	<u>8,868</u>	<u>8,727</u>	<u>(141)</u>
Noncontrolling interests . . . . .	636	774	138
Total equity . . . . .	<u>¥9,504</u>	<u>¥9,501</u>	<u>¥ (3)</u>

Total equity as of March 31, 2019 was almost unchanged compared to those as of the end of the previous fiscal year due mainly to a decrease in accumulated other comprehensive income, net of tax, offset by increases in retained earnings and noncontrolling interests.

Retained earnings increased by ¥1,435 billion from March 31, 2018 to ¥2,741 billion at March 31, 2019. This increase was due to the cumulative effect of change in accounting principles, net of tax of ¥1,540 billion due primarily to adoption of ASU No.2016-01, as described in note 2 to our consolidated financial statements included elsewhere in this report, and net income attributable to MHFG shareholders for the fiscal year ended March 31, 2019 of ¥84 billion, offset in part by dividend payments of ¥190 billion.

Accumulated other comprehensive income, net of tax decreased by ¥1,578 billion from March 31, 2018 to ¥164 billion at March 31, 2019 due primarily to the cumulative effect of the above-mentioned change in accounting principles of ¥1,535 billion.

Noncontrolling interests increased by ¥138 billion from March 31, 2018 to ¥774 billion at March 31, 2019. The increase was due mainly to an increase in net assets of some investment funds in which we invest.

## 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 Credit, Market and Other Risk—Liquidity Risk Management."

Deposits, based on our broad customer base and brand recognition in Japan, have been our primary source of liquidity. Our total deposits increased by ¥1,413 billion, or 1.0%, from the end of the previous fiscal year to ¥138,297 billion as of March 31, 2019. Our average balance of deposits for the fiscal year ended March 31, 2019 of ¥137,727 billion exceeded our average balance of loans for the same period by ¥53,793 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 May 31, 2019:

	As of May 31, 2019					
	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, and customer deposits. 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.

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 Risk Management Committee, the Balance Sheet Management Committee, the Executive Management Committee and the President & Group CEO on a regular basis. 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, 2019, the balance of Japanese government bonds included within our investments and measured at fair value was ¥11.9 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.

Set forth below are the three-month averages of the daily end balances of consolidated LCR data of Mizuho Financial Group, and consolidated and non-consolidated LCR data of our principal banking subsidiaries, for the fourth quarter of the fiscal year ended March 31, 2019. All yen figures in this table are truncated.

	<b>Fourth quarter of fiscal year ended March 31, 2019</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) .....	¥59,797
Net cash outflows (weighted) .....	41,447
LCR .....	144.3%
<b>Mizuho Bank (Consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥55,706
Net cash outflows (weighted) .....	39,148
LCR .....	142.4%
<b>Mizuho Bank (Non-consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥55,115
Net cash outflows (weighted) .....	38,365
LCR .....	143.8%
<b>Mizuho Trust and Banking (Consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥ 2,674
Net cash outflows (weighted) .....	1,663
LCR .....	162.4%
<b>Mizuho Trust and Banking (Non-consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥ 2,612
Net cash outflows (weighted) .....	1,530
LCR .....	171.8%

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 BCBS and are intended to further strengthen the soundness and stability of Japanese banks. In December 2010, BCBS issued the Basel III rules text (later revised in June 2011, January 2013, October 2014 and December 2017), 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 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. The framework of Basel III is based on the following three pillars: minimum capital requirements; supervisory review; and market discipline. Under the first pillar, the capital ratio is calculated by dividing regulatory capital, or risk-based capital, by risk-weighted assets. 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.

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, which had been effective until Basel III was applied. 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. Regulatory adjustments such as goodwill and other intangibles, and defined benefit pension fund assets and liabilities, are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of deductions.

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 securities (the amounts thereof included within Additional Tier 1 capital as of March 31,

2019 being ¥303.0 billion) and existing subordinated debt issued before March 2013 (the amounts thereof included within Tier 2 capital as of March 31, 2019 being ¥506.1 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 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). We were included in the list of G-SIBs updated in November 2018 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 became 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 a 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 became 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 defined as Tier 1 capital, and the minimum leverage ratio is defined as 3%.

The Financial Services Agency applied the requirement to meet the minimum leverage ratio for bank holding companies and banks with international operations from March 31, 2019. The minimum leverage ratio is defined as 3% on a consolidated basis for bank holding companies with international operations, such as Mizuho Financial Group, or on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Bank and Mizuho Trust & Banking.

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 are required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework.

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, and a revised version of this document was published in April 2018. In March 2019, the Financial Services Agency published regulatory notices and related materials to implement the TLAC requirements in Japan, which is phased in for Japanese G-SIBs from March 31, 2019. According to the Financial Services Agency's approach above, which is subject to change based on future international discussions, the preferred resolution strategy for Covered SIBs is SPE resolution, in which resolution tools are applied to the ultimate holding company 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 Covered SIB in crisis. To implement this SPE resolution strategy effectively under the FSB's final TLAC standards and the Japanese TLAC requirements, the ultimate holding company in Japan of the relevant Covered SIB designated as the resolution entity in Japan of such Covered SIB by the Financial Services Agency (the "Domestic Resolution Entity") are required to (i) meet the minimum external TLAC requirements, and (ii) cause their material subsidiaries or material sub-groups that are designated as systemically important by the Financial Services Agency or that are subject to TLAC requirements or similar requirements by the relevant foreign authority to maintain a certain level of capital and debt recognized as having loss-absorbing and recapitalization capacity, or internal TLAC. Under the Japanese TLAC regulations, the Financial Services Agency designated Mizuho Financial Group as the Domestic Resolution Entity, and designated Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities as Mizuho Financial Group's material subsidiaries in Japan. External TLAC eligible instruments generally consist of instruments issued by the Domestic Resolution Entity of the relevant Covered SIB that meet the criteria for inclusion in external TLAC requirements and others less any regulatory adjustments. Internal TLAC eligible instruments generally consist of instruments issued by the material subsidiaries of the relevant Covered SIBs as systemically important by the Financial Services Agency, which are subject to the internal TLAC requirements such as subordinated debt that meet the criteria for inclusion in internal TLAC requirements and others less any regulatory adjustments.

Under the Japanese TLAC regulations, G-SIBs are required to meet a minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets as from March 31, 2019 and at least 18% as from March 31, 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator from March 31, 2019, and at least 6.75% from March 31, 2022. In addition, Japanese G-SIBs are allowed to count the Japanese Deposit Insurance Fund Reserves in an amount equivalent to 2.5% of their consolidated risk-weighted assets from March 31, 2019, and 3.5% of their consolidated risk-weighted assets from March 31, 2022, as their external TLAC. For more information regarding the Japanese TLAC regulations, see "Item 4. Information on the Company—Supervision and Regulation—Total Loss Absorbing Capacity."

In December 2017, the BCBS published the finalized Basel III reforms endorsed by the Group of Central Bank Governors and Heads of Supervision. The finalized reforms complement the initial phase of Basel III reforms, seek to restore credibility in the calculation of risk-weighted assets and improve the comparability of banks' capital ratios. In addition, under the finalized Basel III reforms, G-SIBs are required to meet a leverage ratio buffer, which will take the form of a Tier 1 capital buffer set at 50% of the applicable G-SIB's risk-weighted capital buffer from January 1, 2022, and various refinements are made to the definition of the leverage ratio exposure measure based on the text of the leverage ratio framework issued by the BCBS in January 2014. The revised framework will mainly take effect from January 1, 2022, and the revisions to the capital floor will be phased in from January 1, 2022, with the initial capital floor of 50%, and will be fully implemented at 72.5% from January 1, 2027. The leverage ratio requirements under the finalized definition of the leverage ratio exposure measure and the leverage ratio buffer requirement for G-SIBs, will take effect from January 1, 2022. For more information, see "Item 4. Information on the Company—Supervision and Regulation—Capital Adequacy" and "Item 4. Information on the Company—Supervision and Regulation—Leverage Ratio."

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 2018</u>	<u>March 2019</u>	<u>March 2020</u>	<u>March 2021</u>	<u>March 2022</u>
Minimum Common Equity Tier 1 capital . . . . .	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital . . . . .	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital . . . . .	8.0%	8.0%	8.0%	8.0%	8.0%
Phase out of recognition of capital instruments that no longer qualify as capital . . . . .	<i>40.0%</i>	<i>30.0%</i>	<i>20.0%</i>	<i>10.0%</i>	0.0%
Capital conservation buffer . . . . .	<i>1.875%</i>	2.5%	2.5%	2.5%	2.5%
Countercyclical capital buffer <sup>(1)</sup> . . . . .	0.01%	0.05%	0.05%	0.05%	0.05%
Additional loss absorbency requirements for G-SIBs and D-SIBs <sup>(2)</sup> . . . .	<i>0.75%</i>	1.0%	1.0%	1.0%	1.0%
Minimum Leverage Ratio . . . . .	3.0%	3.0%	3.0%	3.0%	3.5% <sup>(2)</sup>

Notes:

- (1) Figures assume that the countercyclical capital buffer will continue to be 0.05% after March 2019.
- (2) 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.

If the capital adequacy ratio or the leverage 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. If the capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and D-SIBs are not satisfied, a capital distribution constraints plan is required to be submitted to the Financial Services Agency and carried out. 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.

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 and Leverage Ratios

Our capital adequacy ratios and leverage ratios as of March 31, 2018 and 2019, 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		Increase (decrease)
	March 31, 2018	March 31, 2019	
	(in billions of yen, except percentages)		
Common Equity Tier 1 capital	¥ 7,437.0	¥ 7,390.0	¥ (46.9)
Additional Tier 1 capital	1,755.1	1,842.1	86.9
Tier 1 capital	9,192.2	9,232.1	39.9
Tier 2 capital	1,668.1	1,685.3	17.1
Total capital	¥10,860.4	¥10,917.5	¥ 57.0
Risk-weighted assets	¥59,528.9	¥57,899.5	¥(1,629.4)
Common Equity Tier 1 capital ratio	12.49%	12.76%	0.27%
Required Common Equity Tier 1 capital ratio <sup>(1)</sup>	7.135%	8.05%	0.915%
Tier 1 capital ratio	15.44%	15.94%	0.50%
Required Tier 1 capital ratio <sup>(1)</sup>	8.635%	9.55%	0.915%
Total capital ratio	18.24%	18.85%	0.61%
Required total capital ratio <sup>(1)</sup>	10.635%	11.55%	0.915%
CET1 available after meeting the bank's minimum capital requirements	7.99%	8.26%	0.27%
Leverage ratio	4.28%	4.42%	0.14%

Note:

- (1) The required ratios disclosed above, as of March 31, 2018 and 2019, include the transitional capital conservation buffer of 1.875% and 2.5%, respectively, the countercyclical capital buffer of 0.01% and 0.05%, respectively, and the transitional additional loss absorbency requirements for G-SIBs and D-SIBs of 0.75% and 1.00%, respectively, which are all in addition to the regulatory minima. The respective required amounts are determined by applying the ratios to the sum of the risk-weighted assets and certain other risk amounts. These buffers and additional loss absorbency requirements are applied to us but not to our banking subsidiaries.

Our total capital ratio as of March 31, 2019 was 18.85%, an increase of 0.61 percentage points compared to March 31, 2018. Our Tier 1 capital ratio as of March 31, 2019 was 15.94%, an increase of 0.50 percentage points compared to March 31, 2018. The increases in our total capital ratio and Tier 1 capital ratio were due mainly to an increase in Additional Tier 1 capital and a decrease in the risk-weighted assets. Our Additional Tier 1 capital increased due mainly to an increase in directly-issued qualifying Additional Tier 1 instruments which classified as liabilities. Our Common Equity Tier 1 capital ratio as of March 31, 2019 was 12.76%, an increase of 0.27 percentage points compared to March 31, 2018. Our Common Equity Tier 1 capital ratio increased in spite of a decrease in Common Equity Tier 1 capital due to a decrease in the risk-weighted assets. We believe that we were in compliance with all capital adequacy requirements to which we were subject as of March 31, 2019.



### Principal Banking Subsidiaries

Capital adequacy ratios and leverage ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2018 and 2019, 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		Increase (decrease)
	March 31, 2018	March 31, 2019	
<b>Mizuho Bank</b>			
Common Equity Tier 1 capital ratio .....	12.34%	12.60%	0.26%
Tier 1 capital ratio .....	15.61%	16.06%	0.45%
Total capital ratio .....	18.52%	19.02%	0.50%
Leverage ratio .....	4.53%	4.44%	(0.09)%
<b>Mizuho Trust &amp; Banking</b>			
Common Equity Tier 1 capital ratio .....	19.99%	23.67%	3.68%
Tier 1 capital ratio .....	20.05%	23.70%	3.65%
Total capital ratio .....	20.28%	23.87%	3.59%
Leverage ratio .....	7.03%	6.55%	(0.48)%

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, 2019.

Our securities subsidiary in Japan is 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, 2019, that our securities subsidiary in Japan was in compliance with all capital adequacy requirements to which it was 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, 2018 and 2019:

	As of March 31,		Increase (decrease)
	2018	2019	
(in billions of yen)			
<b>Guarantees:</b>			
Performance guarantees .....	¥ 2,165	¥ 2,307	¥ 142
Guarantees on loans .....	241	289	48
Guarantees on securities .....	164	145	(19)
Other guarantees .....	2,210	2,324	114
Guarantees for the repayment of trust principal .....	709	65	(644)
Liabilities of trust accounts .....	13,861	362	(13,499)
Derivative financial instruments .....	11,654	14,170	2,516

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2018</u>	<u>2019</u>	
	(in billions of yen)		
<b>Commitments:</b>			
Commitments to extend credit . . . . .	¥78,448	¥76,857	¥(1,591)
Commercial letters of credit . . . . .	690	778	88
Total commitments . . . . .	<u>¥79,138</u>	<u>¥77,635</u>	<u>¥(1,503)</u>

See note 24 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 25 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, 2019:

	<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 . . . . .	¥38,766	¥1,775	¥1,391	¥ 321	¥383	¥ 257	¥42,893
Certificates of deposit . . . . .	12,961	314	64	—	—	—	13,339
Long-term debt . . . . .	1,401	1,443	1,319	1,177	509	5,680	11,529
Capitalized leases . . . . .	10	7	4	3	1	—	25
Operating leases . . . . .	51	41	35	25	24	297	473
Total <sup>(1)(2)</sup> . . . . .	<u>¥53,179</u>	<u>¥3,573</u>	<u>¥2,809</u>	<u>¥1,523</u>	<u>¥916</u>	<u>¥6,234</u>	<u>¥68,234</u>

Notes:

- (1) A contribution paid to our pension plans, which is not included in the above table, is expected to be approximately ¥52 billion in the fiscal year ending March 31, 2020, based on the current funded status and expected asset return assumptions. For further information, see note 21 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 ¥12.3 billion, of which ¥2.2 billion was interest and penalties, as of March 31, 2019. For further information, see note 20 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. For reporting based on Japanese banking regulations, we prepare our annual financial results using financial statements in accordance with Japanese GAAP. In addition, pursuant to the Japanese securities law and 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, 2019</u>	
	<u>Total MHFG shareholders' equity</u>	<u>Net income attributable to MHFG shareholders</u>
	(in billions of yen)	
U.S. GAAP .....	¥8,726.5	¥ 84.5
Differences arising from different accounting for:		
1. Derivative financial instruments and hedging activities .....	58.5	(42.3)
2. Investments .....	(68.2)	267.9
3. Loans .....	173.2	11.9
4. Allowances for loan losses and off-balance-sheet instruments .....	85.4	5.8
5. Premises and equipment .....	(423.7)	(304.2)
6. Land revaluation .....	171.1	(7.4)
7. Business combinations .....	(74.1)	13.1
8. Pension liabilities .....	127.9	32.2
9. Consolidation of variable interest entities .....	59.0	28.1
10. Deferred taxes .....	(101.2)	6.8
11. Foreign currency translation .....	—	(1.3)
12. Other .....	15.1	1.5
Japanese GAAP .....	<u>¥8,749.5<sup>(1)</sup></u>	<u>¥ 96.6</u>

Note:

(1) Includes total accumulated other comprehensive income and stock acquisition rights

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:

Under U.S. GAAP, equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value with changes in fair value recognized in earnings, while under Japanese GAAP, those securities are measured at fair value with changes in fair value recognized in other comprehensive income.

Under U.S. GAAP, we report foreign currency denominated debt securities 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.

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.” Regarding debt securities, we consider 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.” In other cases, we evaluate expected cash flows to be received and determine 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. 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.

## 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 public filings 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 Japanese GAAP, a company can elect to allocate entity-wide long-lived assets that do not have identifiable cash flows that are largely independent of the cash flows of other assets and liabilities, among individual divisions within an entity, whereas U.S. GAAP does not have such an election. Under Japanese GAAP, we made this election for the fiscal year ended March 31, 2019.

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 and amortized once the software is ready for its intended use, while they are expensed after full implementation across the company 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 they 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 the 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.

Under U.S. GAAP, we enhanced the calculation of the benefit obligations by refining the anticipated future mortality rate assumption improvement in the calculation.

During the fiscal years ended March 31, 2018 and 2019, a subsidiary of ours partially withdrew assets from employee retirement benefit trusts, which were established for the payment of employees’ severance pay and retirement pensions. Under U.S. GAAP, no gains or losses have been recognized as a consequence of this transaction.

See note 21 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 25 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.

#### 12. Other

This adjustment reflects the effects of miscellaneous items.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### 6.A. Directors and Senior Management

#### Directors

Shown below are information regarding the directors of Mizuho Financial Group as of June 30, 2019:

Name	Age	Director Type	Chair of the Board	Committee Membership			
				Nominating	Compensation	Audit	Risk <sup>(4)</sup>
Tatsufumi Sakai . . . . .	59	Executive <sup>(1)</sup>	—	—	—	—	—
Satoshi Ishii . . . . .	55	Executive <sup>(1)</sup>	—	—	—	—	—
Makoto Umemiya . . . . .	54	Executive <sup>(1)</sup>	—	—	—	—	—
Motonori Wakabayashi . . . . .	54	Executive <sup>(1)</sup>	—	—	—	—	—
Hiroaki Ehara . . . . .	54	Executive <sup>(1)</sup>	—	—	—	—	—
Yasuhiro Sato . . . . .	67	Non-executive <sup>(2)</sup>	—	—	—	—	—
Hisaaki Hiramata . . . . .	56	Non-executive <sup>(2)</sup>	—	—	—	Member	<b>Chair</b>
Masahiro Kosugi . . . . .	53	Non-executive <sup>(2)</sup>	—	—	—	Member	—
Tetsuo Seki . . . . .	80	Independent <sup>(3)</sup>	—	Member	Member	<b>Chair</b>	—
Tatsuo Kainaka . . . . .	79	Independent <sup>(3)</sup>	—	<b>Chair</b>	Member	Member	—
Hirotake Abe . . . . .	74	Independent <sup>(3)</sup>	—	—	Member	Member	—
Masami Yamamoto . . . . .	65	Independent <sup>(3)</sup>	—	Member	<b>Chair</b>	—	—
Hiroko Ota . . . . .	65	Independent <sup>(3)</sup>	<b>Chair</b>	Member	—	—	—
Izumi Kobayashi . . . . .	60	Independent <sup>(3)</sup>	—	Member	—	—	Member

Notes:

- (1) Directors concurrently serving as executive officers.
- (2) Directors not concurrently serving as executive officers, employees or executive directors of Mizuho Financial Group or its subsidiaries.
- (3) Directors satisfying the requirements for outside directors, as defined in the Companies Act of Japan, and those for independent directors, as defined both by the Tokyo Stock Exchange and by Mizuho Financial Group.
- (4) Risk Committee consists of the two directors and an outside expert, who is not a director.

The directors' current positions, key business experiences in the past and major concurrent offices (if any) are as follows:

**Mr. Tatsufumi Sakai** has been Member of the Board of Directors and the President & Group CEO (Representative Executive Officer) since June 2018. Previously, he had been President & CEO of Mizuho Securities from April 2016 to April 2018; Head of International Banking Unit from April 2014 to April 2016; and Head of Investment Banking Unit from April 2013 to April 2014. He concurrently serves as Member of the Board of Directors at each of Mizuho Bank, Mizuho Trust & Banking, and Mizuho Securities.

**Mr. Satoshi Ishii** has been Member of the Board of Directors and Senior Managing Executive Officer / Chief Digital Innovation Officer (CDIO), Head of IT & Systems Group (Group CIO) and Head of Operations Group (Group COO) since June 2019. Previously, he had been Head of Business Promotion of Mizuho Bank from April 2017 to April 2019; and Head of Human Resources Group (Group CHRO) from April 2015 to April 2017. He concurrently serves as Deputy President & Executive Officer of Mizuho Bank.

**Mr. Makoto Umemiya** has been Member of the Board of Directors and Managing Executive Officer / Head of Financial Control & Accounting Group (Group CFO) since June 2017. Previously, he had been General Manager of Financial Planning Department from April 2014 to April 2017; and General Manager of Osaka Branch of Mizuho Bank from April 2012 to April 2014. He concurrently serves as Managing Executive Officer of Mizuho Bank.

**Mr. Motonori Wakabayashi** has been Member of the Board of Directors and Managing Executive Officer / Head of Research & Consulting Unit and Head of Risk Management Group (Group CRO) since June 2019. Previously, he had been Head of Research & Consulting Unit or in charge of similar responsibilities from April 2016 to June 2019; In charge of business promotion of Mizuho Bank from April 2016 to April 2018; and General Manager of Industry Research Division of Mizuho Bank from April 2013 to April 2016. He concurrently serves as Managing Executive Officer of Mizuho Bank and Mizuho Trust & Banking and President & CEO of Mizuho Research Institute Ltd.

**Mr. Hiroaki Ehara** has been Member of the Board of Directors and Managing Executive Officer / Head of Human Resources Group (Group CHRO) since June 2019. Previously, he had been Executive Managing Director / Head of Human Resources Group and Head of Internal Audit Group of Mizuho Trust & Banking from April 2016 to April 2019; and Executive Officer, General Manager of Trust Business Department VI of Mizuho Trust & Banking from April 2015 to April 2016. He concurrently serves as Managing Executive Officer of Mizuho Bank and Mizuho Trust & Banking.

**Mr. Yasuhiro Sato** has been a non-executive Member of the Board of Directors and Chairman (*Kaicho*) since June 2018. Previously, he had been President & Group CEO from June 2011 to April 2018; and President & CEO of Mizuho Bank / the former Mizuho Corporate Bank from April 2009 to April 2014.

*Note: Chairman (Kaicho) Sato engages in the company's external activities, but does not chair the Board meetings. The Board meetings are chaired by the independent director chair Ota.*

**Mr. Hisaaki Hirama** has been a non-executive Member of the Board of Directors since June 2019. Previously, he had been Head of Internal Audit Group of Mizuho Bank from April 2017 to April 2019; Executive Officer, General Manager of Nagoya Corporate Branch of Mizuho Bank from April 2015 to April 2017; and Executive Officer, General Manager of Marunouchi-Chuo Branch Division No.1 of Mizuho Bank from April 2014 to April 2015.

**Mr. Masahiro Kosugi** has been a non-executive Member of the Board of Directors since June 2019. Previously, he had been General Manager of Accounting Department from April 2016 to April 2019; and General Manager of Portfolio Management Division from April 2014 to April 2016.

**Mr. Tetsuo Seki** has been Member of the Board of Directors since June 2015. Previously, he had been Representative Director and Executive Vice President of Nippon Steel Corporation; and President (Representative Director) of the Shoko Chukin Bank, Ltd. He concurrently serves as Audit & Supervisory Board Member of Sapporo Holdings Limited.

**Mr. Tatsuo Kainaka** has been Member of the Board of Directors since June 2014. Previously, he had been Superintending Prosecutor of the Tokyo High Public Prosecutors Office and Justice of the Supreme Court. He concurrently serves as Attorney-at-law at Takusyou Sogo Law Office; President of the Life Insurance Policyholders Protection Corporation of Japan; and Corporate Auditor (External) of Oriental Land Co., Ltd.

**Mr. Hirotake Abe** has been Member of the Board of Directors since June 2015. Previously, he had been CEO of Tohmatsu & Co. He concurrently serves as Certified Public Accountant at Certified Public Accountant Hirotake Abe Office.

**Mr. Masami Yamamoto** has been Member of the Board of Directors since June 2019. Previously, he had been Representative Director, Chairman and Representative Director, President of Fujitsu, Ltd. He concurrently serves as Director, Senior Advisor of FUJITSU LIMITED and Outside Director of JFE Holdings, Inc.



**Ms. Hiroko Ota** has been Member of the Board of Directors since June 2014. Previously, she had been Minister of State for Economic and Fiscal Policy of the Cabinet Office. She concurrently serves as Professor of National Graduate Institute for Policy Studies; Outside Director of JXTG Holdings, Inc.; and Outside Director of Panasonic Corporation.

**Ms. Izumi Kobayashi** has been Member of the Board of Directors since June 2017. Previously, she had been President and Representative Director of Merrill Lynch Japan Securities Co., Ltd.; and Executive Vice President of the Multilateral Investment Guarantee Agency of the World Bank Group. She concurrently serves as Outside Director of ANA HOLDINGS INC.; Outside Director of MITSUI & CO., LTD.

### Executive Officers

Shown below are information regarding the executive officers of Mizuho Financial Group as of June 30, 2019:

Name	Age	Title	Area of Oversight
Tatsufumi Sakai <sup>(1)</sup>	59	President & Group CEO <sup>(2)</sup>	
Junichi Kato	61	Senior Managing Executive Officer <sup>(2)</sup>	Head of Global Markets Company
Akira Nakamura	58	Senior Managing Executive Officer	Head of Corporate & Institutional Company
Seiji Imai	57	Senior Managing Executive Officer	Head of Global Corporate Company
Masahiro Otsuka	57	Senior Managing Executive Officer	Head of Retail & Business Banking Company
Satoshi Ishii <sup>(1)</sup>	55	Senior Managing Executive Officer	Chief Digital Innovation Officer (CDIO), Head of IT & Systems Group (Group CIO) and Head of Operations Group (Group COO)
Makoto Umemiya <sup>(1)</sup>	54	Managing Executive Officer	Head of Financial Control & Accounting Group (Group CFO)
Shuji Kojima	54	Managing Executive Officer	Head of Compliance Group (Group CCO)
Motonori Wakabayashi <sup>(1)</sup>	54	Managing Executive Officer	Head of Research & Consulting Unit and Head of Risk Management Group (Group CRO)
Goji Fujishiro	54	Managing Executive Officer	Head of Asset Management Company and Head of Global Products Unit
Hisashi Kikuchi	53	Managing Executive Officer	Head of Strategic Planning Group (Group CSO)
Hiroaki Ehara <sup>(1)</sup>	54	Managing Executive Officer	Head of Human Resources Group (Group CHRO)

Notes:

- (1) Executive officers concurrently serving as directors.
- (2) Representative Executive Officer.

The executive officers' current positions, key business experiences in the past and major concurrent offices (if any) are as follows:

For information on **Messrs. Tatsufumi Sakai, Satoshi Ishii, Makoto Umemiya, Motonori Wakabayashi and Hiroaki Ehara**, see “—Directors.”

**Mr. Junichi Kato** has been Senior Managing Executive Officer / Head of Global Markets Company since April 2016. Previously, he had been in charge of similar responsibilities from April 2009 to April 2016; and President & CEO of Mizuho Bank (Switzerland), Ltd.

**Mr. Akira Nakamura** has been Senior Managing Executive Officer / Head of Corporate & Institutional Company since April 2018. Previously, he had been in charge of similar responsibilities from April 2016 to April 2018; and Head of Telecom Media Technology Group and in charge of Investment Banking Business of Mizuho Securities from April 2015 to April 2016. He concurrently serves as Deputy President & Executive Officer of Mizuho Bank.

**Mr. Seiji Imai** has been Senior Managing Executive Officer / Head of Global Corporate Company since April 2018. Previously, he had been Head of Asia & Oceania from April 2016 to April 2018; and General Manager of Seoul Branch of Mizuho Bank from April 2014 to April 2016. He concurrently serves as Deputy President & Executive Officer of Mizuho Bank.

**Mr. Masahiro Otsuka** has been Senior Managing Executive Officer / Head of Retail & Business Banking Company since April 2019. Previously, he had been Deputy President of Mizuho Research Institute Ltd. from May 2017 to April 2019; Deputy Head of Retail & Business Banking Company or in charge of similar responsibilities from April 2015 to Mar.2017; and General Manager of Retail Banking Coordination Division from April 2012 to April 2015.

**Mr. Shuji Kojima** has been Managing Executive Officer / Head of Compliance Group (Group CCO) since April 2019. Previously, he had been Head of Human Resources Group (Group CHRO) from April 2017 to April 2019; Deputy Head of Internal Audit Group or in charge of similar responsibilities from April 2016 to April 2017; and General Manager of Compliance Division from November 2013 to April 2016. He concurrently serves as Managing Executive Officer of Mizuho Bank and Mizuho Trust & Banking.

**Mr. Goji Fujishiro** has been Managing Executive Officer / Head of Asset Management Company since April 2019 and Head of Global Products Unit since April 2018. Previously, he had been in charge of business promotion of Mizuho Bank from April 2016 to April 2018; and General Manager of Executive Secretariat from April 2014 to April 2016. He concurrently serves as Managing Executive Officer of Mizuho Bank.

**Mr. Hisashi Kikuchi** has been Managing Executive Officer / Head of Strategic Planning Group (Group CSO) since April 2018. Previously, he had been Member of the Board of Directors from June 2018 to June 2019; General Manager of Corporate Secretariat from April 2015 to June 2018; and General Manager of Tokyo Corporate Banking Division of Mizuho Bank from July 2013 to April 2015. He concurrently serves as Managing Executive Officer of Mizuho Bank.

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, incentive stock options, performance payments and stock compensation, 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 paid by Mizuho Financial Group and its subsidiaries to the directors and executive officers as defined in the Companies Act of Mizuho Financial Group for the fiscal years ended March 31, 2019 (basic salaries, stock compensation I (paid or expected to be paid at the time of retirement) and others) and March 31, 2018 (performance payments and former stock compensation paid during the term in office) are shown on the following table:

Classification	Aggregate Amounts of Compensation by Type (in millions of yen)											
	For the fiscal year ended March 31, 2019						For the fiscal year ended March 31, 2018					
	Number of Persons (Note 2)	Aggregate Amount of Compensation (in millions of yen) (Note 3)	Basic Salaries		Stock Compensation I (paid or expected to be paid at the time of retirement)		Other		Performance Payments		Former Stock Compensation (paid during the term in office)	
Number of Persons			Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	
Directors . . . . .	9	350	9	284	8	27	8	0	1	13	2	25
Executive officers as defined in the Companies Act . . . . .	15	896	15	537	15	111	15	1	15	121	15	125

Notes:

- (1) Fractions are rounded down.
- (2) With respect to the number of persons, the directors and executive officers as defined in the Companies Act who were actually paid or expected to be paid for the fiscal years ended March 31, 2018 and 2019 are stated.
- (3) With respect to the amounts, the aggregate amounts paid or expected to be paid for the fiscal years ended March 31, 2018 and 2019 are stated.
- (4) The aggregate compensation paid to directors who concurrently serve as executive officers as defined in the Companies Act is included in the above table as those of “Executive officers as defined in the Companies Act.”
- (5) An executive officer who resigned as of June 22, 2018 is included in the number of executive officers in the “Basic Salaries” and “Other” columns for the fiscal year ended March 31, 2019. Five executive officers who resigned as of April 1, 2018, and an executive officer who resigned as of June 22, 2018, are included in the number of executive officers in the column of Performance Payments for the fiscal year ended March 31, 2018. In addition, five executive officers who resigned as of April 1, 2018 are included in the number of executive officers in the column of “Former Stock Compensation” for the fiscal year ended March 31, 2018.
- (6) With respect to the stock compensation I for the directors and the executive officers, the amounts obtained by multiplying the stock ownership points granted by the Compensation Committee of Mizuho Financial Group in July 2018 based on each position, as the stock ownership points granted for the fiscal year ended March 31, 2019 (one (1) point translates into one (1) share of common stock of Mizuho Financial Group) by the book value of Mizuho Financial Group stock (196.3922 per share) are stated.
- (7) The condolence money premiums subsidies concerning the fiscal year ended March 31, 2019 are included in the above table as “Other,” both of which are based on the decision by the Compensation Committee.

- (8) Because the amount of the performance payments and stock compensation II to be paid with respect to the fiscal year ended March 31, 2019 has not yet been determined at present, the aggregate compensation above does not include the amount of such performance payments and stock compensation II; however, the necessary reserve is recorded for accounting purposes. The metric for such performance payments and stock compensation II for the fiscal year ended March 31, 2019 was our consolidated net business profits and net gains or losses related to ETFs and others. The target amount and result of such metric were ¥700 billion and ¥408.3 billion, respectively.
- (9) With respect to the performance payments for executive officers, the amounts decided by the Compensation Committee of Mizuho Financial Group in July 2018 as the performance payments for fiscal year ended March 31, 2018 are stated.
- (10) Former stock compensation means stock compensation based on the compensation system before the revision in the fiscal year ended March 31, 2019. With respect to former stock compensation for the fiscal year ended March 31, 2018, the amounts given are obtained by multiplying the stock ownership points granted by the Compensation Committee of Mizuho Financial Group in July 2018, based on position in the case of non-executive directors (excluding outside directors) and position and performance in the case of executive directors as the stock ownership points granted for the fiscal year ended March 31, 2018 by the book value of Mizuho Financial Group stock (¥196.3922 per share). Stock compensation for the fiscal year ended March 31, 2018 is expected to be paid as deferred payments over three years from the fiscal year ending March 31, 2020.
- (11) The metric for the performance payments and former stock compensation for the fiscal year ended March 31, 2018 was our consolidated net business profits and others. The target amount and result of such metric were ¥640 billion and ¥457.8 billion, 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). None of our directors, audit & supervisory board members 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, 2019.

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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 stock compensation for directors and officers. In addition, the Compensation Committee resolved, at the meeting held on June 14, 2018, to amend the compensation system in order to further clarify the linkage between business performance and compensation. For further information on the current compensation system, including performance payments and 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 ("Officers, etc.") of Mizuho Financial Group as well as Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities ("Three Core Companies").

#### ***Philosophy and Objectives***

Executive compensation for Mizuho Financial Group and the Three Core Companies pursuant to such policy is determined based on appropriate governance and control, and aims to function as incentive and compensation for each Officer, etc., to exercise their designated function to the fullest in our efforts to realize management that contributes 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 Officers, etc., of Mizuho Financial Group and the Three Core Companies is set forth below:

- 1) The executive compensation shall be determined based on appropriate governance and control, and function as an appropriate incentive in order to realize management that contributes 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 Philosophy.
- 2) The executive compensation shall be based on the function and responsibility assigned to and the performance of each Officer, etc.
- 3) The executive compensation shall contribute to suppressing excessive risk-taking, improving corporate value and creating value for various stakeholders not only in the short-term, but also over the medium- to long-term.
- 4) The executive compensation shall reflect the management environment and business performance of our group.
- 5) The executive compensation shall enable compensation for securing expert personnel such as professionals with a competitive edge in the market.
- 6) The compensation system and standards shall be timely and appropriately reevaluated and set at a competitive and appropriate standard based on such factors as the economic and social conditions and survey data with respect to management compensation provided by external specialized organizations.
- 7) Regulations and guidelines, etc., concerning executive compensation, both in Japan and overseas, shall be complied with.

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

Compensation for Officers, etc., shall, in principle, consist of a "Basic Salary," "Performance Payment" and "Stock Compensation."

- 1) “Basic Salaries” shall factor in the function and responsibility of each Officer, etc., in addition to the standard amount for each position and payment will be made monthly in cash.
- 2) “Performance Payments” shall be made as a monetary incentive for Officers, etc., to achieve the annual budget and as compensation for their achievement. The payment thereof shall reflect our group-wide results of operations, the results of organizations (our in-house companies and units, etc.) that each Officer, etc., is in charge of and the performance of each Officer, etc., in addition to the standard amount for each position. A system shall be adopted which, based on resolution by the Compensation Committee, etc., 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., of the company or the individual.
- 3) “Stock Compensation” shall be paid in the form of shares of common stock of Mizuho Financial Group consisting of “Stock Compensation I” and “Stock Compensation II,” (together “Stock Compensation I and II”) acquired from the stock market through a trust with an aim to align the interests of Officers, etc., with those of the shareholders and increase the incentive to enhance corporate value.
  - (a) “Stock Compensation I” shall be paid at the time of retirement of each Officer, etc., in the form of shares of common stock of Mizuho Financial Group calculated based on each position. A system shall be adopted which enables a decrease or forfeiture of the amount by resolution of the Compensation Committee, etc., depending on performance of the company or the individual.
  - (b) “Stock Compensation II” shall be paid in accordance with our group-wide results of operations, the results of organizations (our in-house companies and units, etc.) that each Officer, etc., is in charge of and the performance of each Officer, etc., in addition to the standard amount for each position. A system shall be adopted which enables the entire amount of deferred payments over three years, as well as a decrease or forfeiture of the deferred amount by resolution of the Compensation Committee, etc., depending on performance of the company or the individual.

Among the Officers, etc., the compensation system for the directors, the executive officers as defined in the Companies Act, the executive officers as defined in our internal regulations and the specialist officers responsible for business execution (the “Officers Responsible for Business Execution”) shall be separate from the compensation system for the directors responsible for management supervision (“Non-Executive Officers Responsible for Management Supervision”).

- 1) The basic compensation system for Officers Responsible for Business Execution shall be a “Basic Salary,” “Performance Payment” and “Stock Compensation I and II.”
  - (a) The composition of the compensation shall, in principle, be 50%, 17.5% and 32.5% for “Basic Salary,” “Performance Payment” and “Stock Compensation I and II” respectively.
  - (b) The upper limit of “Performance Payment” and “Stock Compensation II” shall be decided\* in accordance with our annual group-wide results of our operations taking into account the traits of our business activities as a Financial Services Group. The payment to each officer shall reflect the performance of each officer and the results of organizations (our in-house companies and units, etc.) that each Officer, etc., is in charge of, and be, in principle, within the range of 0% to 150% of the standard amount for each position.

\* The amount of funds for “Performance Payment” and “Stock Compensation II” is decided for each fiscal year by multiplying the standard amount for each position in a respective year with the total number of officers in that year and a coefficient based on the result from the fiscal year’s results of operations. The evaluation metric for this coefficient is decided by setting metrics based on our Consolidated Net Business Profits, and using such evaluation metrics for the reference year and the current fiscal year (provided that, for Mizuho Securities Co., Ltd., the system is linked to Ordinary Income, which is a metric that is equivalent to Consolidated Net Business Profits based on the traits of business activities and financial structure of securities companies).

- 2) 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. The compensation system shall consist of “Basic Salaries” and “Stock Compensation” and the composition shall, in principle, be 85% and 15% for “Basic Salaries” and “Stock Compensation,” respectively.

There are cases where compensation for some personnel, including those officers recruited locally in countries other than Japan, may be designed individually in compliance with local compensation regulations while taking into consideration local compensation practices and the responsibilities, business characteristics and market value, etc., of each respective officer. For cases where compensation is designed individually, payment of compensation is also made in accordance with the performance of the company or the individual. Payment of compensation is designed to avoid excessive risk-taking through 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 of the deferred amount depending on the performance, etc., of the company or the individual.

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

The Compensation Committee shall determine the determination policy of executive compensation for Mizuho Financial Group and the Three Core Companies and the executive compensation system including the compensation system set out in “Compensation System” in order to effectively secure the transparency and objectivity of compensation, etc., for individual Officers, etc. 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 Three Core Companies.

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 and specialist officer of Mizuho Financial Group; and approve at Mizuho Financial Group the compensation of each individual executive officer and specialist officer of the Three Core Companies.

The Compensation Committee shall verify the validity of the compensation system and standards based on economic and social conditions and survey data with respect to management compensation provided by external specialized organizations.

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 may have officers who are not members of the committee (including officers of the Three Core Companies) such as the President & CEO and external experts, etc., attend its meetings and provide their opinion in order to facilitate adequate and appropriate discussions and determinations.

#### ***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. We believe 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. In order to fulfill the roles mentioned above, the Board of Directors shall appropriately establish and supervise the operation of the internal control systems (regarding matters such as risk management, compliance and internal auditing) and risk governance systems of our group. 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. Mizuho Financial Group 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 14 directors (six outside directors, three 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.

The Board of Directors held 14 meetings in the fiscal year ended March 31, 2019. In particular, the Board had discussions for formulating the new business plan. The average attendance rate was 100%.

### **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 the Three Core Companies, 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 Three Core Companies.

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 21, 2019, the members of the Nominating Committee are Mr. Tatsuo Kainaka (Chairman), Mr. Tetsuo Seki, Mr. Masami Yamamoto, Ms. Hiroko Ota and Ms. Izumi Kobayashi.

The Nominating Committee held eight meetings in the fiscal year ended March 31, 2019. In particular, the Committee received reports on the status of formulation and operation of the succession plan and had discussions on director nomination and appointment for the fiscal year ending March 31, 2020 at Mizuho Financial Group and the Three Core Companies. The average attendance rate was 100%.

### **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 Three Core Companies, and determining the basic policies and compensation system for directors and executive officers of Mizuho Financial Group and the Three Core Companies.

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 21, 2019, the members of the Compensation Committee are Mr. Masami Yamamoto (Chairman), Mr. Tetsuo Seki, Mr. Tatsuo Kainaka and Mr. Hirotake Abe.

The Compensation Committee held 11 meetings in the fiscal year ended March 31, 2019. In particular, the Committee revised the compensation system so that the system would better help management to pursue shareholders' interests. The average attendance rate was 100%.

### **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, determining the contents of proposals regarding the appointment, dismissal and non-reappointment of independent accounting auditors to be submitted to the general meetings of shareholders, and adopting resolutions regarding the approval of basic internal audit plans, as well as the Internal Audit Group's budget, commission of Group Chief Auditor, and appointment of the General Manager of the Internal Audit Group.

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 including the Chairman 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 including the Chairman are appointed among outside directors. As of June 21, 2019, the members of the Audit Committee are Mr. Tetsuo Seki (Chairman), Mr. Tatsuo Kainaka, Mr. Hirotake Abe, Mr. Hisaaki Hiramasa and Mr. Masahiro Kosugi.

The Audit Committee held 17 meetings in the fiscal year ended March 31, 2019. In particular, the Committee confirmed the effectiveness of the Structure for Ensuring Appropriate Conduct of Operations (internal control system) and provided relevant opinions. The average attendance rate was 100%.

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:

- Risk Committee

The Risk Committee shall advise the Board of Directors regarding decision-making and supervision relating to risk governance and supervision of matters such as the status of risk management.

The Risk Committee shall, in principle, comprise no less than three members who shall be Non-Executive Directors or outside experts. Currently, the Risk Committee comprises Internal Non-Executive Director, who serves as the Chairman, an outside director, and an outside expert.

The Risk Committee held six meetings in the fiscal year ended March 31, 2019. In particular, the Committee had discussions on evaluation on risks surrounding the new business plan. The average attendance rate was 94%.

- Human Resources Review Meeting

The Human Resources Review Meeting shall deliberate over plans for the appointment and dismissal of Mizuho Financial Group's executive officers as defined in the Companies Act and plans for the appointment and removal of or commission to Mizuho Financial Group's executive officers (as defined in the Companies Act or our internal regulations) with special titles, such plans to be decided upon by the Board of Directors. Additionally, the Human Resources Review Meeting shall deliberate over plans for the appointment and removal of or commission to the Three Core Companies' executive officers as defined in our internal regulations with special titles, such plans to be approved by the Board of Directors.

The Human Resources Review Meeting shall comprise the members of the Nominating Committee, the members of the Compensation Committee, and the Group CEO from the perspective of ensuring transparency and fairness in the appointment of executive officers.

The Human Resources Review Meeting was held nine times in the fiscal year ended March 31, 2019. In particular, the Meeting received reports on the status of formulation and operation of the succession plan and had discussions on the appointment of executive officers for the fiscal year ending March 31, 2020 at Mizuho Financial Group and the Three Core Companies. The average attendance rate was 100%.

- Outside Director Session

The Outside Director Session shall comprise only outside directors and exchange information and share understanding with each other and provide objective and candid opinions to management based on the outside directors' perspectives as outsiders.

The Outside Director Session was held twice in the fiscal year ended March 31, 2019. In particular, the Session had discussions on the evaluation of the effectiveness of the Board of Directors and the new business plan. The average attendance rate was 100%.

## **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, after the President & CEO makes decisions on matters delegated by the Board of Directors, determined matters shall be reported to the Board of Directors at least once every three months as part of the status of the execution of duties.

#### **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 of such outside director. Pursuant to the provisions in its articles of incorporation, 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 or one member of the audit & supervisory board to be "independent." Further, listed companies that have less than two independent outside directors must disclose the reason for it. Currently, all 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, 2017, 2018 and 2019, we had 59,179, 60,051 and 59,132 employees, respectively, on a consolidated basis, including overseas local staff but excluding advisers and temporary employees. We also had an average of approximately 17,707 temporary employees during the fiscal year ended March 31, 2019.

The following tables show our full-time employees as of March 31, 2019 and the average number of temporary employees for the fiscal year ended March 31, 2019, 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>
Retail & Business Banking Company .....	24,920	11,142
Corporate & Institutional Company .....	2,238	346
Global Corporate Company .....	8,731	47
Global Markets Company .....	1,616	85
Asset Management Company .....	1,602	126
Others .....	<u>20,025</u>	<u>5,961</u>
Total .....	<u>59,132</u>	<u>17,707</u>

<u>Location</u>	<u>Percentage of full-time employees</u>	<u>Average percentage of temporary employees</u>
Japan .....	91.0%	99.7%
Americas .....	2.6	0.0
Europe .....	1.5	0.1
Asia/Oceania (excluding Japan) and others .....	<u>4.9</u>	<u>0.2</u>
Total .....	<u>100.0%</u>	<u>100.0%</u>

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

Shown below are two types of numbers of shares of Mizuho Financial Group's common stock held by its directors and executive officers as of June 30, 2019: One column shows the actual number of shares held; The other shows the potential number of additional shares to be held (i.e., the number of shares that are scheduled to be delivered equivalent to the stock ownership points granted by the current stock compensation system and the stock acquisition rights granted by the former stock option system).

<u>Directors</u>	<u>Actual number of shares held</u>	<u>Potential number of additional shares to be held</u>
Tatsufumi Sakai .....	337,217	183,684
Satoshi Ishii .....	217,206	142,992
Makoto Umemiya .....	52,749	107,228
Motonori Wakabayashi .....	33,122	128,575
Hiroaki Ehara .....	60,435	111,350
Yasuhiro Sato .....	954,642	581,420
Hisaaki Hiramata .....	130,941	78,660
Masahiro Kosugi .....	44,139	—
Tetsuo Seki .....	46,500	11,200
Tatsuo Kainaka .....	25,000	11,200
Hirotake Abe .....	46,500	11,200
Masami Yamamoto .....	—	—
Hiroko Ota .....	5,000	11,200
Izumi Kobayashi .....	11,000	11,200

<u>Executive Officers</u>	<u>Actual number of shares held</u>	<u>Potential number of additional shares to be held</u>
Tatsufumi Sakai . . . . .	See above	See above
Junichi Kato . . . . .	646,480	177,695
Akira Nakamura . . . . .	224,643	145,510
Seiji Imai . . . . .	85,218	177,533
Masahiro Otsuka . . . . .	149,802	—
Satoshi Ishii . . . . .	See above	See above
Makoto Umemiya . . . . .	See above	See above
Shuji Kojima . . . . .	98,423	117,435
Motonori Wakabayashi . . . . .	See above	See above
Goji Fujishiro . . . . .	52,025	117,109
Hisashi Kikuchi . . . . .	59,073	85,938
Hiroaki Ehara . . . . .	See above	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 and executive officers, see “Item 6.B Compensation.”

We maintain an employee stock ownership plan under which participating employees of the companies listed below are able to contribute funds deducted from their salary and bonus payments to purchase our shares. 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 by the participating employees. The following table shows the number of shares that the plan held as of March 31, 2019:

<u>Plan</u>	<u>As of March 31, 2019</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 Research Institute Mizuho Information & Research Institute	
Total . . . . .		<u>113,885,564</u>

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 7.A. Major Shareholders

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, 2019:

<u>Name</u>	<u>As of March 31, 2019</u>	
	<u>Number of shares owned</u>	<u>Percentage of outstanding shares</u>
The Master Trust Bank of Japan, Ltd. (trustee account) . . . . .	1,360,079,600	5.36%
Japan Trustee Services Bank, Ltd. (trustee account) . . . . .	1,065,112,500	4.20
Japan Trustee Services Bank, Ltd. (trustee account 5) . . . . .	525,839,800	2.07
Japan Trustee Services Bank, Ltd. (trustee account 9) . . . . .	516,271,400	2.03
JP Morgan Chase Bank 385151 . . . . .	393,575,328	1.55
State Street Bank West Client – Treaty 505234 . . . . .	392,747,217	1.55
Japan Trustee Services Bank, Ltd. (trustee account 1) . . . . .	349,978,800	1.38
Japan Trustee Services Bank, Ltd. (trustee account 7) . . . . .	339,733,700	1.34
Japan Trustee Services Bank, Ltd. (trustee account 2) . . . . .	325,188,100	1.28
Japan Trustee Services Bank, Ltd. (trustee account 4) . . . . .	288,707,000	1.14
Total . . . . .	<u>5,557,233,445</u>	<u>21.89%</u>

As of March 31, 2019, there were 214 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 10% 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.

### 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, 2019, 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, 2019, 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, 2019.

During the fiscal year ended March 31, 2019, 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 proceeding.

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, annual cash dividends for the fiscal year ended March 31, 2019 were ¥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 dividends per share of common stock of the fiscal year ended March 31, 2018.

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 described in this annual report, 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**

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.B. Plan of Distribution**

Not applicable.

### **9.C. Markets**

See “Item 9.A. The Offer and Listing—Listing Details.”

### **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 (Kaisha Hou) (Act No. 86 of 2005, as amended), 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 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, 2019, 25,392,498,945 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; provided, however, that, in connection with the settlement period of share at Tokyo Stock Exchange being scheduled to be shortened, the ex-dividend date for any dividend, the record date of which is on or after July 18, 2019, is expected to be changed to the first business day prior to the record date.

#### *Restriction on Distribution of Surplus*

Payment of annual dividends on shares of common stock is subject to the prior payment of annual preferred dividends on the shares of any series of 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 any 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, 2019.

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 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, 2019, there was no outstanding preferred stock.

### ***Preferred Dividends***

Payment of annual dividends on shares of common stock is subject to the prior payment of the annual preferred dividends on shares of preferred stock. The amount of preferred dividends for each series of the preferred stock is as follows:

- 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 interim preferred dividend will be deducted from the annual 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 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 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”).

### ***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 the following persons who make certain prescribed investments:

- 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. If a foreign investor required to file such prior notification acquires our shares without compliance with such notification requirements or the order of modification of or prohibition on the proposed acquisition, the Minister of Finance and any other competent minister may order the foreign investor to dispose of all or part of the shares or take other necessary measures.

### **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 depository, including shares deposited with Mizuho Bank as custodian for the depository, 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 depositary or its Agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends), together with certain other documents. To claim this reduced rate or exemption, non-resident holders of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depositary. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, 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, persons required to accelerate the recognition of any item of gross income with respect to shares or ADSs as a result of such income being recognized on an applicable financial statement and holders of 10% or more of our shares by vote or value) are subject to special tax treatment. This summary does not address the Medicare tax on net investment income or 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 our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of distribution of property other than cash will be the fair market value of such property on the date of the distribution. Such cash or non-cash income, including withheld taxes, will be includable in a U.S. holder’s gross

income as ordinary income on the day actually or constructively received by such U.S. holder in the case of shares, or by the depositary in the case of ADSs. Such dividends received by a U.S. holder will not be eligible for the “dividends-received deduction” allowed to U.S. corporations in respect of dividends received from other U.S. corporations. To the extent that an amount received by a U.S. holder exceeds such holder’s allocable share of our current and accumulated earnings and profits, such excess will be applied first to reduce such holder’s tax basis in its shares or ADSs, thereby increasing the amount of gain or decreasing the amount of loss recognized on 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 depositary in the case of U.S. holders of ADSs, or by the shareholder in the case of U.S. holders of shares, regardless of whether the dividend payment is in fact converted into U.S. dollars at that time. If the 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 applicable to you is higher than the maximum Treaty rate, you will be required to properly demonstrate to 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 or accrued in 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 dividends 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***

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. Subject to the discussion under "—U.S. Taxation—Passive Foreign Investment Company Rules" below, 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 past and projected composition of income and assets and the valuation of our assets, including goodwill, we do not believe that we were a passive foreign investment company ("PFIC") for our most recent taxable year and do not expect to become one in the current taxable year or the foreseeable 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 the composition of our income or assets or the valuation of our 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. U.S. holders should consult their own tax advisors regarding the potential availability and consequences of a mark-to-market election. In addition, a U.S. holder of shares or ADSs 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 or ADSs 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 institutions 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 U.S. Securities and Exchange Commission 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 CREDIT, MARKET AND OTHER 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. Mizuho Financial Group maintains 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.

### **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, which is one of the Business Policy Committees of Mizuho Financial Group, 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 Risk Committee and the Executive Management Committee, etc., 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 maintain their own systems for managing various types of risk, receiving reports on the status of risk at their respective subsidiaries, and gives them appropriate instructions concerning risk management as necessary.

#### ***Basic Approach***

We classify the risks arising from the group's businesses into different types of risk such as credit risk, market risk, liquidity risk and operational risk according to their risk factors, and manage each type of risk depending on its characteristics. Furthermore, each group entity manages such risks according to the characteristics of its business operations (i.e., management of risks associated with settlement and trust businesses, etc.). In addition to managing each type of risk individually, we have established a comprehensive risk management structure to identify and evaluate overall risk and to keep risk within limits that are managerially acceptable. 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.

#### ***Risk Capital Allocation***

We endeavor to obtain a clear grasp of the group's risk exposure and have implemented measures to control 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 our financial strength. To ensure the ongoing financial soundness 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.

### ***Stress Testing***

For the purpose of verifying the appropriateness of the Mizuho group's risk appetite and the adequacy of its business plans, we carry out stress testing on our entire portfolio by measuring and assessing the impacts on our capital ratio and financial performance of the stress events assumed in the scenarios set by the group. Stress testing is carried out to confirm that the required capital ratio and financial performance can be secured on the occurrence of any of the assumed stress events. When our capital ratio or financial performance falls below the required level, we will consider and carry out a revision of our risk appetite and business plans. We also calculate the impacts of assumed stress events on risk volumes, including interest rate risk related to our banking book that is not covered by regulatory capital, to confirm whether the risk volumes balance with the group's capital when a risk event occurs. The calculated risk volumes are used for assessing the group's internal capital adequacy. Risk scenarios are set considering the current and projected economic conditions, as well as vulnerabilities in the group's business and financial structure. Moreover, we have established a robust risk management framework under which stress testing is respectively carried out for each risk category, including market risk. Through such stress testing, we deepen our understanding of the distinctive features of our businesses and portfolios, and proactively determine action to be taken if a stress event happens. In this way, we are committed to enhancing our risk management capabilities on a continued basis.

### **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. Mizuho Financial Group has 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. Specifically, Mizuho Financial Group establishes the group's fundamental credit risk policy to manage major group companies, and monitors and manages the credit risks of the group as a whole.

#### ***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 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 Credit Risk Management Department and the 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.



The Balance Sheet & Risk Management Committee and the Credit Committee, each of which is a Business Policy Committee of our principal banking subsidiaries, are responsible for discussing and coordinating overall management of their individual credit portfolios and transaction policies towards obligors. The respective Chief Risk Officers of our principal banking subsidiaries are responsible for matters relating to planning and implementing credit risk management. The credit risk management departments of our principal banking subsidiaries are in charge of planning and administering credit risk management and conducting credit risk measuring and monitoring. The departments regularly present reports regarding their risk management situation to Mizuho Financial Group. The credit departments of our principal banking subsidiaries determine policies and approve/disapprove individual transactions in terms of credit review, credit management and collection from customers in accordance with the lines of authority set forth respectively by our principal banking subsidiaries. In addition, our principal banking subsidiaries have established internal audit groups that are independent of the business departments in order to ensure appropriate credit risk management.

### ***Method of Credit Risk Management***

We have adopted two different but mutually complementary approaches to credit risk management. The first approach is “individual 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.

### ***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 mission and social responsibilities, our basic policy for credit business is determined in light of fundamental principles focusing on public welfare, safety, growth and profitability.

#### *Internal Rating System*

One of the most important elements of the risk management infrastructure of our principal banking subsidiaries is the use of an internal rating system that consists of credit ratings and pool allocations. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the possibility of ultimately incurring losses related to each individual claim by taking into consideration the nature of any collateral or guarantee and the seniority of the claim. In principle, obligor ratings apply to all obligors and are subject to regular reviews at least once a year to reflect promptly the fiscal period end financial results of the obligors, as well as special reviews as required whenever a obligor’s credit standing changes. This enables our principal banking subsidiaries to monitor both individual obligors and the status of the overall portfolio in a timely fashion. Because we consider obligor ratings to be an initial phase of the self-assessment process regarding the quality of our loans and off-balance-sheet instruments, such obligor ratings are closely linked to the obligor classifications and are an integral part of the process for determining the provision for loan losses and charge-offs in our self-assessment of loans and off-balance-sheet instruments.

To assign obligor ratings, we have a quantitative evaluation system (rating model) in place to enable proper assessment of an obligor’s credit standing. The system gives a quantitative rating to an obligor based on obligor-specific characteristics such as type of business (corporation or individual) and geography (in Japan or outside Japan). We categorize our rating models for companies in Japan into those for large companies and those for small and medium-sized companies. The former consist of 13 models according to industry-specific factors, while the latter consist of three models. For companies outside Japan, we utilize nine models.

These were developed by the Credit Risk Management Department based on a statistical methodology and approved by the Chief Risk Officer.

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. Our principal banking subsidiaries efficiently manage credit risk and credit screening by dispersing a sufficient number of small claims within each pool. Our principal banking subsidiaries generally review the appropriateness and effectiveness of our approach to obligor ratings and pool allocations once a year in accordance with predetermined procedures, which is audited by the Internal Audit Group.

Mizuho Financial Group defines a Restructured Loan as a loan extended to a Customer with Special Attention when the following conditions are met: we are aiming for business reconstruction or financial support; and lending conditions were amended favorably to the customer such as allowing interest rate reduction, postponement of principal repayment/interest payment, debt forgiveness, etc.

An overdue loan is defined as a loan for a Customer with Special Attention of which the loan principal or interest is overdue for three months or more following the contractual payment date.

#### *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. In our assessment of the probability of obligor bankruptcy, we deem an obligor that is rated as being insolvent or lower as being bankrupt.

#### *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 department in charge 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 the obligors at an early stage in working towards credit soundness.

#### ***Credit Portfolio Management***

##### *Risk Measurement*

We use statistical methodologies that involve a risk measurement system (enterprise value corporate valuation model, holding period of one year) 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

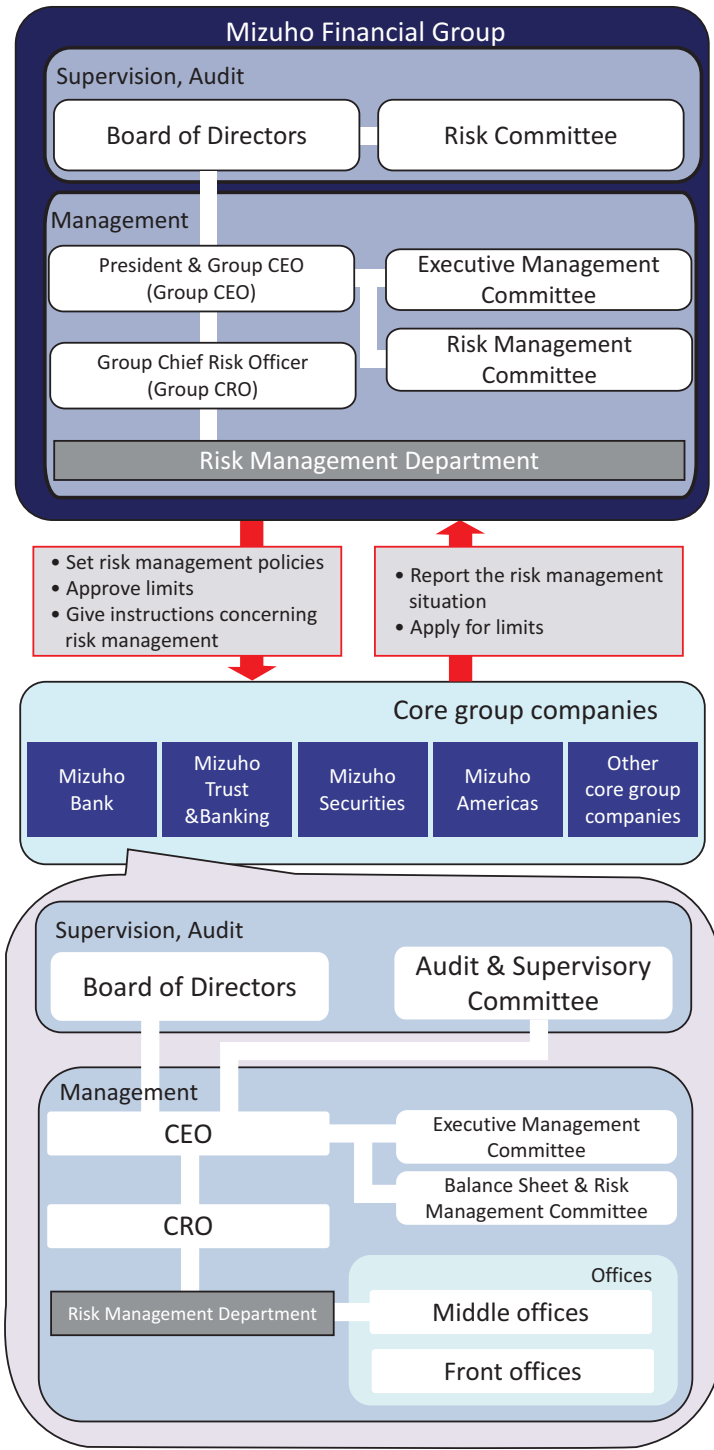
interval (“credit VAR”). The difference between expected loss and credit VAR is measured as the credit risk amount (“Unexpected Loss”). The risk measurement system covers the following account items reported by each Mizuho Financial Group company: credit transactions including loans and discounts; securities; customer’s liabilities for acceptances and guarantees; deposits and foreign exchange; derivatives including swaps and options; off-balance sheet items including commitments; and other assets involving credit risk.

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*

Our principal banking subsidiaries recognize the risk arising from allowing unexpected loss to become too large. Our principal banking subsidiaries manage “credit concentration risk,” which stems from granting excessive credit to individual corporate groups in line with our specific guidelines. Our principal banking subsidiaries also set the credit limit based on verification of status of capital adequacy. In cases where the limit is exceeded, our principal banking subsidiaries will formulate a handling policy and/or action plan. In addition to the above, our principal banking subsidiaries monitor total credit exposure, credit exposure per rating, credit concentration per individual corporate group, geography and business sector to make a periodical report to the Balance Sheet & Risk Management Committee and the Credit Committee.

The following diagram shows our risk management structure:



## **Market 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. Market risk includes market liquidity risk; i.e., the risk that we will suffer a loss due to market disruptions or other disorders that prevent us from conducting transactions in the market or require us to pay significantly higher prices than normal to conduct transactions. Mizuho Financial Group manages market risk for the Mizuho group as a whole. Specifically, Mizuho Financial Group establishes the fundamental risk management policy for the entire group, manages the market risk of our principal banking subsidiaries and other core group companies and monitors how the group's market risk is being managed as a whole.

### ***Market Risk Management Structure***

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 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, reporting and analysing, making proposals, setting limits and guidelines, and formulating and implementing plans relating to market risk management.

As for the situation of market risk, the Risk Management Department submits reports to the President and Group CEO on a daily basis and to the Board of Directors on a regular basis. For the purpose of managing the market risk of our principal banking subsidiaries and other core group companies, the Department regularly receives reports from each of them to properly identify and manage their market risk. These subsidiaries and core group companies, which account for most of the Mizuho group's exposure to market risk, establish their basic policies based on ours, and their Boards of Directors determine important matters relating to market risk management.

### ***Market Risk Management Method***

To manage market risk, we set limits that correspond to risk capital allocations according to the risk profile of each of our principal banking subsidiaries and other core group companies and thereby prevent the overall market risk we hold from exceeding our financial strength represented by capital, etc. The amount of risk capital allocated to market risk corresponds to value-at-risk (the "VAR") and additional costs that may arise in order to close relevant positions.

### ***Setting Limits***

When the said limits are set, various factors are taken into account, including business strategies, historical limit usage ratios, risk-bearing capacity (profits, equity capital and risk management framework), profit targets and the market liquidity of the products involved. The limits are discussed and coordinated by the Risk Management Committee, discussed further by the Executive Management Committee and then determined by the President & Group CEO. 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 (10 BPV) as needed. An excess over any of these limits is immediately reported and addressed according to a pre-determined procedure.

### ***Monitoring***

To provide a system of mutual checks and balances in market operations, we have established middle offices specializing in risk management that are independent of front offices which engage in market transactions and of 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 testing and set stop loss limits as needed. We monitor market liquidity risk for individual financial products in the market while taking turnover and other factors into consideration.

## Value-at-Risk

We use 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:

- historical simulation method;
- confidence interval: one-tailed 99.0%;
- holding period of one day; and
- historical observation period of three years.

The following tables show the VAR related to our trading activities by risk category for the fiscal years ended March 31, 2017, 2018 and 2019 and as of March 31, 2017, 2018 and 2019:

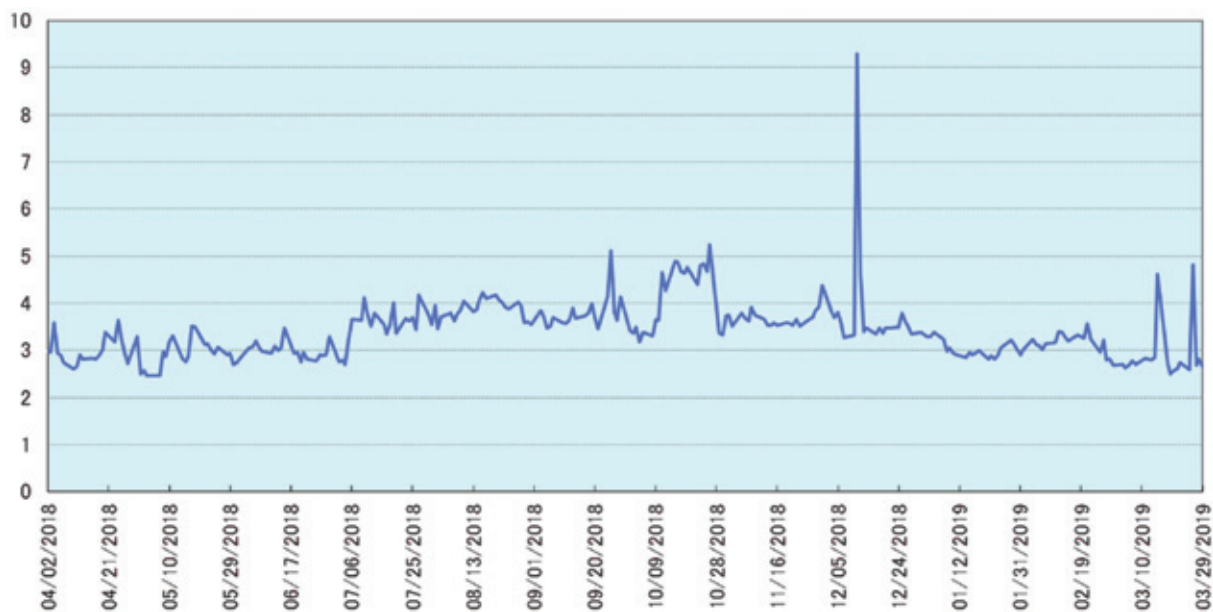
<u>Risk category</u>	<u>Fiscal year ended March 31, 2017</u>			<u>As of March 31, 2017</u>
	<u>Daily average</u>	<u>Maximum</u>	<u>Minimum</u>	
	(in billions of yen)			
Interest rate . . . . .	¥2.0	¥3.6	¥1.0	¥1.0
Foreign exchange . . . . .	0.5	1.6	0.1	0.1
Equities . . . . .	0.4	3.2	0.1	0.9
Commodities . . . . .	0.0	0.0	0.0	0.0
Total . . . . .	¥3.3	¥5.8	¥2.3	¥2.6

<u>Risk category</u>	<u>Fiscal year ended March 31, 2018</u>			<u>As of March 31, 2018</u>
	<u>Daily average</u>	<u>Maximum</u>	<u>Minimum</u>	
	(in billions of yen)			
Interest rate . . . . .	¥1.7	¥2.5	¥1.0	¥2.2
Foreign exchange . . . . .	0.4	1.2	0.1	0.1
Equities . . . . .	0.6	2.4	0.3	0.5
Commodities . . . . .	0.0	0.0	0.0	0.0
Total . . . . .	¥3.0	¥6.2	¥2.2	¥3.0

<u>Risk category</u>	<u>Fiscal year ended March 31, 2019</u>			<u>As of March 31, 2019</u>
	<u>Daily average</u>	<u>Maximum</u>	<u>Minimum</u>	
	(in billions of yen)			
Interest rate . . . . .	¥2.0	¥2.9	¥1.3	¥2.0
Foreign exchange . . . . .	0.8	2.8	0.1	0.3
Equities . . . . .	0.6	7.7	0.2	0.5
Commodities . . . . .	0.0	0.0	0.0	0.0
Total . . . . .	¥3.4	¥9.2	¥2.4	¥2.6

The following graph shows VAR figures of our trading activities for the fiscal year ended March 31, 2019:

(VAR : billions of yen)



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

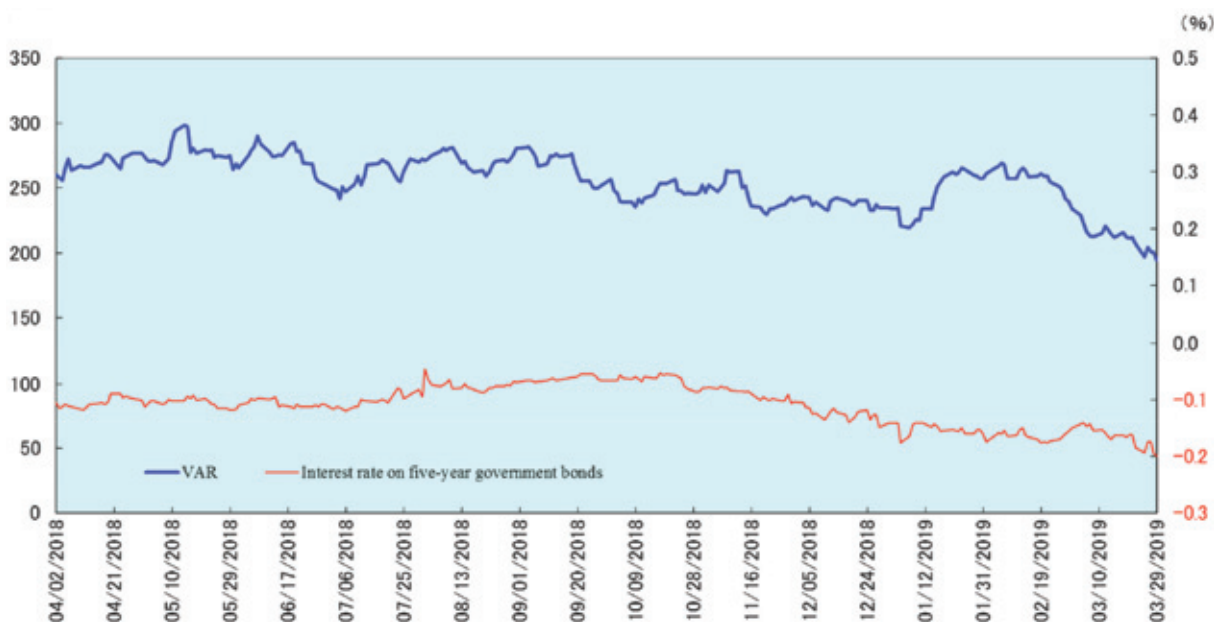
	Fiscal years ended March 31,			
	2017	2018	2019	Change
	(in billions of yen)			
As of fiscal year end	¥2.6	¥3.0	¥2.6	¥(0.3)
Maximum	5.8	6.2	9.2	3.0
Minimum	2.3	2.2	2.4	0.2
Average	3.3	3.0	3.4	0.3

#### 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. In addition, as for risk management of banking activities, it is important to properly measure interest rate risk so that we calculate interest risk using appropriate methods such as recognizing demand deposits as “core deposits.”

The following graph shows the VAR related to our banking activities excluding our cross-shareholdings portfolio for the year ended March 31, 2019:

(VAR : billions of yen)



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

	Fiscal years ended March 31,			
	2017	2018	2019	Change
As of fiscal year end	¥292.7	¥268.4	¥194.4	¥(74.0)
Maximum	397.5	307.2	298.5	(8.7)
Minimum	247.4	210.8	194.4	(16.3)
Average	331.0	267.8	255.5	(12.2)

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.

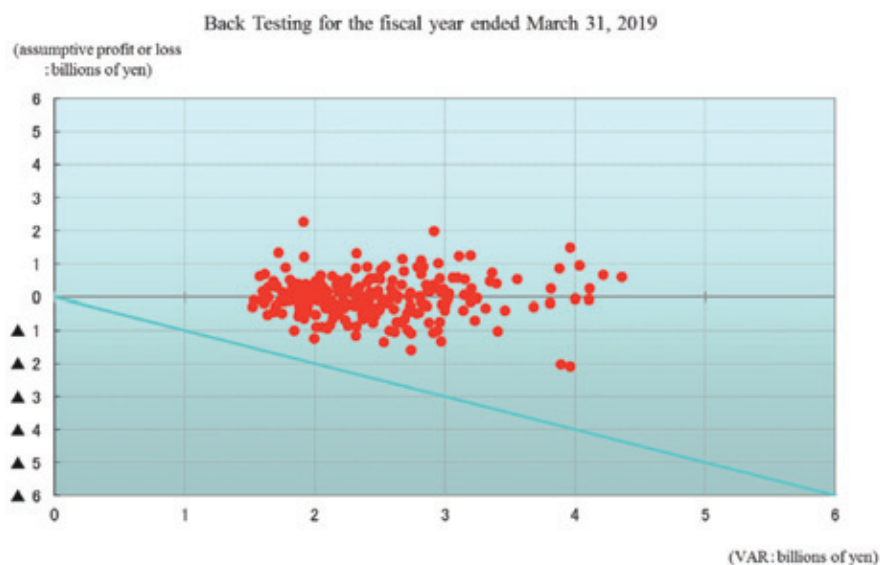
#### ***Cross-shareholdings Portfolio Management Activities***

We take the market risk management approach with use of VAR and risk indices for cross-shareholdings portfolio management activities to properly manage stock price risk. Specifically, we monitor VAR measurements and the state of risk capital on a daily basis. Moreover, in order to control stock price risk, we are working on the reduction in cross-shareholdings through careful negotiations with counterparties.



### **Back Testing**

In order to evaluate the effectiveness of market risk measurements calculated using the VAR method, we carry out regular back tests to compare VAR with assumptive profits and losses. Assumptive profits and losses accounts for general market risk. The graph below shows daily VAR of trading activities for the fiscal year ended March 31, 2019 and the corresponding paired distribution of profits and losses. We had zero case where losses exceeded VAR during the period. In addition, we conduct evaluations of the assumptions related to the VAR models. Based on the number of times losses exceeded VAR through back testing and the results of the evaluation of the model assumptions, we will make adjustments to the models as appropriate. Changes to fundamental portions of the VAR models are subject to the approval of our Group Chief Risk Officer.



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.

### **Stress Testing**

Because the VAR 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 under scenarios in which stresses are applied to interest rate risk and stock price risk based on current and projected economic conditions, historical market events, etc.

### **Liquidity Risk Management**

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 liquidity risk for the Mizuho group as a whole. Specifically, Mizuho Financial Group establishes the fundamental liquidity risk management policy for the entire group, manages the liquidity risk of our principal banking subsidiaries and other core group companies and monitors how the group's liquidity risk is being managed as a whole.

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

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, reporting and analysing, making 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 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 and the Balance Sheet Management Committee (each of which is a Business Policy Committee), the Executive Management Committee and the President & Group CEO on a regular basis.

Our principal banking subsidiaries and other core group companies also establish their basic policies on liquidity risk management to properly identify and manage liquidity risk.

### ***Liquidity Risk Management Method***

We manage liquidity risk with the use of “Liquidity Risk Management Indicators” and “Liquidity Categorization.” The former is determined for the purpose of managing limits on funds raised in the market considering our fund raising capabilities, and the latter is determined based on our funding conditions. We also carry out liquidity stress testing to verify the sufficiency of liquidity reserve assets and the effectiveness of countermeasures against a possible outflow of funds during a stress event. The results of stress testing are used for cash flow management operations.

### ***Liquidity Risk Management Indicators***

Limits on funds raised in the market are set based on a number of time horizons taking into account characteristics and strategies of each of our principal banking subsidiaries and other core group companies. Such limits are discussed and coordinated by the Risk Management Committee, discussed further by the Executive Management Committee and determined by the President & Group CEO. An excess over any of these limits is immediately reported and addressed according to a pre-determined procedure.

### ***Liquidity Categorization***

We have established a group-wide framework of liquidity risk stages 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 funding conditions. As EWIs, we select stock prices, credit ratings, amount of liquidity reserve assets such as Japanese government bonds, our funding situations and others.

### ***Liquidity Stress Testing***

We carry out stress testing regularly based on market-wide factors, idiosyncratic factors of the group and a combination of both types of factors to verify the sufficiency of liquidity reserve assets and the effectiveness of our liquidity contingency funding plans. Furthermore, we utilize stress testing for evaluating the appropriateness of our annual funding plan.

## **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 control operational risk management for the Mizuho group as a whole. Considering 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 separately

determined the fundamental risk management policies for these different types of risk. We manage the operational risk associated with our principal banking subsidiaries and other core group companies while monitoring the state of group-wide operational risk.

### ***Operational Risk Management Structure***

Our Board of Directors determines basic matters pertaining to operational risk management policies. The Risk Management Committee of Mizuho Financial Group broadly discusses and coordinates matters relating to basic policies in connection with operational risk management, operational risk operations and operational risk monitoring. The Group Chief Risk Officer of Mizuho Financial Group is responsible for matters relating to operational risk management planning and operations. The Risk Management Department of Mizuho Financial Group is responsible for monitoring market risk, reporting and analysing, making proposals, setting limits and guidelines, and formulating and implementing plans relating to operational risk management.

Our principal banking subsidiaries and core group companies establish their basic policies on operational risk management, and their Boards of Directors determine important matters relating to operational risk management.

### ***Operational Risk Management Method***

To manage operational risk, we set common rules for data gathering to develop various databases shared by the group and measure operational risk as operational VAR on a regular basis, taking into account possible future loss events and 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 that arise from the growing sophistication and diversification of financial operations and developments relating to information technology by utilizing control self-assessments and improving measurement methods.

### ***Definition of Risks and Risk Management Methods***

As shown in the table below, we have defined each component of operational risk, and we apply appropriate risk management methods in accordance with the scale and nature of each risk.

	<b>Definition</b>	<b>Principal Risk Management Methods</b>
Information Technology Risk	Information technology risk (“IT risk”) shall refer to the risk that problems (e.g. malfunctions, disruptions, etc.) with the computer systems or improper use of the computers in these systems, which cause disruptions of the services provided to customers, or have significant impact on settlement systems, etc., will result in losses for customers, and the incurrence of losses (tangible or intangible) by our group companies.	<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>• Strengthen capabilities for rapidly and effectively dealing with cyberattacks.</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> </ul>

	<b>Definition</b>	<b>Principal Risk Management Methods</b>
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>• Introduce information technology, office automation and centralization for operations.</li> <li>• Improve the effectiveness of emergency responses by holding drills.</li> <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 working hours.</li> <li>• Understand the status of vacation days taken by personnel.</li> <li>• Understand the status of voluntary resignations.</li> <li>• Understand the status of the stress check system.</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/Advanced Measurement Approach (“AMA”)*

We have adopted the AMA for the calculation of operational risk equivalent in association with capital adequacy ratios based on Basel Regulation. However, we use the Basic Indicator Approach for entities that are deemed to be less important in the measurement of operational risk equivalent.

The measurement results under the AMA are used not only as the operational risk equivalent in the calculation of capital adequacy ratios based on Basel Regulation, 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 amount by estimating the maximum loss, using a 99.9th percentile one-tailed confidence interval and a one-year holding period, etc., as operational risk equivalent, 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, 2019, 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 risk amounts related to the seven loss event types defined in the FSA’s Capital Adequacy Notice, large-scale natural disasters and litigation. In the measurement of operational risk equivalent as of March 31, 2019, we did not reflect the correlation effects among operational risk related to each of the seven loss event types.

- Operational risk by 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.”

- 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.

<u>Approach</u>	<u>Loss event type(s) to be applied</u>
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 group-wide 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 a 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 their respective companies, 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 their respective chief compliance officers. These divisions are responsible for compliance planning and implementation and control overall compliance management at their 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 parents.

### ***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 audit refers to the series of activities, ranging from the objective and comprehensive evaluation of the effectiveness and appropriateness of each process relating to governance, risk management and control, to provide recommendations, corrective guidance, etc., toward the resolution of problems from an independent standpoint of the departments and business processes that are subject to the audit, based on a plan approved by the board of directors of each of our group companies. Through these series of activities, 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 internal 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. The Head of the Internal Audit Group reports the progress of individual audits and plans to the Audit Committee, responds to requests for inspections, and receives specific instructions from the committee. 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 the Audit Committee and 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 and a framework under which their internal audit committees coordinate with their respective audit & supervisory committees.

Both banks have established internal audit departments 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.

#### *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)	– Delivery of ADRs and the surrender of ADRs
\$.05 (or less) per ADS <sup>(1)</sup>	– 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
\$.05 (or less) per ADS <sup>(2)</sup>	– General depositary services
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)
Taxes and other governmental charges	– Converting foreign currency to U.S. dollars
Any other charge incurred by the depositary or its agents in connection with the servicing of the deposited securities	– As necessary
	– As necessary

#### Notes:

- (1) Based on the amendments to the Deposit Agreement that became effective April 2, 2018, fees for any cash distribution to ADS registered holders were changed from \$.02 (or less) per ADS to \$.05 (or less) per ADS.
- (2) Based on the amendments to the Deposit Agreement that became effective April 2, 2018, fees for general depositary services were newly added.

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. In the fiscal year ended March 31, 2019, the depositary reimbursed us \$500,000 for such expenses.

## 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, 2019. 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, 2019 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, 2019 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, 2019.

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, 2019, 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 that are reasonably likely to materially affect, our internal control over financial reporting other than noted below.

Since June 11, 2018, Mizuho Bank and Mizuho Trust & Banking have been engaging in a multi-stage process of migration to, and the implementation of, our next-generation IT systems, including accounting system. As of July 5, 2019, we have completed eight out of the nine required phases. This implementation contains changes to processes that constitute a part of our internal control over financial reporting.

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Messrs. Tetsuo Seki, Hirotake Abe, Hisaaki Hiramata and Masahiro Kosugi 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, Messrs. Tetsuo Seki and Hirotake Abe 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, titled “Code of Ethics for Financial Professionals,” which is applicable to all directors and executive officers, as well as all managers and other employees of Mizuho Financial Group who engage in financial reporting, accounting or disclosure. The code of ethics of Mizuho Financial Group 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, 2018 and 2019 are presented in the following table:

	<b>Fiscal years ended March 31,</b>	
	<b>2018</b>	<b>2019</b>
	<b>(in millions of yen)</b>	
Audit fees <sup>(1)</sup> . . . . .	¥4,951	¥5,253
Audit-related fees <sup>(2)</sup> . . . . .	306	273
Tax fees <sup>(3)</sup> . . . . .	213	102
All other fees <sup>(4)</sup> . . . . .	13	4
Total . . . . .	<u>¥5,483</u>	<u>¥5,632</u>

Notes:

- (1) Audit fees include primarily 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 and due diligence services related to our securitization business.
- (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, 2019:

	<u>Total number of shares purchased</u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of publicly announced plans or programs</u>	<u>Maximum number of shares that may yet be purchased under the plans or programs</u>
April 1 to April 30, 2018 .....	2,336	¥193.5	—	—
May 1 to May 31, 2018 .....	2,764	199.2	—	—
June 1 to June 30, 2018 .....	7,160	191.7	—	—
July 1 to July 31, 2018 .....	6,815	188.9	—	—
August 1 to August 31, 2018 .....	3,761	195.2	—	—
September 1 to September 30, 2018 .....	2,662	194.8	—	—
October 1 to October 31, 2018 .....	2,904	195.3	—	—
November 1 to November 30, 2018 .....	2,533	192.2	—	—
December 1 to December 31, 2018 .....	4,601	179.8	—	—
January 1 to January 31, 2019 .....	4,855	172.4	—	—
February 1 to February 28, 2019 .....	75,934	174.1	—	—
March 1 to March 31, 2019 .....	37,543	174.1	—	—
Total .....	<u>153,868</u>	<u>¥178.0</u>	<u>—</u>	<u>—</u>

Note:

- (1) A total of 153,868 shares were purchased other than through publicly announced plans or programs during the fiscal year ended March 31, 2019, due to our purchase of shares constituting less than one (1) unit from 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 meets all of the following requirements: (a) a person who is not currently, and has not been in the ten years prior to his or her assumption of office as outside director, an executive director, an executive officer, a manager, or any other type of employee ("Executive Director, etc.") of the company or its subsidiaries; (b) if a person has been a non-executive director, an audit & supervisory board member, or an accounting adviser of the company or its subsidiaries within the ten years prior to his or her assumption of office as outside director, a person who was not an Executive Director, etc., of the company or its subsidiaries in the ten years prior to his or her assumption of office as such; (c) a person who is not (i) a person who controls the company (including the company's parent company) ("Parent Company, etc.") and who is a natural person or (ii) a director, an executive officer, a manager or any other type of employee of a Parent Company, etc.; (d) a person who is not an Executive Director, etc., of another subsidiary of a Parent Company, etc.; and (e) a person who is not a spouse or a family member within the second degree of kinship of (i) a director, an executive officer, a manager, or any other type of important employee of the company or (ii) a Parent Company, etc., who is a natural person. 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 Three Core Companies, entities to which Mizuho Financial Group and its Three Core Companies are a principal business counterparty, entities that receive more than a specified amount of donations from Mizuho Financial Group or its Three Core Companies, entities to which directors have been transferred from us, our accounting auditor, law firms and consulting firms that receive more than a specified amount of fees from Mizuho Financial Group or its Three Core Companies, as well as persons 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 it 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 it believes such person qualifies as an outside director with sufficient independence.

Currently, Mizuho Financial Group has six outside directors among the fourteen directors.

- A NYSE-listed U.S. company is required to have an audit committee composed entirely of independent directors. Currently, among the five members of the Audit Committee, three members including the Chairman are outside directors and two members are 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 four 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. Currently, the Outside Director Session consists solely of outside

directors and is held at least twice a year, where the outside directors discuss matters such as issues facing management, the operation of the Board of Directors and the governance systems, and provide opinions as appropriate to the Group CEO.

- 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 23, 2017 (English Translation)**
1.2	Regulations of the Board of Directors of Mizuho Financial Group, Inc., as amended on April 26, 2019 (English Translation)
1.3	Share Handling Regulations of Mizuho Financial Group, Inc., dated April 1, 2018 (English Translation)*
2.1	Form of American Depositary Receipt*
2.2	Form of Deposit Agreement, amended and restated as of April 2, 2018, among the registrant, The Bank of New York Mellon 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 for Financial Professionals of Mizuho Financial Group, Inc. (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).
15	Consent of Independent Registered Public Accounting Firm
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 3, 2018.

\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 7, 2017.

\*\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 21, 2016.

## **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, 2017, 2018 and 2019. 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.

	2017			2018			2019		
	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 .....	37,389	27	0.07%	39,812	27	0.07%	38,914	26	0.07%
Foreign .....	7,671	48	0.63%	8,363	94	1.13%	5,951	95	1.59%
Total .....	45,060	75	0.17%	48,175	121	0.25%	44,865	121	0.27%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic .....	5,079	18	0.35%	5,283	23	0.43%	6,201	32	0.51%
Foreign .....	9,213	79	0.85%	9,251	132	1.43%	9,924	228	2.30%
Total .....	14,292	97	0.68%	14,534	155	1.07%	16,125	260	1.62%
Trading account assets:									
Domestic .....	4,408	27	0.62%	4,654	50	1.07%	5,930	71	1.19%
Foreign .....	10,335	136	1.31%	10,821	152	1.41%	9,197	141	1.53%
Total .....	14,743	163	1.11%	15,475	202	1.31%	15,127	212	1.40%
Investments:									
Domestic .....	20,357	78	0.38%	21,267	97	0.46%	20,109	137	0.68%
Foreign .....	3,915	87	2.24%	3,544	77	2.18%	4,471	95	2.13%
Total .....	24,272	165	0.68%	24,811	174	0.70%	24,580	232	0.95%
Loans <sup>(1)</sup> :									
Domestic .....	53,930	510	0.95%	58,049	511	0.88%	55,897	531	0.95%
Foreign .....	25,412	499	1.96%	24,822	599	2.41%	28,037	851	3.03%
Total .....	79,342	1,009	1.27%	82,871	1,110	1.34%	83,934	1,382	1.65%
Total interest-earning assets:									
Domestic .....	121,163	660	0.54%	129,065	708	0.55%	127,051	797	0.63%
Foreign .....	56,546	849	1.50%	56,801	1,054	1.86%	57,580	1,410	2.45%
Total .....	177,709	1,509	0.85%	185,866	1,762	0.95%	184,631	2,207	1.20%
Noninterest-earning assets:									
Cash and due from banks .....	3,312			3,076			3,832		
Other noninterest-earning assets <sup>(2)</sup> ...	23,320			19,896			17,646		
Allowance for loan losses .....	(456)			(380)			(297)		
Total noninterest-earning assets .....	26,176			22,592			21,181		
Total average assets .....	203,885			208,458			205,812		

### 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 32.7%, 31.2% and 31.3%, respectively, for the fiscal years ended March 31, 2017, 2018 and 2019.

	2017			2018			2019		
	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	83,293	51	0.06%	90,078	60	0.07%	87,168	94	0.11%
Foreign	23,173	214	0.92%	24,567	323	1.32%	26,693	519	1.95%
Total	106,466	265	0.25%	114,645	383	0.33%	113,861	613	0.54%
Short-term borrowings <sup>(1)</sup> :									
Domestic	14,177	27	0.19%	13,678	43	0.31%	14,011	69	0.49%
Foreign	17,112	109	0.63%	16,385	222	1.35%	15,094	357	2.37%
Total	31,289	136	0.43%	30,063	265	0.88%	29,105	426	1.47%
Trading account liabilities:									
Domestic	1,697	14	0.82%	1,454	27	1.87%	1,735	34	1.93%
Foreign	1,049	7	0.71%	1,235	14	1.16%	1,249	16	1.29%
Total	2,746	21	0.78%	2,689	41	1.54%	2,984	50	1.66%
Long-term debt:									
Domestic	14,523	178	1.22%	13,032	197	1.51%	12,285	217	1.77%
Foreign	655	2	0.32%	732	4	0.49%	701	7	0.95%
Total	15,178	180	1.18%	13,764	201	1.46%	12,986	224	1.72%
Total interest-bearing liabilities:									
Domestic	113,690	270	0.24%	118,242	327	0.28%	115,199	414	0.36%
Foreign	41,989	332	0.79%	42,919	563	1.31%	43,737	899	2.06%
Total	155,679	602	0.39%	161,161	890	0.55%	158,936	1,313	0.83%
Noninterest-bearing liabilities <sup>(2)</sup>	40,992			39,758			38,548		
Equity	7,214			7,539			8,328		
Total average liabilities and equity	203,885			208,458			205,812		
Net interest income and average interest rate spread		907	0.46%		872	0.40%		894	0.37%
Net interest income as a percentage of average total interest-earning assets			0.51%			0.47%			0.48%

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 28.4%, 26.9% and 27.6%, respectively, for the fiscal years ended March 31, 2017, 2018 and 2019.

*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, 2018 compared to the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2019 compared to the fiscal year ended March 31, 2018. 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, 2018 versus fiscal year ended March 31, 2017			Fiscal year ended March 31, 2019 versus fiscal year ended March 31, 2018		
	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 .....	1	(1)	—	(1)	—	(1)
Foreign .....	5	41	46	(27)	28	1
Total .....	6	40	46	(28)	28	—
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic .....	1	4	5	4	5	9
Foreign .....	—	53	53	10	86	96
Total .....	1	57	58	14	91	105
Trading account assets:						
Domestic .....	2	21	23	15	6	21
Foreign .....	6	10	16	(23)	12	(11)
Total .....	8	31	39	(8)	18	10
Investments:						
Domestic .....	4	15	19	(5)	45	40
Foreign .....	(8)	(2)	(10)	20	(2)	18
Total .....	(4)	13	9	15	43	58
Loans:						
Domestic .....	36	(35)	1	(19)	39	20
Foreign .....	(11)	111	100	84	168	252
Total .....	25	76	101	65	207	272
Total interest and dividend income:						
Domestic .....	44	4	48	(6)	95	89
Foreign .....	(8)	213	205	64	292	356
Total .....	36	217	253	58	387	445

	Fiscal year ended March 31, 2018 versus fiscal year ended March 31, 2017			Fiscal year ended March 31, 2019 versus fiscal year ended March 31, 2018		
	Increase (decrease) due to changes in		Net change	Increase (decrease) due to changes in		Net change
	Volume	Rate		Volume	Rate	
Interest expense:						
Deposits:						
Domestic .....	4	5	9	(2)	36	34
Foreign .....	<u>14</u>	<u>95</u>	<u>109</u>	<u>30</u>	<u>166</u>	<u>196</u>
Total .....	<u>18</u>	<u>100</u>	<u>118</u>	<u>28</u>	<u>202</u>	<u>230</u>
Short-term borrowings:						
Domestic .....	(1)	17	16	1	25	26
Foreign .....	<u>(5)</u>	<u>118</u>	<u>113</u>	<u>(18)</u>	<u>153</u>	<u>135</u>
Total .....	<u>(6)</u>	<u>135</u>	<u>129</u>	<u>(17)</u>	<u>178</u>	<u>161</u>
Trading account liabilities:						
Domestic .....	(2)	15	13	6	1	7
Foreign .....	<u>1</u>	<u>6</u>	<u>7</u>	<u>—</u>	<u>2</u>	<u>2</u>
Total .....	<u>(1)</u>	<u>21</u>	<u>20</u>	<u>6</u>	<u>3</u>	<u>9</u>
Long-term debt:						
Domestic .....	(18)	37	19	(11)	31	20
Foreign .....	<u>—</u>	<u>2</u>	<u>2</u>	<u>—</u>	<u>3</u>	<u>3</u>
Total .....	<u>(18)</u>	<u>39</u>	<u>21</u>	<u>(11)</u>	<u>34</u>	<u>23</u>
Total interest expense:						
Domestic .....	(17)	74	57	(6)	93	87
Foreign .....	<u>10</u>	<u>221</u>	<u>231</u>	<u>12</u>	<u>324</u>	<u>336</u>
Total .....	<u>(7)</u>	<u>295</u>	<u>288</u>	<u>6</u>	<u>417</u>	<u>423</u>
Net interest income:						
Domestic .....	61	(70)	(9)	—	2	2
Foreign .....	<u>(18)</u>	<u>(8)</u>	<u>(26)</u>	<u>52</u>	<u>(32)</u>	<u>20</u>
Total .....	<u>43</u>	<u>(78)</u>	<u>(35)</u>	<u>52</u>	<u>(30)</u>	<u>22</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, 2017, 2018 and 2019:

	2017			2018			2019		
	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	10,257	10,263	6	13,334	13,332	(2)	11,889	11,897	8
Agency mortgage-backed securities <sup>(1)</sup>	694	709	15	730	743	13	503	517	14
Corporate bonds and other debt securities	2,597	2,654	57	2,743	2,789	46	2,546	2,560	14
Equity securities (marketable) <sup>(2)</sup>	1,452	3,722	2,270	1,478	3,915	2,437	—	—	—
Total domestic	15,000	17,348	2,348	18,285	20,779	2,494	14,938	14,974	36
Foreign:									
U.S. Treasury bonds and federal agency securities	1,148	1,144	(4)	689	686	(3)	1,009	1,009	—
Other foreign government bonds	934	935	1	1,058	1,058	—	1,342	1,342	—
Agency mortgage-backed securities <sup>(3)</sup>	139	134	(5)	153	146	(7)	27	27	—
Corporate bonds and other debt securities	915	917	2	880	879	(1)	778	781	3
Equity securities (marketable) <sup>(2)</sup>	78	79	1	117	118	1	—	—	—
Total foreign	3,214	3,209	(5)	2,897	2,887	(10)	3,156	3,159	3
Total	18,214	20,557	2,343	21,182	23,666	2,484	18,094	18,133	39
Held-to-maturity securities:									
Domestic:									
Japanese government bonds	3,060	3,097	37	1,960	1,984	24	1,120	1,140	20
Total domestic	3,060	3,097	37	1,960	1,984	24	1,120	1,140	20
Foreign:									
Agency mortgage-backed securities <sup>(4)</sup>	757	750	(7)	558	538	(20)	484	470	(14)
Total foreign	757	750	(7)	558	538	(20)	484	470	(14)
Total	3,817	3,847	30	2,518	2,522	4	1,604	1,610	6

### Notes:

- (1) All domestic agency mortgage-backed securities are issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) The MHFG Group adopted ASU No.2016-01 on April 1, 2018, resulting in a cumulative-effect adjustment from AOCI to Retained earnings for net unrealized gains on equity securities (marketable). The available-for-sale category was eliminated for equity securities effective April 1, 2018. See Note 2 "Recently issued accounting pronouncements" for further details.
- (3) Foreign agency mortgage-backed securities primarily consist of Government National Mortgage Association ("Ginnie Mae") securities, which are guaranteed by the United States government.
- (4) All foreign agency mortgage-backed securities presented in this line 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, 2019. 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 . . . . .	7,841	(0.15)%	2,329	(0.09)%	1,465	(0.12)%	262	0.31%	11,897	(0.13)%
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	517	1.06%	517	1.06%
Corporate bonds and other debt securities . . . . .	155	27.82%	1,176	0.26%	892	0.33%	337	0.49%	2,560	1.99%
Total domestic . . . . .	<u>7,996</u>	0.39%	<u>3,505</u>	0.03%	<u>2,357</u>	0.05%	<u>1,116</u>	0.71%	<u>14,974</u>	0.28%
Foreign:										
U.S. Treasury bonds and federal agency securities . . . . .	990	2.41%	19	3.52%	—	—	—	—	1,009	2.43%
Other foreign government bonds . . . . .	1,107	1.99%	235	2.46%	—	—	—	—	1,342	2.07%
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	27	3.35%	27	3.35%
Corporate bonds and other debt securities . . . . .	443	1.95%	294	2.33%	41	2.94%	3	0.16%	781	2.14%
Total foreign . . . . .	<u>2,540</u>	2.15%	<u>548</u>	2.43%	<u>41</u>	2.94%	<u>30</u>	3.06%	<u>3,159</u>	2.21%
Total . . . . .	<u>10,536</u>	0.81%	<u>4,053</u>	0.35%	<u>2,398</u>	0.10%	<u>1,146</u>	0.77%	<u>18,133</u>	0.61%
Held-to-maturity securities:										
Domestic:										
Japanese government bonds . . . . .	640	0.15%	380	0.72%	100	0.47%	—	—	1,120	0.37%
Total domestic . . . . .	<u>640</u>	0.15%	<u>380</u>	0.72%	<u>100</u>	0.47%	—	—	<u>1,120</u>	0.37%
Foreign:										
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	484	3.72%	484	3.72%
Total foreign . . . . .	—	—	—	—	—	—	484	3.72%	484	3.72%
Total . . . . .	<u>640</u>	0.15%	<u>380</u>	0.72%	<u>100</u>	0.47%	<u>484</u>	3.72%	<u>1,604</u>	1.38%

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, 2019.

In addition to Available-for-sale securities and Held-to-maturity securities, the MHFG Group's Investments also include Equity securities and Other investments. See Note 4 "Investments" to the consolidated financial statements included elsewhere in this annual report for information regarding Equity securities and Other investments.



### III. Loan portfolio

#### Types of loans

The following table shows loans outstanding by domicile and industry of borrower at March 31, 2015, 2016, 2017, 2018 and 2019:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in billions of yen)				
Domestic:					
Manufacturing . . . . .	8,224	8,345	8,740	8,156	9,558
Construction and real estate . . . . .	7,416	7,822	7,772	8,102	8,955
Services . . . . .	4,267	4,648	4,749	5,024	5,113
Wholesale and retail . . . . .	5,586	5,407	5,140	5,113	5,163
Transportation and communications . . . . .	3,157	3,268	3,491	3,565	3,622
Banks and other financial institutions . . . . .	3,853	3,632	4,006	4,471	4,303
Government and public institutions . . . . .	4,612	3,395	8,532	8,882	2,359
Other industries <sup>(1)</sup> . . . . .	5,079	4,618	4,427	5,018	5,478
Individuals:					
Mortgage loans . . . . .	11,018	10,585	9,960	9,445	8,950
Other . . . . .	798	852	840	884	908
Total domestic . . . . .	<u>54,010</u>	<u>52,572</u>	<u>57,657</u>	<u>58,660</u>	<u>54,409</u>
Foreign:					
Commercial and industrial . . . . .	16,798	17,475	16,986	17,195	19,087
Banks and other financial institutions . . . . .	6,859	7,099	7,389	7,465	9,126
Government and public institutions . . . . .	119	303	217	303	297
Other . . . . .	426	274	191	38	33
Total foreign . . . . .	<u>24,202</u>	<u>25,151</u>	<u>24,783</u>	<u>25,001</u>	<u>28,543</u>
Total . . . . .	78,212	77,723	82,440	83,661	82,952
Less: Unearned income and deferred loan fees—net . . . . .	164	168	156	146	152
Total loans before allowance for loan losses . . . . .	<u><u>78,048</u></u>	<u><u>77,555</u></u>	<u><u>82,284</u></u>	<u><u>83,515</u></u>	<u><u>82,800</u></u>

Notes:

- (1) Other industries of Domestic includes trade receivables and lease receivables of consolidated variable interest entities.
- (2) Certain loans of Foreign were reclassified from Government and public institutions to Commercial and industrial and Banks and other financial institutions in order to conform to the current year's presentation.

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, 2019:

	Maturity			Total
	One year or less	After one year through five years	After five years	
	(in billions of yen)			
Domestic:				
Manufacturing .....	4,234	3,775	1,549	9,558
Construction and real estate .....	1,636	3,535	3,784	8,955
Services .....	2,088	2,214	811	5,113
Wholesale and retail .....	2,945	1,792	426	5,163
Transportation and communications .....	978	1,819	825	3,622
Banks and other financial institutions .....	1,696	1,778	829	4,303
Government and public institutions .....	1,663	408	288	2,359
Other industries .....	3,336	1,313	829	5,478
Individuals .....	<u>1,254</u>	<u>2,033</u>	<u>6,571</u>	<u>9,858</u>
Total domestic .....	19,830	18,667	15,912	54,409
Foreign:				
Total foreign .....	<u>14,452</u>	<u>11,553</u>	<u>2,538</u>	<u>28,543</u>
Total .....	<u><u>34,282</u></u>	<u><u>30,220</u></u>	<u><u>18,450</u></u>	<u><u>82,952</u></u>

Of the above loans due after one year, loans which had floating rates and fixed rates at March 31, 2019 were as follows:

	(in billions of yen)
Floating rates .....	36,742
Fixed rates .....	<u>11,928</u>
Total .....	<u><u>48,670</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" ("ASC 310"). All of the Group's impaired loans are designated as nonaccrual loans. There are no loans that are ninety days past due and still accruing. 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, 2015, 2016, 2017, 2018 and 2019 by domicile and industry of borrower:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in billions of yen)				
Domestic:					
Manufacturing .....	480	374	379	142	109
Construction and real estate .....	101	77	57	41	46
Services .....	71	66	66	58	74
Wholesale and retail .....	150	147	147	131	135
Transportation and communications .....	36	29	23	28	31
Banks and other financial institutions .....	5	3	6	12	10
Other industries .....	1	4	7	4	9
Individuals .....	<u>143</u>	<u>123</u>	<u>105</u>	<u>90</u>	<u>81</u>
Total domestic .....	987	823	790	506	495
Foreign:					
Total foreign .....	<u>188</u>	<u>167</u>	<u>191</u>	<u>109</u>	<u>151</u>
Total impaired loans .....	<u><u>1,175</u></u>	<u><u>990</u></u>	<u><u>981</u></u>	<u><u>615</u></u>	<u><u>646</u></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, 2019 would have been ¥8 billion and ¥5 billion, respectively. The MHFG group recognized interest income on these domestic and foreign loans of ¥7 billion and ¥1 billion, respectively, in the consolidated statements of income for the fiscal year ended March 31, 2019.

*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, 2017, 2018 and 2019:

	<u>Public institutions</u>	<u>Banks</u>	<u>Others</u>	<u>Total</u>	<u>% of total assets</u>	<u>Undrawn commitments</u>
	(in billions of yen, except percentages)					
<b>2017</b>						
United States .....	2,827	254	4,950	8,031	4.01%	8,279
Germany .....	1,243	190	305	1,738	0.87%	833
United Kingdom .....	82	309	1,332	1,723	0.86%	1,223
<b>2018</b>						
United States .....	3,090	340	4,231	7,661	3.75%	7,137
United Kingdom .....	9	374	1,821	2,204	1.08%	1,006
Germany .....	1,518	275	355	2,148	1.05%	728
<b>2019</b>						
United States .....	1,440	352	3,966	5,758	2.91%	7,847
United Kingdom .....	10	664	2,829	3,503	1.77%	1,210
France .....	1,475	177	955	2,607	1.32%	619

#### 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, 2015, 2016, 2017, 2018 and 2019:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in billions of yen, except percentages)				
Allowance for loan losses at beginning of fiscal year . . . . .	626	520	451	480	310
Provision (credit) for loan losses . . . . .	<u>(60)</u>	<u>35</u>	<u>38</u>	<u>(126)</u>	<u>32</u>
Charge-offs:					
Domestic:					
Manufacturing . . . . .	8	37	2	6	4
Construction and real estate . . . . .	3	2	1	—	1
Services . . . . .	2	4	3	5	2
Wholesale and retail . . . . .	15	14	6	12	10
Transportation and communications . . . . .	1	5	1	1	—
Other industries . . . . .	—	—	—	—	2
Individuals . . . . .	<u>10</u>	<u>8</u>	<u>7</u>	<u>5</u>	<u>5</u>
Total domestic . . . . .	39	70	20	29	24
Total foreign . . . . .	<u>40</u>	<u>42</u>	<u>11</u>	<u>27</u>	<u>24</u>
Total charge-offs . . . . .	<u>79</u>	<u>112</u>	<u>31</u>	<u>56</u>	<u>48</u>
Recoveries:					
Domestic:					
Manufacturing . . . . .	2	2	1	1	1
Construction and real estate . . . . .	4	1	2	1	1
Services . . . . .	2	2	1	2	1
Wholesale and retail . . . . .	3	8	5	1	3
Transportation and communications . . . . .	1	1	4	—	—
Banks and other financial institutions . . . . .	—	—	—	1	—
Other industries . . . . .	1	—	—	—	—
Individuals . . . . .	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>1</u>
Total domestic . . . . .	16	16	16	8	7
Total foreign . . . . .	<u>7</u>	<u>5</u>	<u>10</u>	<u>7</u>	<u>7</u>
Total recoveries . . . . .	<u>23</u>	<u>21</u>	<u>26</u>	<u>15</u>	<u>14</u>
Net charge-offs . . . . .	<u>56</u>	<u>91</u>	<u>5</u>	<u>41</u>	<u>34</u>
Others <sup>(Note)</sup> . . . . .	10	(13)	(4)	(3)	(1)
Balance at end of fiscal year . . . . .	<u>520</u>	<u>451</u>	<u>480</u>	<u>310</u>	<u>307</u>
Ratio of net charge-offs to average loans outstanding . . . . .	<u>0.07%</u>	<u>0.12%</u>	<u>0.01%</u>	<u>0.05%</u>	<u>0.04%</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, 2015, 2016, 2017, 2018 and 2019:

	2015		2016		2017		2018		2019	
	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 . . . . .	187	10.52%	154	10.74%	201	10.60%	85	9.75%	75	11.52%
Construction and real estate . . .	33	9.40%	25	9.95%	20	9.28%	17	9.68%	18	10.80%
Services . . . . .	26	5.46%	26	5.99%	28	5.77%	20	6.01%	23	6.16%
Wholesale and retail . . . . .	66	7.14%	58	6.96%	63	6.24%	52	6.11%	48	6.22%
Transportation and communications . . . . .	14	4.04%	9	4.20%	10	4.23%	10	4.26%	17	4.37%
Banks and other financial institutions . . . . .	18	4.93%	14	4.67%	13	4.86%	20	5.34%	4	5.19%
Other industries <sup>(Note)</sup> . . . . .	5	12.39%	5	10.31%	6	15.72%	7	16.62%	11	9.45%
Individuals . . . . .	59	15.18%	42	14.82%	34	13.24%	25	12.35%	20	11.88%
Mortgage loans . . . . .	51	14.09%	35	13.63%	27	12.10%	19	11.29%	15	10.79%
Other . . . . .	8	1.09%	7	1.19%	7	1.14%	6	1.06%	5	1.09%
Total domestic . . . . .	408	69.06%	333	67.64%	375	69.94%	236	70.12%	216	65.59%
Total foreign . . . . .	112	30.94%	118	32.36%	105	30.06%	74	29.88%	91	34.41%
Total allowance for loan losses . . . .	<u>520</u>	<u>100.00%</u>	<u>451</u>	<u>100.00%</u>	<u>480</u>	<u>100.00%</u>	<u>310</u>	<u>100.00%</u>	<u>307</u>	<u>100.00%</u>

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, 2017, 2018 and 2019:

	2017		2018		2019	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(in billions of yen, except percentages)					
Domestic offices:						
Noninterest-bearing demand deposits . . . . .	17,310	— %	19,643	— %	22,116	— %
Interest-bearing demand deposits . . . . .	48,986	0.01%	56,478	0.01%	53,700	0.02%
Time deposits . . . . .	27,929	0.16%	27,035	0.19%	26,424	0.31%
Certificates of deposit . . . . .	6,378	0.01%	6,565	0.01%	7,044	0.01%
Foreign offices:						
Noninterest-bearing demand deposits . . . . .	2,321	— %	2,244	— %	1,750	— %
Interest-bearing deposits, principally time deposits . . . . .	18,313	0.93%	19,161	1.33%	20,169	1.93%
Certificates of deposit . . . . .	4,860	0.91%	5,406	1.25%	6,524	1.99%
Total . . . . .	<u>126,097</u>	0.21%	<u>136,532</u>	0.28%	<u>137,727</u>	0.45%

The total amounts of deposits by foreign depositors in domestic offices at March 31, 2017, 2018 and 2019 were ¥645 billion, ¥779 billion and ¥1,625 billion, respectively.

At March 31, 2019, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$90 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2019) 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 . . . . .	8,875	5,075	13,950
Due after three months through six months . . . . .	2,875	270	3,145
Due after six months through twelve months . . . . .	3,403	148	3,551
Due after twelve months . . . . .	1,425	151	1,576
Total . . . . .	16,578	5,644	22,222
Foreign offices . . . . .	17,607	7,695	25,302
Total . . . . .	<u>34,185</u>	<u>13,339</u>	<u>47,524</u>

## 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, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in billions of yen, except percentages)		
Due to trust accounts:			
Average balance outstanding during the fiscal year . . . . .	3,941	4,016	2,534
Maximum balance outstanding at any month-end during the fiscal year . . . . .	4,123	4,094	4,125
Balance at end of fiscal year . . . . .	4,123	3,993	312
Weighted average interest rate during the fiscal year . . . . .	0.02%	0.02%	0.02%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.02%	0.02%	0.21%
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the fiscal year . . . . .	25,629	24,692	24,609
Maximum balance outstanding at any month-end during the fiscal year . . . . .	25,968	25,470	27,694
Balance at end of fiscal year . . . . .	21,144	20,595	19,280
Weighted average interest rate during the fiscal year . . . . .	0.48%	1.01%	1.60%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.58%	1.07%	1.53%
Other short-term borrowings:			
Average balance outstanding during the fiscal year . . . . .	1,719	1,355	1,962
Maximum balance outstanding at any month-end during the fiscal year . . . . .	2,135	1,736	2,091
Balance at end of fiscal year . . . . .	1,477	1,688	1,995
Weighted average interest rate during the fiscal year . . . . .	0.66%	1.13%	1.67%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.91%	1.35%	1.99%



**MIZUHO FINANCIAL GROUP, INC.**  
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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors  
of Mizuho Financial Group, Inc.

### *Opinion on the Financial Statements*

We have audited the accompanying consolidated balance sheets of Mizuho Financial Group, Inc. and subsidiaries (the “Company”) as of March 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended March 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2019, 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) (PCAOB), the Company’s internal control over financial reporting as of March 31, 2019, 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 5, 2019 expressed an unqualified opinion thereon.

### *Basis for Opinion*

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young ShinNihon LLC

We have served as the Company’s auditor for SEC reporting purposes since 2006, and as its Japanese statutory auditor since 2000, which included the years we served as joint auditors.

Tokyo, Japan  
July 5, 2019

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors  
of Mizuho Financial Group, Inc.

### *Opinion on Internal Control Over Financial Reporting*

We have audited Mizuho Financial Group, Inc. and subsidiaries' internal control over financial reporting as of March 31, 2019, 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"). In our opinion, Mizuho Financial Group, Inc. and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended March 31, 2019, and the related notes and our report dated July 5, 2019 expressed an unqualified opinion thereon.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

### *Definition and Limitations of Internal Control Over Financial Reporting*

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.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
July 5, 2019

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2018 AND 2019**

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
<b>Assets:</b>		
Cash and due from banks .....	1,685,835	1,404,008
Interest-bearing deposits in other banks .....	46,485,086	44,268,731
Call loans and funds sold .....	720,461	763,453
Receivables under resale agreements .....	8,080,927	12,997,424
Receivables under securities borrowing transactions .....	4,408,508	2,578,134
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥4,897,190 million in 2018 and ¥3,244,305 million in 2019) .....	24,302,543	21,018,230
Investments (Note 4):		
Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥932,302 million in 2018 and ¥1,132,602 million in 2019) .....	23,665,628	18,133,916
Held-to-maturity securities (including assets pledged that secured parties are permitted to sell or repledge of ¥677,046 million in 2018 and ¥476,146 million in 2019) .....	2,517,551	1,604,104
Equity securities .....	—	4,034,609
Other investments .....	585,896	389,740
Loans (Notes 5 and 6) .....	83,514,644	82,799,943
Allowance for loan losses .....	(309,902)	(307,201)
Loans, net of allowance .....	83,204,742	82,492,742
Premises and equipment—net (Note 7) .....	2,116,184	1,900,952
Due from customers on acceptances .....	212,596	187,137
Accrued income .....	301,332	342,845
Goodwill (Note 8) .....	95,184	95,151
Intangible assets (Note 8) .....	84,447	74,240
Deferred tax assets .....	57,088	49,775
Other assets (Note 13) .....	5,731,634	5,276,004
Total assets .....	<u>204,255,642</u>	<u>197,611,195</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>2018</u>	<u>2019</u>
	(in millions of yen)	
<b>Assets of consolidated VIEs:</b>		
Cash and due from banks .....	31,435	29,972
Interest-bearing deposits in other banks .....	95,048	31,676
Call loans and funds sold .....	5,312	115,199
Trading account assets .....	2,558,186	2,456,198
Investments .....	48,565	52,493
Loans, net of allowance .....	2,323,081	2,359,669
All other assets .....	806,141	1,003,133
Total assets .....	<u>5,867,768</u>	<u>6,048,340</u>

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**  
**MARCH 31, 2018 AND 2019**

	<b>2018</b>	<b>2019</b>
	(in millions of yen)	
<b>Liabilities and equity:</b>		
Deposits:		
Domestic:		
Noninterest-bearing deposits	21,068,569	23,844,639
Interest-bearing deposits	91,206,963	84,019,038
Foreign:		
Noninterest-bearing deposits	2,257,350	1,793,803
Interest-bearing deposits	22,351,124	28,639,436
Due to trust accounts	3,992,544	312,347
Call money and funds purchased	2,105,294	2,841,932
Payables under repurchase agreements (Note 30)	16,656,930	14,640,369
Payables under securities lending transactions (Note 30)	1,832,870	1,797,737
Other short-term borrowings (Note 12)	1,688,018	1,994,826
Trading account liabilities	13,115,270	10,120,968
Bank acceptances outstanding	212,596	187,137
Income taxes payable	64,501	58,688
Deferred tax liabilities	306,203	108,120
Accrued expenses	232,885	288,556
Long-term debt (including liabilities accounted for at fair value of ¥1,955,636 million in 2018, and ¥2,433,294 million in 2019) (Notes 12 and 28)	12,955,230	11,529,400
Other liabilities (Note 13)	4,705,595	5,932,706
Total liabilities	194,751,942	188,109,702
Commitments and contingencies (Note 24)		
Equity:		
MHFG shareholders' equity:		
Common stock (Note 15)—no par value, authorized 48,000,000,000 shares in 2018 and 2019, and issued 25,389,644,945 shares in 2018, and 25,392,498,945 shares in 2019	5,826,383	5,829,657
Retained earnings	1,306,141	2,740,545
Accumulated other comprehensive income, net of tax (Note 17)	1,741,894	164,021
Less: Treasury stock, at cost—Common stock 24,829,446 shares in 2018, and 33,962,404 shares in 2019	(5,997)	(7,704)
Total MHFG shareholders' equity	8,868,421	8,726,519
Noncontrolling interests	635,279	774,974
Total equity	9,503,700	9,501,493
Total liabilities and equity	204,255,642	197,611,195

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>2018</b>	<b>2019</b>
	(in millions of yen)	
<b>Liabilities of consolidated VIEs:</b>		
Payables under securities lending transactions	—	108,038
Other short-term borrowings	31,392	23,495
Trading account liabilities	22	—
Long-term debt	419,649	344,526
All other liabilities	1,305,640	1,523,791
Total liabilities	1,756,703	1,999,850

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, 2017, 2018 AND 2019**

	2017	2018	2019
	(in millions of yen)		
<b>Interest and dividend income:</b>			
Loans, including fees	1,009,094	1,109,776	1,381,553
Investments:			
Interest	88,311	88,319	144,199
Dividends	77,343	86,066	88,289
Trading account assets	163,114	202,125	211,749
Call loans and funds sold	5,068	5,699	5,547
Receivables under resale agreements and securities borrowing transactions	91,453	149,197	254,862
Deposits in other banks	74,647	120,704	121,244
Total interest and dividend income	1,509,030	1,761,886	2,207,443
<b>Interest expense:</b>			
Deposits	264,748	382,706	613,570
Trading account liabilities	21,399	41,514	49,660
Call money and funds purchased	3,173	5,031	11,121
Payables under repurchase agreements and securities lending transactions	120,578	243,569	382,045
Other short-term borrowings	12,175	16,166	33,313
Long-term debt	179,639	200,950	223,767
Total interest expense	601,712	889,936	1,313,476
Net interest income	907,318	871,950	893,967
Provision (credit) for loan losses (Note 6)	37,668	(126,362)	32,459
Net interest income after provision (credit) for loan losses	869,650	998,312	861,508
<b>Noninterest income (Note 26):</b>			
Fee and commission income	825,963	865,711	853,290
Foreign exchange gains (losses)—net (Note 27)	69,453	91,793	93,577
Trading account gains (losses)—net (Note 27)	(42,481)	236,982	328,841
Investment gains (losses)—net (Note 2):			
Debt securities	59,517	7,757	(3,842)
Equity securities	273,753	289,400	(155,947)
Equity in earnings (losses) of equity method investees—net	26,785	24,342	29,172
Gains on disposal of premises and equipment	5,638	8,225	5,145
Other noninterest income	149,404	80,453	72,135
Total noninterest income	1,368,032	1,604,663	1,222,371
<b>Noninterest expenses:</b>			
Salaries and employee benefits	663,166	688,481	682,645
General and administrative expenses	570,897	585,992	761,528
Occupancy expenses	194,955	191,592	207,814
Fee and commission expenses	177,006	189,187	189,722
Provision (credit) for losses on off-balance-sheet instruments	19,464	(30,244)	(8,969)
Other noninterest expenses	131,819	138,669	166,079
Total noninterest expenses	1,757,307	1,763,677	1,998,819
Income before income tax expense	480,375	839,298	85,060
Income tax expense (Note 20)	91,244	237,604	9,335
Net income	389,131	601,694	75,725
Less: Net income (loss) attributable to noncontrolling interests	26,691	24,086	(8,746)
Net income attributable to MHFG shareholders	362,440	577,608	84,471
<b>Earnings per common share (Note 19):</b>		<b>(in yen)</b>	
Basic net income per common share	14.33	22.77	3.33
Diluted net income per common share	14.28	22.76	3.33
<b>Dividends per share:</b>			
Class XI preferred stock	10	—	—
Common stock	7.50	7.50	7.50

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, 2017, 2018 AND 2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in millions of yen)		
Net income <sup>(1)</sup> .....	389,131	601,694	75,725
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on available-for-sale securities, net of tax .....	51,957	97,428	(9,472)
Foreign currency translation adjustments, net of tax .....	(12,322)	(29,934)	(23,781)
Pension liability adjustments, net of tax .....	11,922	155,044	(24,168)
Own credit risk adjustments, net of tax <sup>(2)</sup> .....	—	—	14,476
Total other comprehensive income (loss), net of tax .....	51,557	222,538	(42,945)
Total comprehensive income .....	440,688	824,232	32,780
Less: Total comprehensive income (loss) attributable to noncontrolling interests .....	26,724	25,893	(8,960)
Total comprehensive income attributable to MHFG shareholders .....	413,964	798,339	41,740

Notes:

- (1) The amounts that have been reclassified out of Accumulated other comprehensive income, net of tax into net income are presented in Note 17 “Accumulated other comprehensive income”.
- (2) The MHFG Group adopted ASU No.2016-01 on April 1, 2018. The ASU 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. See Note 2 “Recently issued accounting pronouncements” for further details.

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, 2017, 2018 AND 2019**

	2017	2018	2019
	(in millions of yen)		
<b>Preferred stock:</b>			
Balance at beginning of fiscal year	98,924	—	—
Conversion to common stock	(98,924)	—	—
Balance at end of fiscal year	—	—	—
<b>Common stock:</b>			
Balance at beginning of fiscal year	5,703,144	5,826,149	5,826,383
Issuance of new shares of common stock due to conversion of preferred stock	98,924	—	—
Issuance of new shares of common stock due to exercise of stock acquisition rights	969	546	438
Performance-based stock compensation program	(655)	(326)	(282)
Other	23,767	14	3,118
Balance at end of fiscal year	5,826,149	5,826,383	5,829,657
<b>Retained earnings:</b>			
Balance at beginning of fiscal year, previously reported	746,785	918,894	1,306,141
Cumulative effect of change in accounting principles, net of tax (Note 2)	(329)	—	1,540,317
Balance at beginning of fiscal year, adjusted	746,456	918,894	2,846,458
Net income attributable to MHFG shareholders	362,440	577,608	84,471
Dividends declared	(190,002)	(190,361)	(190,384)
Balance at end of fiscal year	918,894	1,306,141	2,740,545
<b>Accumulated other comprehensive income, net of tax (Note 17):</b>			
Balance at beginning of fiscal year, previously reported	1,469,308	1,521,163	1,741,894
Cumulative effect of change in accounting principles (Note 2)	330	—	(1,535,142)
Balance at beginning of fiscal year, adjusted	1,469,638	1,521,163	206,752
Change during year	51,525	220,731	(42,731)
Balance at end of fiscal year	1,521,163	1,741,894	164,021
<b>Treasury stock, at cost:</b>			
Balance at beginning of fiscal year	(3,610)	(4,849)	(5,997)
Purchases of treasury stock	(1,903)	(2,431)	(3,002)
Disposal of treasury stock	663	1,283	1,295
Cancellation of treasury stock	1	—	—
Balance at end of fiscal year	(4,849)	(5,997)	(7,704)
Total MHFG shareholders' equity	8,261,357	8,868,421	8,726,519
<b>Noncontrolling interests:</b>			
Balance at beginning of fiscal year, previously reported	168,640	510,700	635,279
Cumulative effect of change in accounting principles	(10,441)	—	(616)
Balance at beginning of fiscal year, adjusted	158,199	510,700	634,663
Transactions between the MHFG Group and the noncontrolling interest shareholders	328,692	106,740	166,145
Dividends paid to noncontrolling interests	(2,914)	(8,054)	(16,874)
Net income (loss) attributable to noncontrolling interests	26,691	24,086	(8,746)
Other	32	1,807	(214)
Balance at end of fiscal year	510,700	635,279	774,974
Total equity	8,772,057	9,503,700	9,501,493

Note: The amounts that have been reclassified out of Accumulated other comprehensive income, net of tax into net income are presented in Note 17 "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, 2017, 2018 AND 2019**

	2017	2018	2019
	(in millions of yen)		
<b>Cash flows from operating activities:</b>			
Net income	389,131	601,694	75,725
Less: Net income (loss) attributable to noncontrolling interests	26,691	24,086	(8,746)
Net income attributable to MHFG shareholders	362,440	577,608	84,471
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	171,202	179,158	355,164
Provision (credit) for loan losses	37,668	(126,362)	32,459
Investment losses (gains)—net	(333,270)	(297,157)	159,789
Equity in losses (earnings) of equity method investees—net	(26,785)	(24,342)	(29,172)
Foreign exchange losses (gains)—net	22,812	(251,613)	155,104
Deferred income tax expense (benefit)	(107,432)	60,011	(157,231)
Net change in trading account assets	4,867,508	992,084	2,776,764
Net change in trading account liabilities	(3,267,060)	(518,339)	(2,979,299)
Net change in loans held for sale	(5,574)	(54,530)	26,659
Net change in accrued income	7,087	(31,842)	(44,519)
Net change in accrued expenses	4,485	16,517	45,653
Other—net	(523,954)	(682,269)	235,177
Net cash provided by (used in) operating activities	1,209,127	(161,076)	661,019
<b>Cash flows from investing activities:</b>			
Proceeds from sales of Available-for-sale securities <sup>(1)</sup>	31,139,716	32,908,551	21,132,162
Proceeds from sales of Equity securities <sup>(2)</sup>	—	—	3,973,437
Proceeds from maturities of Available-for-sale securities <sup>(1)</sup>	7,100,083	13,819,828	15,673,340
Proceeds from maturities of Held-to-maturity securities	999,405	1,261,607	939,397
Purchases of Available-for-sale securities <sup>(1)</sup>	(34,133,416)	(49,722,644)	(34,327,798)
Purchases of Held-to-maturity securities	(3,854)	(2,982)	(2,042)
Purchases of Equity securities <sup>(2)</sup>	—	—	(3,429,923)
Proceeds from sales of loans	291,782	296,260	1,184,160
Net change in loans	(5,606,627)	(1,971,210)	(3,852,757)
Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	(1,481,661)	54,786	(2,971,007)
Proceeds from sales of premises and equipment	12,059	22,302	7,812
Purchases of premises and equipment	(430,913)	(292,201)	(157,714)
Cash and cash equivalents acquired in business combination	1,095	—	—
Proceeds from sales of investments in subsidiaries (affecting the scope of consolidation)	—	948	220
Cash outflow from deconsolidation of a subsidiary <sup>(3)</sup>	—	—	(4,943,059)
Net cash used in investing activities	(2,112,331)	(3,624,755)	(6,773,772)
<b>Cash flows from financing activities:</b>			
Net change in deposits	14,005,565	6,083,800	3,065,826
Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions	(771,368)	(67,508)	1,703,606
Net change in due to trust accounts	(344,217)	(130,544)	(59,373)
Net change in other short-term borrowings	(589,512)	257,774	270,560
Proceeds from issuance of long-term debt	4,496,041	1,956,007	1,659,412
Repayment of long-term debt	(4,734,010)	(3,310,804)	(3,241,799)
Proceeds from noncontrolling interests	3,323	76,894	219,187
Payments to noncontrolling interests	(1,696)	(12,949)	(579)
Proceeds from issuance of common stock	6	3	3
Proceeds from sales of treasury stock	1	1	953
Purchases of treasury stock	(1,435)	(1,611)	(2,124)
Dividends paid	(190,031)	(190,382)	(190,413)
Dividends paid to noncontrolling interests	(2,914)	(8,054)	(16,874)
Net cash provided by financing activities	11,869,753	4,652,627	3,408,385
Effect of exchange rate changes on cash and cash equivalents	(29,583)	(282,846)	206,186
Net increase (decrease) in cash and cash equivalents	10,936,966	583,950	(2,498,182)
Cash and cash equivalents at beginning of fiscal year	36,650,005	47,586,971	48,170,921
Cash and cash equivalents at end of fiscal year	47,586,971	48,170,921	45,672,739

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, 2017, 2018 AND 2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in millions of yen)		
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid . . . . .	582,947	818,593	1,268,412
Income taxes paid . . . . .	246,802	172,891	175,615
Noncash investing activities:			
Transfer of loans into loans held-for-sale . . . . .	18,739	35,166	2,728
Investment in capital leases . . . . .	12,467	6,586	871
Noncash assets acquired and liabilities assumed at fair value in business combination (Note 3):			
Noncash assets acquired at fair value . . . . .	80,176	—	—
Noncash liabilities assumed at fair value . . . . .	25,893	—	—
Deconsolidation of Trust & Custody Services Bank Ltd (Note 1):			
Decrease in total assets . . . . .	—	—	8,990,604
of which Cash and cash equivalents . . . . .	—	—	4,943,059
Decrease in total liabilities . . . . .	—	—	8,958,535
of which Due to trust accounts . . . . .	—	—	3,620,825
Noncash assets acquired at fair value in an equity method investee <sup>(3)</sup> . . . . .	—	—	25,311

Notes:

- (1) Proceeds from sales and maturities of Available-for-sale securities as well as Purchases of Available-for-sale securities include cash activity related to Other investments for the fiscal years ended March 31 2017 and 2018, the amounts of which are not significant.
- (2) Proceeds from sales of Equity securities as well as Purchases of Equity securities include cash activity related to Other investments for the fiscal year ended March 31 2019, the amounts of which are not significant.
- (3) The cash outflow was from deconsolidation of a subsidiary. See Note 1 “Basis of presentation and summary of significant accounting policies” for further details.

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 is a holding company for Mizuho Bank, Ltd. (“MHBK”), Mizuho Trust & Banking Co., Ltd. (“MHTB”), Mizuho Securities Co., Ltd. (“MHSC”), Asset Management One Co., Ltd. (“Asset Management One”), and other subsidiaries. MHFG, through its subsidiaries (“the MHFG Group”, or “the Group”), provides domestic and international financial services in Japan and other countries. The MHFG Group has introduced an in-house company system based on its diverse customer segments as of April 2016. See Note 32 “Business segment information” for further discussion of the Group’s segment information.

MHFG and its domestic subsidiaries as well as its foreign subsidiaries maintain their accounting records in accordance with the accounting standards of Japan and those standards of the countries in which they are domiciled. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform them to 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 the fiscal year of certain subsidiaries ends on December 31. When determining whether to consolidate investee entities, the MHFG Group performed an 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.

The amounts of asset management business fee income and expenses for the fiscal year ended March 31, 2017 have been reclassified from Other noninterest income and Other noninterest expenses to Fee and commission income and Fee and commission expenses, respectively, in order to conform to the current period’s presentation. Such reclassifications had no effect on net income or shareholders’ equity. In addition, certain other comparative amounts for the prior period have been reclassified in order to conform to the current period’s presentation.

*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.

*Deconsolidation of TCSB*

In March 2018, Trust & Custody Services Bank, Ltd. (“TCSB”), MHFG’s former subsidiary, and Japan Trustee Services Bank, Ltd. (“JTSB”) entered into a management integration agreement. Based on the agreement, TCSB

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

and JTSB incorporated a holding company, JTC Holdings, Ltd. (“JTC Holdings”) through joint share transfer on October 1, 2018, and became wholly-owned subsidiaries of JTC Holdings on that date. Starting October 1, 2018, MHFG has no longer consolidated TCSB, which had approximately ¥14 trillion and ¥9 trillion, respectively, in total assets as of March 31, 2018 and September 30, 2018. However, MHFG has maintained 27.0% of the voting equity interests in JTC Holdings and accounted for this investment using the equity method of accounting. There was no material effect from TCSB deconsolidation on the accompanying consolidated statement of income for the year ended March 31, 2019.

*Definition of cash and cash equivalents*

For purposes of the consolidated statements of cash flows, Cash and cash equivalents consists of Cash and due from banks and Interest-bearing deposits in other banks. Cash deposited with central banks that must be maintained to meet minimum regulatory requirements is classified as restricted cash and included in Cash and cash equivalents. See Note 9 “Pledged assets and collateral” for more information on restricted cash.

The MHFG Group adopted ASU No.2016-18, “Statement of Cash Flows (Topic230)—Restricted Cash” (“ASU No.2016-18”) using the retrospective approach. In accordance with the adoption, the MHFG Group changed the definition of cash and cash equivalents as mentioned above. As a result of the adoption of the ASU No.2016-18, the MHFG Group recorded decreases of ¥4,181 million and ¥3,415 million in Net cash provided by (used in) operating activities for the fiscal years ended March 31, 2017 and 2018, respectively, and increases of ¥10,689,241 million and ¥762,722 million in Net cash provided by (used in) investing activities for the fiscal years ended March 31, 2017 and 2018, respectively.

*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 expenses 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 of domestic and overseas entities denominated in foreign currencies are remeasured into the functional currency of the respective entity at the fiscal year-end foreign exchange rates, and gains and losses resulting from such remeasurement are included in Foreign exchange gains (losses)—net. Foreign currency denominated income and expenses are remeasured 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

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

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 9 “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 regular 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 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, 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. Equity securities that do not meet the classification of trading securities are measured at fair value with unrealized gains and losses reported in Investment gains (losses)—net Equity securities.

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 4 “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 and marketable and non-marketable investments held by consolidated investment companies carried at fair value under specialized industry accounting principles for investment companies.

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

*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 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 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 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 these 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

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

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 payments 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 in doubt, 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 5 “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.

*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 5 “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 obligors in the corporate and other portfolio segments, 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.

For the corporate portfolio segment, 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. For the retail portfolio segment, the different categories of past due status of loans are primarily utilized in the credit quality review and the credit rating processes as the basis for determining the allowance for loan losses. MHFG Group’s accounting policies



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

and the methodology used to estimate the allowance for loan losses for the other portfolio segment are equivalent to the policies and methodology used for the corporate portfolio segment.

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. 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.

The formula allowance is applied to groups of loans that are collectively evaluated for impairment. 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 from April 2008 for the corporate portfolio segment, and the most recently available data for the past six years for the retail portfolio segment, in the case of normal obligors; and (b) by using the most recently available data from April 2002 for the corporate and retail portfolio segments, in the case of watch obligors; and (2) the loss given default by using the most recently available data for the past six years for the corporate and retail portfolio segments. 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 categories.

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 by 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 and standby letters of credit in the same manner as the allowance for loan losses. The Group similarly assesses probable loss amounts for commitments to invest in securities and commitments to extend credit, taking into account the probability of drawdowns. 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.

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

*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.

*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 whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

*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

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level for the purpose of assessing impairment. Goodwill is not amortized but is tested for impairment at least annually or more often if events or circumstances indicate there may be impairment. For both the annual and interim tests, the Group has the option to either (a) perform a quantitative impairment test or (b) first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, in which case the Group would perform the quantitative test. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its estimated fair value. The estimated fair value of the reporting units is derived based on valuation techniques that the Group believes market participants would use for each of the reporting units. The Group generally determines the estimated fair value by utilizing a discounted cash flow methodology or methodologies that incorporate price-to-book multiples of certain comparable companies.

*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”) and the integration among asset management companies consist primarily of customer relationship intangibles, and are amortized over weighted-average amortization periods of 16 years and 16.9 years, respectively. See Note 3 “Business Combination” for further details of the integration among asset management companies. 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 they exceed the corridor, which is defined as the greater of 10% of plan assets or the projected benefit obligation.

*Stock-based compensation*

MHFG, MHBK, MHTB and MHSC have a position-based stock compensation program for Directors (“Stock Compensation I”) and a performance-based stock compensation program for Directors (“Stock Compensation II”). For both programs, the stock-based compensation cost is determined based on the fair value of MHFG’s common stock as of grant date. For Stock Compensation I and II, the liability related to the cash-based compensation cost is remeasured at each reporting date based on the fair value of MHFG’s common stock. For Stock Compensation II, the stock-based compensation costs are recognized evenly over the graded-vesting period, which is three years. For Stock Compensation I, as the program is effectively vested on the grant date, the stock-based compensation cost is recognized on the grant date.

See Note 22 “Stock-based compensation” for further details of the stock options and the stock compensation programs.

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*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 equity securities without readily determinable fair values.

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 28 “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 28 “Fair value” for descriptions of valuation methodologies used for its assets and liabilities by product.

*Fee and commission income*

The MHFG Group recognizes revenue from contracts with customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring control of a promised service. The timing of revenue recognition is dependent on whether the Group satisfies a performance obligation by transferring control of the service to a customer over time or at a point in time. See Note 26 “Noninterest income” for further details of major components of Fee and commission income. Fee and commission income is presented 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

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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.

*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 all dilutive potential common shares such as stock options and convertible preferred stock. See Note 19 “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 May 2014, the FASB issued ASU No.2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU No.2014-09”). The ASU, as amended, provides comprehensive guidance in respect 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 is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2017 under a modified retrospective approach or retrospectively to all periods presented. The MHFG Group adopted ASU No.2014-09 using the modified retrospective approach on April 1, 2018. At adoption, the Group’s presentation of certain costs related to securities underwriting changed from a net basis to a gross basis. However, the adoption of ASU No.2014-09 and subsequent amendments did not have a material impact on the Group’s consolidated results of operations or financial condition. See Note 26 “Noninterest income” for further information.

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. The MHFG Group adopted ASU No.2014-16 on April 1, 2016. The adoption of ASU No.2014-16 did not have a material impact on the Group’s consolidated results of operations or financial condition.

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 the current accounting for consolidation of certain legal entities. Specifically the amendments: (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

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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. The MHFG Group adopted ASU No.2015-02 using a modified retrospective approach on April 1, 2016. The adoption of the ASU resulted in a decrease to the beginning balance of Retained earnings of ¥329 million and an increase to the beginning balance of AOCI of ¥330 million, respectively. See Note 25 “Variable interest entities and securitizations” for further information.

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. The MHFG Group adopted ASU No.2015-03 on April 1, 2016. The adoption of ASU No.2015-03 did not have a material impact on the Group’s 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. The MHFG Group adopted ASU No.2015-07 on April 1, 2016. The adoption of ASU No.2015-07 did not have a material impact on the Group’s 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. Before the adoption of ASU No.2016-01, marketable equity securities were reported as Trading account assets and Available-for-sale securities whereas other equity interests, which primarily consisted of non-marketable equity securities, were reported as Other investments. After the adoption of ASU No.2016-01, all of these securities are reported as Equity securities. In connection with the adoption of ASU No.2016-01, Investments gains (losses)—net of Equity securities and Debt securities are presented separately in the Group’s consolidated results of operations. The amounts for the prior periods have been reclassified in order to conform to the current year’s presentation. 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

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balance sheet as of the beginning of the fiscal year of adoption. The MHFG Group adopted the ASU on April 1, 2018 and increased Retained earnings by ¥1,545 billion, net of tax, including any stranded tax amounts from prior periods, on the date of adoption. The majority of this amount related to marketable equity securities which increased Retained earnings of ¥1,530 billion, net of tax, including any stranded tax amounts from prior periods, as cumulative-effect adjustment out of AOCI into Retained earnings. For additional information, see Note 4 “Investments”, Note 17 “Accumulated other comprehensive income”, Note 23 “Derivative financial instruments” and Note 28 “Fair value”. The impact of the adoption resulted in a cumulative-effect adjustment out of Retained earnings to AOCI related to the instrument-specific credit risk for liabilities for which the fair value option was elected, which increased Retained earnings of ¥10 billion, net of tax, on April 1, 2018. For additional information, see Note 17 “Accumulated other comprehensive income”, Note 20 “Income taxes” and Note 28 “Fair value”. The remaining ¥5 billion, net of tax, on April 1, 2018, related to equity securities that qualify for the practical expedient to estimate fair value using the net asset value per share (or its equivalent), which were previously measured at cost.

In October 2016, the FASB issued ASU No.2016-16, “Income Taxes (Topic 740)—Intra-Entity Transfers of Assets Other Than Inventory” (“ASU No.2016-16”). The ASU requires recognition of current and deferred income taxes in an intra-entity transfer of an asset other than inventory when the transfer occurs although current U.S. GAAP has prohibited the recognition of income tax consequences of the transfer until the asset has been sold to an outside party. The ASU does not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. 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 retained earnings as of the beginning of the fiscal year of adoption. The MHFG Group adopted ASU No.2016-16 on April 1, 2018. The adoption of ASU No. 2016-16 did not have a material impact on the Group’s consolidated results of operations or financial condition.

In May 2017, the FASB issued ASU No.2017-09, “Compensation—Stock Compensation (Topic 718)—Scope of Modification Accounting” (“ASU No.2017-09”). The ASU provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following factors of the award are the same before and after the modification: (1) the fair value, (2) the vesting conditions and (3) the classification as an equity or a liability instrument. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the ASU. The ASU is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, and should be applied prospectively to an award modified on or after the adoption date. The MHFG Group adopted ASU No.2017-09 on April 1, 2018. The adoption of ASU No.2017-09 did not have a material impact on the Group’s consolidated results of operations or financial condition.

*Accounting pronouncements issued but not yet effective as of March 31, 2019*

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

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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. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. On April 1, 2019, the MHFG Group adopted ASU 2016-02 prospectively without adjustments to the comparative periods presented. The Group elected the practical expedients to not reassess whether existing contracts contain leases, lease classification for any existing leases, or initial direct costs for existing leases. At adoption, the Group recognized right-of-use assets and lease liabilities of approximately ¥0.6 trillion. The adoption of the ASU did not have material impact to the Group's consolidated shareholders' equity.

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 U.S. 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 to the amount by which fair value is below amortized cost. In April 2019, the FASB issued ASU No.2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses" ("ASU No.2019-04"). The ASU clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. In May 2019, the FASB issued ASU No.2019-05, "Financial Instruments—Credit Losses (Topic 326)—Targeted Transition Relief" ("ASU No.2019-05"). The ASU provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The ASUs are 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 expects to adopt ASU No.2016-13, 2019-04, and 2019-05 on April 1, 2020. The Group is currently evaluating the potential impact that the adoption of ASU No.2016-13, 2019-04, and 2019-05 will have on its consolidated results of operations and financial condition, as well as on its disclosures. The Group's implementation efforts include identifying key interpretative issues and assessing existing credit forecasting models and processes against the ASU. The Group expects that the allowance related to the Group's loans could increase especially in the retail portfolio segment. The extent of the potential change in the allowance is under evaluation, but will depend upon the nature and characteristics of the Group's portfolio at the adoption date, and the macroeconomic conditions and forecasts at that date.

In January 2017, the FASB issued ASU No.2017-04, "Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment" ("ASU No.2017-04"). The ASU eliminates Step 2, under which an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities, from the goodwill impairment test. Instead, under the ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The ASU is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early application is permitted for interim or annual goodwill impairment tests performed on



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testing dates after January 1, 2017. The MHFG Group expects to adopt ASU No.2017-04 on April 1, 2020. The Group is currently evaluating the potential impact that the adoption of ASU No.2017-04 will have on its consolidated results of operations and financial condition.

In August 2017, the FASB issued ASU No.2017-12, “Derivatives and Hedging (Topic 815)—Targeted Improvements to Accounting for Hedging Activities” (“ASU No.2017-12”). The ASU amends the current accounting for derivatives and hedging to enable entities to better portray the economic results of risk management activities in the financial statements. Specifically, the amendments: (1) eliminate the separate measurement and reporting of hedge ineffectiveness, (2) expand the ability to hedge nonfinancial and financial risk components, and (3) provide an alternative method for measuring the hedged item in fair value hedges of interest rate risk. The ASU is effective for fiscal years beginning after December 15, 2018, 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 is permitted, including adoption in any interim period. The MHFG Group adopted ASU No.2017-12 on April 1, 2019. The Group does not expect that the adoption of ASU No.2017-12 will have a material impact on its consolidated results of operations or financial condition.

In February 2018, the FASB issued ASU No.2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220)—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” (“ASU No.2018-02”). The ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. Early application is permitted, including adoption in any interim period, for reporting periods for which financial statements have not yet been issued. The MHFG Group adopted ASU No.2018-02 on April 1, 2019. The Group does not expect that the adoption of ASU No.2018-02 will have a material impact on its consolidated results of operations or financial condition.

In August 2018, the FASB issued ASU No.2018-13, “Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU No.2018-13”). The ASU modifies the disclosure requirements for fair value measurements in order to improve the effectiveness of the notes to financial statements: some disclosure requirements are removed or modified, and some requirements are added. The ASU mainly adds the disclosure requirements to report the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average or other quantitative information of significant unobservable inputs used to develop Level 3 fair value measurements. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption, and other amendments should be applied retrospectively. Early application is permitted. The MHFG Group expects to adopt ASU No.2018-13 on April 1, 2020. The Group is currently evaluating the potential impact that the adoption of ASU No.2018-13 will have on the disclosures in its consolidated financial statements.

In August 2018, the FASB issued ASU No.2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU No.2018-14”). The amendments in this update remove disclosures that no longer

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are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. Mainly, the ASU removes the disclosure requirement of the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, and adds the disclosure requirement of the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates. The ASU is effective for fiscal years ending after December 15, 2020, and should be applied on a retrospective basis to all periods presented. Early application is permitted for all entities. The MHFG Group expects to adopt ASU No.2018-14 on April 1, 2020. The Group is currently evaluating the potential impact that the adoption of ASU No.2018-14 will have on its consolidated results of operations and financial condition.

In October 2018, the FASB issued ASU No.2018-16, “Derivatives and Hedging (Topic 815)—Inclusion of the Secured Overnight Financing Rate (“SOFR”) Overnight Index Swap (“OIS”) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes” (“ASU No.2018-16”). The ASU permits use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the interest rates on direct Treasury obligations of the U.S. government (“UST”), the London Interbank Offered Rate (“LIBOR”) swap rate, the OIS rate based on the Federal Funds Effective Rate, and the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Rate. The amendments in ASU No.2018-16 are required to be adopted concurrently with the amendments in ASU No.2017-12, and should be applied on a prospective basis for qualifying new or redesignated hedging relationships entered into on or after the date of adoption. Early application is permitted, including adoption in any interim period. The MHFG Group adopted ASU No.2018-16 on April 1, 2019. The Group does not expect that the adoption of ASU No.2018-16 will have a material impact on its consolidated results of operations or financial condition.

In October 2018, the FASB issued ASU No.2018-17, “Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities” (“ASU No.2018-17”). The ASU requires indirect interests held through related parties in common control arrangements to be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early application is permitted. The MHFG Group expects to adopt ASU No.2018-17 on April 1, 2020. The Group does not expect that the adoption of ASU No.2018-17 will have a material impact on its consolidated results of operations or financial condition.

### **3. Business combination**

#### *Integration among asset management companies*

On October 1, 2016, DIAM Co., Ltd. (“DIAM”), MHTB, Mizuho Asset Management Co., Ltd. (“MHAM”) and Shinko Asset Management Co., Ltd. (“Shinko Asset Management”) (collectively, the “Integrating Companies”) integrated their asset management functions pursuant to an integration agreement signed on July 13, 2016. The integration was 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 were transferred to MHAM; and (iii) a merger between DIAM as surviving company and MHAM as absorbed company. After the integration, DIAM was renamed Asset Management One.

As of September 30, 2016, MHAM was a wholly-owned subsidiary of MHFG and DIAM was an equity method affiliate of the MHFG Group which owned 50.0% of the voting equity interests. DIAM was a joint venture of MHFG and Dai-ichi Life Holdings, Inc. (“Dai-ichi Life”, formerly The Dai-ichi Life Insurance Company,

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Limited), and the rest of the interests of DIAM was owned by Dai-ichi Life. On October 1, 2016, MHFG exchanged 30.0% of the voting equity interests in MHAM (after the split in (ii) above) for voting equity interests and non-voting equity interests in DIAM. As a result of the exchange, MHFG acquired 51.0% of the voting rights and 70.0% of the economic interests in Asset Management One, which became a consolidated subsidiary of the Group.

Based on the strong commitment of MHFG and Dai-ichi Life to strengthen and develop their respective asset management businesses, Asset Management One aims to achieve significant development as a global asset management company, providing its customers with high-quality solutions by combining the asset management-related knowledge and experience accumulated and developed by each of the Integrating Companies over many years, and by taking full advantage of collaboration with both the MHFG Group and the Dai-ichi Life group. The MHFG Group recognized goodwill at the acquisition date. The goodwill was not allocated to the reportable segments in Note 32 “Business segment information”. The MHFG Group allocated the entire amount of the goodwill to the Asset Management One reporting unit for the purpose of assessing impairment. None of the goodwill recognized is deductible for tax purposes.

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The following table summarizes the consideration paid for DIAM and the amounts of the acquired assets and assumed liabilities recognized at the acquisition date, as well as the fair value at the acquisition date of the noncontrolling interest in DIAM. There were no material acquisition-related costs that were recognized separately from the acquisition of the assets and the assumption of the liabilities.

	<u>At October 1, 2016</u>
	(in millions of yen)
<b>Consideration:</b>	
Equity instruments (1,038,408 common shares of MHAM) . . . . .	28,842
Fair value of total consideration transferred . . . . .	<u>28,842</u>
Fair value of equity interests in DIAM held by MHFG before the business combination . . . . .	72,106
	<u>100,948</u>
<b>Recognized amounts of identifiable assets acquired:</b>	
Cash and due from banks . . . . .	831
Interest-bearing deposits in other banks . . . . .	12,873
Trading account assets . . . . .	266
Investments . . . . .	12,234
Premises and equipment-net . . . . .	3,546
Accrued income . . . . .	7,882
Intangible assets <sup>(Note)</sup> . . . . .	53,037
Deferred tax assets . . . . .	1,003
Other assets . . . . .	2,208
<b>Recognized amounts of identifiable liabilities assumed:</b>	
Trading account liabilities . . . . .	304
Income taxes payable . . . . .	918
Deferred taxes liabilities . . . . .	16,238
Accrued expenses . . . . .	5,392
Other liabilities . . . . .	3,041
Total identifiable net assets . . . . .	<u>67,987</u>
Goodwill . . . . .	<u>76,225</u>
Noncontrolling interest in DIAM . . . . .	<u>43,264</u>
	<u>100,948</u>

Note: Amount represents customer relationships subject to amortization, of which the weighted-average amortization period is 16.9 years.

The fair value of the equity interests in DIAM held by MHFG before the business combination (¥72,106 million), the fair value of the 1,038,408 common shares of MHAM as the consideration paid for DIAM (¥28,842 million) and the fair value of the noncontrolling interest in DIAM (¥43,264 million) were determined with reference to an independent third-party appraisal by applying the income approach and the market approach. The income approach was based on the discounted future cash flows of DIAM and MHAM and the market approach was based on market values, earnings and revenues of public companies comparable to DIAM and MHAM. A discount for lack of control was not considered in determining the fair value of the noncontrolling interest, which is entirely held by Dai-Ichi Life, as the economic benefits of DIAM are expected to be divided proportionately between MHFG and Dai-Ichi Life based on their respective economic interests.

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

On October 1, 2016, the MHFG Group recognized a gain of ¥56,226 million as a result of remeasuring to fair value its 50.0% of the voting equity interests in DIAM held before the business combination. The gain is included in Other noninterest income in the Group's consolidated statement of income for the fiscal year ended March 31, 2017. In addition, the MHFG Group recognized an increase in Common stock of ¥23,829 million as a result of remeasuring to fair value its 30.0% of the voting equity interests in MHAM held before the business combination due to the change in the voting equity interests in MHAM on October 1, 2016.

The revenue and earnings of Asset Management One since the acquisition date included in the Group's consolidated statement of income for the fiscal year ended March 31, 2017 are not material. Other than the gain of ¥56,226 million described above, the revenue and earnings of the MHFG Group would not have differed significantly from those reported in the consolidated statements of income for the fiscal year ended March 31, 2017 if the business combination had occurred as of the beginning of the fiscal year.

**4. 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, 2018 and 2019 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>2018</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds . . . . .	13,334,619	7,332	9,656	13,332,295
Japanese local government bonds . . . . .	236,711	2,903	280	239,334
U.S. Treasury bonds and federal agency securities . . . . .	689,297	109	3,557	685,849
Other foreign government bonds . . . . .	1,057,852	1,043	1,102	1,057,793
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	882,686	13,356	7,628	888,414
Residential mortgage-backed securities . . . . .	117,870	1,264	281	118,853
Commercial mortgage-backed securities . . . . .	437,115	4,132	323	440,924
Japanese corporate bonds and other debt securities <sup>(2)</sup> . . . . .	1,950,947	40,290	1,410	1,989,827
Foreign corporate bonds and other debt securities <sup>(3)</sup> . . . . .	879,506	1,927	2,082	879,351
Equity securities (marketable) <sup>(4)</sup> . . . . .	<u>1,595,106</u>	<u>2,449,173</u>	<u>11,291</u>	<u>4,032,988</u>
Total . . . . .	<u>21,181,709</u>	<u>2,521,529</u>	<u>37,610</u>	<u>23,665,628</u>
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds . . . . .	1,959,910	24,472	—	1,984,382
Agency mortgage-backed securities <sup>(5)</sup> . . . . .	<u>557,641</u>	<u>—</u>	<u>20,177</u>	<u>537,464</u>
Total . . . . .	<u>2,517,551</u>	<u>24,472</u>	<u>20,177</u>	<u>2,521,846</u>

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

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
	(in millions of yen)			
<b>2019</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds . . . . .	11,888,510	11,259	2,998	11,896,771
Japanese local government bonds . . . . .	208,308	1,671	87	209,892
U.S. Treasury bonds and federal agency securities . . . . .	1,008,903	644	231	1,009,316
Other foreign government bonds . . . . .	1,341,564	758	455	1,341,867
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	530,540	14,524	593	544,471
Residential mortgage-backed securities . . . . .	99,904	1,420	191	101,133
Commercial mortgage-backed securities . . . . .	495,313	4,914	104	500,123
Japanese corporate bonds and other debt securities <sup>(2)</sup> . . . . .	1,743,309	7,686	1,561	1,749,434
Foreign corporate bonds and other debt securities <sup>(3)</sup> . . . . .	778,088	3,047	226	780,909
Equity securities (marketable) <sup>(4)</sup> . . . . .	—	—	—	—
<b>Total</b> . . . . .	<u>18,094,439</u>	<u>45,923</u>	<u>6,446</u>	<u>18,133,916</u>
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds . . . . .	1,119,899	19,907	—	1,139,806
Agency mortgage-backed securities <sup>(5)</sup> . . . . .	484,205	—	14,423	469,782
<b>Total</b> . . . . .	<u>1,604,104</u>	<u>19,907</u>	<u>14,423</u>	<u>1,609,588</u>

Notes:

- (1) Agency mortgage-backed securities presented in this line consist of Japanese and Foreign agency mortgage-backed securities, of which the fair values were ¥742,565 million and ¥145,849 million, respectively, at March 31, 2018, and ¥517,330 million and ¥27,141 million, respectively, at March 31, 2019. All Japanese agency mortgage-backed securities are issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise. Foreign agency mortgage-backed securities primarily consist of Government National Mortgage Association (“Ginnie Mae”) securities, which are guaranteed by the United States government.
- (2) Other debt securities presented in this line primarily consist of Japanese negotiable certificates of deposit (“NCDs”), of which the total fair values were ¥106,101 million at March 31, 2018, and ¥6,725 million at March 31, 2019.
- (3) Other debt securities presented in this line primarily consist of Foreign NCDs and asset-backed securities (“ABS”), of which the total fair values were ¥313,164 million at March 31, 2018, and ¥246,503 million at March 31, 2019.
- (4) The MHFG Group adopted ASU No.2016-01 on April 1, 2018, resulting in a cumulative-effect adjustment from AOCI to Retained earnings for net unrealized gains on equity securities (marketable). The available-for-sale category was eliminated for equity securities effective April 1, 2018. See Note 2 “Recently issued accounting pronouncements” for further details.
- (5) All Agency mortgage-backed securities presented in this line are Ginnie Mae securities.

*Contractual maturities*

The amortized cost and fair value of available-for-sale and held-to-maturity securities at March 31, 2019 are shown in the table below based on their contractual maturities. Expected maturities may differ from contractual maturities because some securities are not due at a single maturity date, and some securities, such as mortgage-backed securities, contain embedded call or prepayment options.

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

<b>Amortized cost</b>	<b>Due in one year or less</b>	<b>Due after one year through five years</b>	<b>Due after five years through ten years</b>	<b>Due after ten years</b>	<b>Total</b>
	(in millions of yen)				
Available-for-sale securities:					
Debt securities:					
Japanese government bonds . . . . .	7,839,925	2,326,357	1,461,333	260,895	11,888,510
Japanese local government bonds . . . . .	7,229	118,677	77,336	5,066	208,308
U.S. Treasury bonds and federal agency securities . . . . .	989,921	18,982	—	—	1,008,903
Other foreign government bonds . . . . .	1,106,386	235,178	—	—	1,341,564
Agency mortgage-backed securities . . . . .	—	—	—	530,540	530,540
Residential mortgage-backed securities . . . . .	—	—	4,656	95,248	99,904
Commercial mortgage-backed securities . . . . .	9,501	175,819	282,518	27,475	495,313
Japanese corporate bonds and other debt securities . . . . .	137,824	876,876	521,851	206,758	1,743,309
Foreign corporate bonds and other debt securities . . . . .	443,476	291,299	40,544	2,769	778,088
<b>Total . . . . .</b>	<b>10,534,262</b>	<b>4,043,188</b>	<b>2,388,238</b>	<b>1,128,751</b>	<b>18,094,439</b>
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds . . . . .	639,984	379,837	100,078	—	1,119,899
Agency mortgage-backed securities . . . . .	—	—	—	484,205	484,205
<b>Total . . . . .</b>	<b>639,984</b>	<b>379,837</b>	<b>100,078</b>	<b>484,205</b>	<b>1,604,104</b>
<b>Fair value</b>	<b>Due in one year or less</b>	<b>Due after one year through five years</b>	<b>Due after five years through ten years</b>	<b>Due after ten years</b>	<b>Total</b>
	(in millions of yen)				
Available-for-sale securities:					
Debt securities:					
Japanese government bonds . . . . .	7,840,638	2,329,473	1,465,030	261,630	11,896,771
Japanese local government bonds . . . . .	7,263	119,115	78,275	5,239	209,892
U.S. Treasury bonds and federal agency securities . . . . .	990,029	19,287	—	—	1,009,316
Other foreign government bonds . . . . .	1,106,543	235,324	—	—	1,341,867
Agency mortgage-backed securities . . . . .	—	—	—	544,471	544,471
Residential mortgage-backed securities . . . . .	—	—	4,656	96,477	101,133
Commercial mortgage-backed securities . . . . .	9,518	177,237	285,849	27,519	500,123
Japanese corporate bonds and other debt securities . . . . .	138,670	878,396	524,003	208,365	1,749,434
Foreign corporate bonds and other debt securities . . . . .	443,626	293,831	40,683	2,769	780,909
<b>Total . . . . .</b>	<b>10,536,287</b>	<b>4,052,663</b>	<b>2,398,496</b>	<b>1,146,470</b>	<b>18,133,916</b>
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds . . . . .	640,928	395,085	103,793	—	1,139,806
Agency mortgage-backed securities . . . . .	—	—	—	469,782	469,782
<b>Total . . . . .</b>	<b>640,928</b>	<b>395,085</b>	<b>103,793</b>	<b>469,782</b>	<b>1,609,588</b>

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

*Other-than-temporary impairment*

The MHFG Group performs periodic reviews to identify impaired securities in accordance with ASC 320, “Investments—Debt 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. Effective April 1, 2018, the available-for-sale category was eliminated for equity securities and, therefore, the other-than-temporary impairment review is not required for these securities. See Note 2 “Recently issued accounting pronouncements” for further details. Before the adoption of ASU No.2016-01, for equity securities, impairment was evaluated considering the length of time and extent to which the fair value had 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 was deemed other-than-temporarily impaired, it was written down to fair value, with the full decline recognized in earnings.

The following table shows the other-than-temporary impairment losses on available-for-sale securities for the fiscal years ended March 31, 2017, 2018 and 2019. No impairment losses were recognized on held-to-maturity securities for the periods.

	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in millions of yen)		
Available-for-sale securities:			
Debt securities	138	1,015	213
Equity securities <sup>(Note)</sup>	12,029	3,080	—
Total	12,167	4,095	213

Note: Effective April 1, 2018, the available-for-sale category was eliminated for equity securities. See Note 2 “Recently issued accounting pronouncements” for further details.

For the fiscal year ended March 31, 2019, the other-than-temporary impairment losses on debt securities were attributable to the decline in the fair value of certain Japanese corporate bonds in respect of which the MHFG Group determined credit losses existed. In accordance with ASC 320, the other-than-temporary impairment on these securities was recognized in earnings. The total other-than-temporary impairment met the criteria to be immediately recorded in earnings and no portion was recognized in other comprehensive income.



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

*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, 2018 and 2019:

	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>2018</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds . . . . .	8,052,820	3,716	2,868,078	5,940	10,920,898	9,656
Japanese local government bonds . . . . .	28,827	139	58,998	141	87,825	280
U.S. Treasury bonds and federal agency securities . . . . .	515,005	3,557	—	—	515,005	3,557
Other foreign government bonds . . . . .	419,648	1,030	68,359	72	488,007	1,102
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	45,434	1,116	188,326	6,512	233,760	7,628
Residential mortgage-backed securities . . . . .	11,336	14	16,129	267	27,465	281
Commercial mortgage-backed securities . . . . .	68,723	242	7,835	81	76,558	323
Japanese corporate bonds and other debt securities . . . . .	563,831	933	403,069	477	966,900	1,410
Foreign corporate bonds and other debt securities . . . . .	358,410	888	87,472	1,194	445,882	2,082
Equity securities (marketable) <sup>(2)</sup> . . . . .	338,243	11,249	366	42	338,609	11,291
Total . . . . .	10,402,277	22,884	3,698,632	14,726	14,100,909	37,610
Held-to-maturity securities:						
Debt securities:						
Agency mortgage-backed securities <sup>(3)</sup> . . . . .	30,589	766	506,875	19,411	537,464	20,177
Total . . . . .	30,589	766	506,875	19,411	537,464	20,177
<b>2019</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds . . . . .	2,296,536	1,441	1,332,688	1,557	3,629,224	2,998
Japanese local government bonds . . . . .	9,752	32	38,873	55	48,625	87
U.S. Treasury bonds and federal agency securities . . . . .	506,176	231	—	—	506,176	231
Other foreign government bonds . . . . .	438,771	321	26,782	134	465,553	455
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	466	2	37,706	591	38,172	593
Residential mortgage-backed securities . . . . .	—	—	16,729	191	16,729	191
Commercial mortgage-backed securities . . . . .	11,256	44	36,760	60	48,016	104
Japanese corporate bonds and other debt securities . . . . .	417,825	924	440,937	637	858,762	1,561
Foreign corporate bonds and other debt securities . . . . .	129,164	142	79,716	84	208,880	226
Equity securities (marketable) <sup>(2)</sup> . . . . .	—	—	—	—	—	—
Total . . . . .	3,809,946	3,137	2,010,191	3,309	5,820,137	6,446
Held-to-maturity securities:						
Debt securities:						
Agency mortgage-backed securities <sup>(3)</sup> . . . . .	—	—	469,782	14,423	469,782	14,423
Total . . . . .	—	—	469,782	14,423	469,782	14,423

Notes :

- (1) Agency mortgage-backed securities presented in this line consist of Japanese and Foreign agency mortgage-backed securities, of which the fair values were ¥88,017 million and ¥145,743 million, respectively, at March 31, 2018, and ¥11,107 million and ¥27,065 million, respectively, at March 31, 2019. All Japanese agency mortgage-backed securities are issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise. Foreign agency mortgage-backed securities primarily consist of Ginnie Mae securities, which are guaranteed by the United States government.

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

- (2) The MHFG Group adopted ASU No.2016-01 on April 1, 2018, resulting in a cumulative-effect adjustment from AOCI to Retained earnings for net unrealized gains on equity securities (marketable). The available-for-sale category was eliminated for equity securities effective April 1, 2018. See Note 2 “Recently issued accounting pronouncements” for further details.
- (3) All Agency mortgage-backed securities presented in this line are Ginnie Mae securities.

At March 31, 2019, 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, except for the securities for which credit losses have been recognized in income, 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 aforementioned evaluation, the MHFG Group determined that the debt securities in an unrealized loss position were not considered other-than-temporarily impaired.

*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, 2017, 2018 and 2019. See “Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2017, 2018 and 2019” for the proceeds from sales of investments.

	<b>2017</b>	<b>2018</b>	<b>2019 (Note)</b>
	(in millions of yen)		
Gross realized gains . . . . .	353,036	314,948	23,777
Gross realized losses . . . . .	(21,163)	(41,044)	(26,299)
Net realized gains (losses) on sales of available-for-sale securities . . . . .	331,873	273,904	(2,522)

Note: Effective April 1, 2018, the available-for-sale category was eliminated for equity securities, and gains and losses on these securities are not included for the fiscal year ended March 31, 2019 column in this table. See Note 2 “Recently issued accounting pronouncements” for further details.

*Other investments*

The following table summarizes the composition of Other investments at March 31, 2018 and 2019:

	<b>2018</b>	<b>2019</b>
	(in millions of yen)	
Equity method investments . . . . .	280,666	354,268
Investments held by consolidated investment companies . . . . .	37,735	35,472
Other equity interests . . . . .	267,495	— (Note)
Total . . . . .	585,896	389,740

Note: In connection with the adoption of ASU No.2016-01, other equity interests are disclosed as Equity securities. See Note 2 “Recently issued accounting pronouncements” for further details.

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

*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 ¥152,445 million and ¥201,034 million, at March 31, 2018 and 2019, respectively. The aggregate market values of these marketable equity securities were ¥324,239 million and ¥308,137 million, respectively. The aggregate market values of these marketable equity securities include Orient Corporation, of which the MHFG Group's proportionate share of the total outstanding common stock was 49.0% as of March 31, 2019.

*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, of which the fair values are not readily determinable, nor practicable to estimate. 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.

*Equity securities*

Equity securities include securities which have readily determinable fair values, securities which qualify for the practical expedient to estimate fair value using the net asset value per share (or its equivalent), and securities which are without readily determinable fair values. Equity securities which have readily determinable fair values mainly consist of common stock of Japanese listed companies. Equity securities without readily determinable fair values include non-marketable stock including preferred stock issued by equity method investees.

*Net gains and losses*

The following table shows the details of the net gains and losses on Equity securities for the fiscal year ended March 31, 2019:

	<b>2019</b>
	<b>(in millions of yen)</b>
Net gains and losses recognized during the period on equity securities . . . . .	(155,947)
Less: Net gains and losses recognized during the period on equity securities sold during the period . . . . .	34,034
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting period . . . . .	(189,981)

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

*Equity securities without readily determinable fair values*

The following table shows the details of Equity securities without readily determinable fair values, for which the measurement alternative is used, for the fiscal year ended March 31, 2019:

	<b>2019</b>
	<b>(in millions of yen)</b>
Carrying amounts at the end of the period .....	212,270
Downward adjustments and impairments:	
During the period .....	1,413
Cumulative .....	1,413
Upward adjustments:	
During the period .....	2,373
Cumulative .....	2,373

The MHFG Group elected to measure all equity securities without readily determinable fair values, which do not qualify for the practical expedient to estimate fair value, using the measurement alternative, which is made on an instrument-by-instrument basis. Under the measurement alternative, equity securities are carried at cost plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar securities of the same issuer. In addition, the MHFG Group assesses whether these equity securities are impaired. Impairment is primarily based on a liquidation value technique that considers the financial condition, credit ratings, and near-term prospects of the issuers. When observable price changes or impairments exist, the securities are adjusted to fair value, with the full difference between the fair value of the security and its carrying amount recognized in earnings.

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

**5. Loans**

The table below presents loans outstanding by domicile and industry of borrower at March 31, 2018 and 2019:

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Domestic:		
Manufacturing . . . . .	8,156,341	9,558,146
Construction and real estate . . . . .	8,101,668	8,954,823
Services . . . . .	5,024,018	5,113,386
Wholesale and retail . . . . .	5,112,673	5,163,267
Transportation and communications . . . . .	3,564,869	3,622,130
Banks and other financial institutions . . . . .	4,471,423	4,303,231
Government and public institutions . . . . .	8,882,125	2,358,904
Other industries <sup>(Note)</sup> . . . . .	5,018,387	5,477,452
Individuals:		
Mortgage loans . . . . .	9,445,286	8,950,216
Other . . . . .	883,724	907,589
Total domestic . . . . .	<u>58,660,514</u>	<u>54,409,144</u>
Foreign:		
Commercial and industrial . . . . .	17,195,159	19,086,511
Banks and other financial institutions . . . . .	7,465,140	9,126,392
Government and public institutions . . . . .	302,891	296,872
Other . . . . .	37,636	33,171
Total foreign . . . . .	<u>25,000,826</u>	<u>28,542,946</u>
Total . . . . .	83,661,340	82,952,090
Less: Unearned income and deferred loan fees—net . . . . .	146,696	152,147
Total loans before allowance for loan losses . . . . .	<u>83,514,644</u>	<u>82,799,943</u>

Note: Other industries of Domestic includes trade receivables and lease receivables of consolidated VIEs.

Net losses on sales of loans were ¥919 million, ¥87 million and ¥2,018 million, including unrealized losses related to recording loans held for sale at the lower of cost or fair value for the fiscal years ended March 31, 2017, 2018 and 2019, respectively. The gains and losses on sales of loans are recorded in Other noninterest income and expenses, 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 for the corporate portfolio segment and pool allocations for the retail portfolio segment 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 small loans that are less than a specified amount by pooling customers and loans with similar risk characteristics, and the risk is assessed mainly based on past due status and managed according to such pools. The Group generally reviews the appropriateness

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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 the MHFG Group’s definition of obligor ratings used by MHBK and MHTB:

<u>Obligor category<sup>(1)(2)</sup></u>	<u>Obligor rating<sup>(3)</sup></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 conditions.
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.

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) The Group classifies loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans.
- (3) Equivalent obligor ratings are determined for the other portfolio segment.

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The table below presents credit quality information of loans based on the MHFG Group's internal rating system at March 31, 2018 and 2019:

	Normal obligors			Watch obligors excluding special attention obligors <sup>(1)</sup>			Impaired loans	Total
	Corporate	Retail <sup>(2)</sup>	Other <sup>(3)</sup>	Corporate	Retail <sup>(2)</sup>	Other <sup>(3)</sup>		
<b>2018</b>								
Domestic:								
Manufacturing . . . . .	7,705,495	77,947	23,343	197,465	9,775	246	142,070	8,156,341
Construction and real estate . . .	7,317,972	541,778	13,332	172,287	15,466	—	40,833	8,101,668
Services . . . . .	4,535,793	172,045	141,718	95,223	21,109	55	58,075	5,024,018
Wholesale and retail . . . . .	4,636,236	177,965	17,305	121,832	27,975	476	130,884	5,112,673
Transportation and communications . . . . .	3,414,781	76,532	1,774	35,339	8,916	—	27,527	3,564,869
Banks and other financial institutions . . . . .	4,244,101	1,640	196,431	16,716	194	—	12,341	4,471,423
Government and public institutions . . . . .	3,010,708	—	5,871,417	—	—	—	—	8,882,125
Other industries <sup>(4)</sup> . . . . .	2,716,502	3,536	2,170,442	2,708	259	121,201	3,739	5,018,387
Individuals . . . . .	222,410	9,822,244	88,044	23,491	81,550	1,109	90,162	10,329,010
Total domestic . . . . .	37,803,998	10,873,687	8,523,806	665,061	165,244	123,087	505,631	58,660,514
Foreign:								
Commercial and industrial . . .	14,192,930	209	2,432,189	398,231	—	64,950	106,650	17,195,159
Banks and other financial institutions . . . . .	6,949,036	—	487,978	28,126	—	—	—	7,465,140
Government and public institutions . . . . .	301,072	—	—	—	—	—	1,819	302,891
Other . . . . .	1,906	9,245	23,730	242	6	1,347	1,160	37,636
Total foreign . . . . .	21,444,944	9,454	2,943,897	426,599	6	66,297	109,629	25,000,826
Total . . . . .	59,248,942	10,883,141	11,467,703	1,091,660	165,250	189,384	615,260	83,661,340
<b>2019</b>								
Domestic:								
Manufacturing . . . . .	9,209,834	69,080	19,805	141,202	8,278	1,303	108,644	9,558,146
Construction and real estate . . .	8,186,308	505,142	15,920	186,753	14,490	25	46,185	8,954,823
Services . . . . .	4,761,724	165,643	3,281	90,578	18,586	1	73,573	5,113,386
Wholesale and retail . . . . .	4,686,541	161,392	26,881	127,695	25,553	591	134,614	5,163,267
Transportation and communications . . . . .	3,472,991	71,934	934	37,593	7,472	—	31,206	3,622,130
Banks and other financial institutions . . . . .	4,262,125	1,534	72	28,881	319	—	10,300	4,303,231
Government and public institutions . . . . .	2,358,899	5	—	—	—	—	—	2,358,904
Other industries <sup>(4)</sup> . . . . .	3,131,072	2,450	2,323,197	7,725	421	3,633	8,954	5,477,452
Individuals . . . . .	233,986	9,384,955	64,974	21,127	70,427	1,168	81,168	9,857,805
Total domestic . . . . .	40,303,480	10,362,135	2,455,064	641,554	145,546	6,721	494,644	54,409,144
Foreign:								
Commercial and industrial . . .	16,061,655	182	2,488,800	347,060	—	38,404	150,410	19,086,511
Banks and other financial institutions . . . . .	8,623,103	—	492,831	10,458	—	—	—	9,126,392
Government and public institutions . . . . .	296,870	—	—	—	—	—	2	296,872
Other . . . . .	1,480	9,713	19,690	333	—	879	1,076	33,171
Total foreign . . . . .	24,983,108	9,895	3,001,321	357,851	—	39,283	151,488	28,542,946
Total . . . . .	65,286,588	10,372,030	5,456,385	999,405	145,546	46,004	646,132	82,952,090

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.

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- (2) The obligor category classification is mainly based on past due status.  
(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.  
(4) Other industries of Domestic includes trade receivables and lease receivables of consolidated VIEs.

*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. There are no loans that are ninety days past due and still accruing. 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, 2018 and 2019:

	<u>Recorded investment <sup>(1)</sup></u>		<u>Total</u>	<u>Unpaid principal balance</u>	<u>Related allowance <sup>(3)</sup></u>	<u>Average recorded investment</u>	<u>Interest income recognized <sup>(4)</sup></u>
	<u>Requiring an allowance for loan losses</u>	<u>Not requiring an allowance for loan losses <sup>(2)</sup></u>					
(in millions of yen)							
<b>2018</b>							
Domestic:							
Manufacturing . . . . .	135,083	6,987	142,070	146,857	45,750	218,899	1,869
Construction and real estate . . . . .	31,557	9,276	40,833	48,752	4,411	49,926	516
Services . . . . .	48,691	9,384	58,075	64,348	13,305	60,198	919
Wholesale and retail . . . . .	119,463	11,421	130,884	139,556	42,798	139,333	1,842
Transportation and communications . . . . .	25,019	2,508	27,527	28,480	6,862	25,672	370
Banks and other financial institutions . . . . .	8,392	3,949	12,341	12,341	3,176	8,648	78
Other industries . . . . .	3,650	89	3,739	3,869	3,563	4,537	53
Individuals . . . . .	43,326	46,836	90,162	95,338	4,315	97,404	1,402
Total domestic . . . . .	<u>415,181</u>	<u>90,450</u>	<u>505,631</u>	<u>539,541</u>	<u>124,180</u>	<u>604,617</u>	<u>7,049</u>
Foreign:							
Total foreign <sup>(5)</sup> . . . . .	<u>63,346</u>	<u>46,283</u>	<u>109,629</u>	<u>125,329</u>	<u>28,333</u>	<u>151,588</u>	<u>1,042</u>
Total . . . . .	<u>478,527</u>	<u>136,733</u>	<u>615,260</u>	<u>664,870</u>	<u>152,513</u>	<u>756,205</u>	<u>8,091</u>
<b>2019</b>							
Domestic:							
Manufacturing . . . . .	103,039	5,605	108,644	111,533	39,301	122,764	1,404
Construction and real estate . . . . .	36,873	9,312	46,185	51,158	4,661	42,224	487
Services . . . . .	64,021	9,552	73,573	79,736	16,311	67,679	1,058
Wholesale and retail . . . . .	124,911	9,703	134,614	147,665	38,763	130,860	1,814
Transportation and communications . . . . .	28,297	2,909	31,206	32,139	13,146	29,864	412
Banks and other financial institutions . . . . .	6,473	3,827	10,300	10,300	1,327	10,671	109
Other industries . . . . .	8,867	87	8,954	9,149	5,761	6,042	29
Individuals . . . . .	37,488	43,680	81,168	88,331	2,630	86,082	1,326
Total domestic . . . . .	<u>409,969</u>	<u>84,675</u>	<u>494,644</u>	<u>530,011</u>	<u>121,900</u>	<u>496,186</u>	<u>6,639</u>
Foreign:							
Total foreign <sup>(5)</sup> . . . . .	<u>119,079</u>	<u>32,409</u>	<u>151,488</u>	<u>164,984</u>	<u>47,345</u>	<u>113,559</u>	<u>1,518</u>
Total . . . . .	<u>529,048</u>	<u>117,084</u>	<u>646,132</u>	<u>694,995</u>	<u>169,245</u>	<u>609,745</u>	<u>8,157</u>

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.



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- (3) The allowance for loan losses on impaired loans includes the allowance for groups of loans which were collectively evaluated for impairment, in addition to the allowance for those loans that were individually evaluated for impairment. The total carrying amount of the groups of loans which were collectively evaluated for impairment at March 31, 2018 and 2019 was ¥245,809 million and ¥257,099 million, respectively.
- (4) Amounts represent the amount of interest income on impaired loans recognized on a cash basis and included in Interest income on loans in the consolidated statements of income.
- (5) The majority of Total foreign consist of Commercial and Industrial loans.

The remaining balance of impaired loans that have been partially charged off, was ¥29,037 million and ¥25,097 million as of March 31, 2018 and 2019, respectively.

*Troubled debt restructurings*

The MHFG Group considers a loan modification to be a TDR when, for economic or legal reasons related to the obligor's financial difficulties, it grants a concession to the obligor that it would not otherwise consider. The Group considers the relevant obligor to be in financial difficulty generally when its obligor rating is E2 or below. The following table presents modified loans that were determined to be TDRs during the fiscal years ended March 31, 2018 and 2019:

	Loan forgiveness or debt to equity swaps		Interest rate reduction and/or postponement of principal and/or interest
	Recorded investment <sup>(1)</sup>	Charge-offs  (in millions of yen)	
<b>2018</b>			
Domestic:			
Manufacturing . . . . .	—	—	110,624
Construction and real estate . . . . .	—	—	13,430
Services . . . . .	—	—	40,774
Wholesale and retail . . . . .	—	—	148,560
Transportation and communications . . . . .	—	—	27,294
Banks and other financial institutions . . . . .	—	—	8,529
Other industries . . . . .	—	—	246
Individuals . . . . .	—	—	14,960
Total domestic . . . . .	—	—	364,417
Foreign:			
Total foreign <sup>(2)</sup> . . . . .	—	—	44,010
Total . . . . .	—	—	408,427
<b>2019</b>			
Domestic:			
Manufacturing . . . . .	—	—	134,544
Construction and real estate . . . . .	—	—	39,254
Services . . . . .	—	—	87,468
Wholesale and retail . . . . .	—	—	167,299
Transportation and communications . . . . .	—	—	33,991
Banks and other financial institutions . . . . .	—	—	17,286
Other industries . . . . .	—	—	120
Individuals . . . . .	—	—	42,330
Total domestic . . . . .	—	—	522,292
Foreign:			
Total foreign <sup>(2)</sup> . . . . .	984	1,964	44,033
Total . . . . .	984	1,964	566,325

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Notes:

- (1) Amounts represent the book values of loans immediately after the restructurings.  
(2) The majority of Total foreign consist of Commercial and Industrial loans.

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, 2018 and 2019 with respect to the loans modified as TDRs within the previous twelve months:

	<u>Recorded investment</u>	
	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Domestic:		
Manufacturing .....	4,019	1,173
Construction and real estate .....	80	121
Services .....	4,469	1,335
Wholesale and retail .....	25,710	15,087
Transportation and communications .....	264	878
Banks and other financial institutions .....	—	66
Other industries .....	130	1,650
Individuals .....	<u>1,819</u>	<u>2,152</u>
Total domestic .....	<u>36,491</u>	<u>22,462</u>
Foreign:		
Total foreign .....	<u>4,588</u>	<u>5,418</u>
Total .....	<u><u>41,079</u></u>	<u><u>27,880</u></u>

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*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, 2018 and 2019:

	<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>2018</b>						
Domestic:						
Manufacturing .....	585	470	8,037	9,092	8,147,249	8,156,341
Construction and real estate .....	1,641	474	28,633	30,748	8,070,920	8,101,668
Services .....	1,977	1,142	5,051	8,170	5,015,848	5,024,018
Wholesale and retail .....	1,704	1,083	6,639	9,426	5,103,247	5,112,673
Transportation and communications .....	356	639	1,828	2,823	3,562,046	3,564,869
Banks and other financial institutions .....	—	1,301	—	1,301	4,470,122	4,471,423
Government and public institutions .....	—	—	—	—	8,882,125	8,882,125
Other industries .....	33	12	37	82	5,018,305	5,018,387
Individuals .....	<u>31,566</u>	<u>12,426</u>	<u>31,444</u>	<u>75,436</u>	<u>10,253,574</u>	<u>10,329,010</u>
Total domestic .....	<u>37,862</u>	<u>17,547</u>	<u>81,669</u>	<u>137,078</u>	<u>58,523,436</u>	<u>58,660,514</u>
Foreign:						
Total foreign <sup>(Note)</sup> .....	<u>897</u>	<u>450</u>	<u>41,316</u>	<u>42,663</u>	<u>24,958,163</u>	<u>25,000,826</u>
Total .....	<u>38,759</u>	<u>17,997</u>	<u>122,985</u>	<u>179,741</u>	<u>83,481,599</u>	<u>83,661,340</u>
<b>2019</b>						
Domestic:						
Manufacturing .....	2,210	513	7,036	9,759	9,548,387	9,558,146
Construction and real estate .....	1,010	1,054	31,092	33,156	8,921,667	8,954,823
Services .....	633	196	3,494	4,323	5,109,063	5,113,386
Wholesale and retail .....	1,614	1,415	7,868	10,897	5,152,370	5,163,267
Transportation and communications .....	363	256	2,119	2,738	3,619,392	3,622,130
Banks and other financial institutions .....	3	484	6	493	4,302,738	4,303,231
Government and public institutions .....	—	—	—	—	2,358,904	2,358,904
Other industries .....	2	—	57	59	5,477,393	5,477,452
Individuals .....	<u>27,139</u>	<u>11,013</u>	<u>28,965</u>	<u>67,117</u>	<u>9,790,688</u>	<u>9,857,805</u>
Total domestic .....	<u>32,974</u>	<u>14,931</u>	<u>80,637</u>	<u>128,542</u>	<u>54,280,602</u>	<u>54,409,144</u>
Foreign:						
Total foreign <sup>(Note)</sup> .....	<u>668</u>	<u>211</u>	<u>26,316</u>	<u>27,195</u>	<u>28,515,751</u>	<u>28,542,946</u>
Total .....	<u>33,642</u>	<u>15,142</u>	<u>106,953</u>	<u>155,737</u>	<u>82,796,353</u>	<u>82,952,090</u>

Note: The majority of Total foreign consist of Commercial and Industrial loans.

**6. 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, and loans other than these 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

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as project finance, asset finance and real estate finance. The retail portfolio segment consists mainly of residential mortgage loans, 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 5 “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, 2017, 2018 and 2019 are shown below:

	<u>Corporate</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(in millions of yen)			
<b>2017</b>				
Balance at beginning of fiscal year . . . . .	367,739	44,221	39,287	451,247
Provision (credit) for loan losses . . . . .	45,059	(10,666)	3,275	37,668
Charge-offs . . . . .	(22,901)	(1,754)	(6,597)	(31,252)
Recoveries . . . . .	18,320	5,122	2,158	25,600
Net charge-offs . . . . .	(4,581)	3,368	(4,439)	(5,652)
Others <sup>(Note)</sup> . . . . .	(890)	—	(2,700)	(3,590)
Balance at end of fiscal year . . . . .	<u>407,327</u>	<u>36,923</u>	<u>35,423</u>	<u>479,673</u>
<b>2018</b>				
Balance at beginning of fiscal year . . . . .	407,327	36,923	35,423	479,673
Provision (credit) for loan losses . . . . .	(123,470)	(7,427)	4,535	(126,362)
Charge-offs . . . . .	(44,621)	(2,118)	(9,123)	(55,862)
Recoveries . . . . .	12,924	814	1,482	15,220
Net charge-offs . . . . .	(31,697)	(1,304)	(7,641)	(40,642)
Others <sup>(Note)</sup> . . . . .	(3,088)	—	321	(2,767)
Balance at end of fiscal year . . . . .	<u>249,072</u>	<u>28,192</u>	<u>32,638</u>	<u>309,902</u>
<b>2019</b>				
Balance at beginning of fiscal year . . . . .	249,072	28,192	32,638	309,902
Provision (credit) for loan losses . . . . .	31,693	(2,658)	3,424	32,459
Charge-offs . . . . .	(39,728)	(2,856)	(4,940)	(47,524)
Recoveries . . . . .	11,019	552	2,532	14,103
Net charge-offs . . . . .	(28,709)	(2,304)	(2,408)	(33,421)
Others <sup>(Note)</sup> . . . . .	847	—	(2,586)	(1,739)
Balance at end of fiscal year . . . . .	<u>252,903</u>	<u>23,230</u>	<u>31,068</u>	<u>307,201</u>

Note: Others includes primarily foreign exchange translation.

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The table below presents Allowance for loan losses and loans outstanding by portfolio segment disaggregated on the basis of impairment method at March 31, 2018 and 2019:

	<u>Corporate</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(in millions of yen)			
<b>2018</b>				
Allowance for loan losses . . . . .	249,072	28,192	32,638	309,902
of which individually evaluated for impairment . . . . .	129,789	2,602	7,383	139,774
of which collectively evaluated for impairment . . . . .	119,283	25,590	25,255	170,128
Loans <sup>(Note)</sup> . . . . .	60,837,559	11,133,862	11,689,919	83,661,340
of which individually evaluated for impairment . . . . .	593,053	21,364	61,023	675,440
of which collectively evaluated for impairment . . . . .	60,244,506	11,112,498	11,628,896	82,985,900
<b>2019</b>				
Allowance for loan losses . . . . .	252,903	23,230	31,068	307,201
of which individually evaluated for impairment . . . . .	139,472	2,122	8,933	150,527
of which collectively evaluated for impairment . . . . .	113,431	21,108	22,135	156,674
Loans <sup>(Note)</sup> . . . . .	66,804,088	10,596,994	5,551,008	82,952,090
of which individually evaluated for impairment . . . . .	539,893	20,886	54,319	615,098
of which collectively evaluated for impairment . . . . .	66,264,195	10,576,108	5,496,689	82,336,992

Note: Amounts represent loan balances before deducting unearned income and deferred loan fees.

**7. Premises and equipment**

Premises and equipment at March 31, 2018 and 2019 consist of the following:

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Land . . . . .	566,040	563,032
Buildings . . . . .	811,911	826,781
Equipment and furniture . . . . .	484,102	472,186
Leasehold improvements . . . . .	97,066	97,508
Construction in progress . . . . .	25,849	37,174
Software . . . . .	1,463,786	1,366,481
Total . . . . .	3,448,754	3,363,162
Less: Accumulated depreciation and amortization . . . . .	1,332,570	1,462,210
Premises and equipment—net . . . . .	2,116,184	1,900,952

Depreciation and amortization expense for premises and equipment for the fiscal years ended March 31, 2017, 2018 and 2019 was ¥163,769 million, ¥169,346 million and ¥345,560 million, respectively.

Premises and equipment under capital leases, which is primarily comprised of data processing equipment, amounted to ¥83,734 million and ¥83,935 million at March 31, 2018 and 2019, respectively. Accumulated depreciation and amortization on such premises and equipment at March 31, 2018 and 2019 amounted to ¥42,158 million and ¥57,193 million, respectively.

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Depreciation and amortization expense related to Software was reported in General and administrative expenses, and all other depreciation and amortization expense was reported in Occupancy expenses.

The MHFG Group recognized impairment losses of ¥27,428 million on premises and equipment for the fiscal year ended March 31, 2019, of which ¥8,910 million was recorded in General and administrative expenses and ¥18,518 million was recorded in Occupancy expenses. Such losses included ¥15,761 million of impairment losses primarily on real estate recognized in Retail & Business Banking Company due to revisions of branch network strategy including schedule to close branches.

**8. Goodwill and intangible assets**

*Goodwill*

The changes in Goodwill during the fiscal years ended March 31, 2017, 2018 and 2019 are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Balance at beginning of fiscal year	19,097	95,176	95,184
Goodwill acquired	76,225 <sup>(1)</sup>	—	—
Foreign exchange translation	(146)	8	(33)
Balance at end of fiscal year	<u>95,176</u>	<u>95,184</u>	<u>95,151</u>
Gross amount of goodwill <sup>(2)</sup>	171,432	170,926	169,489
Accumulated impairment losses	76,256	75,742	74,338

Notes:

- (1) Goodwill acquired is entirely related to the acquisition of Asset Management One (see Note 3 “Business combination”).
- (2) Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. Goodwill is not allocated to the reportable segments in Note 32 “Business segment information”.

*Intangible assets*

The table below presents the gross carrying amount, accumulated amortization and net carrying amount of intangible assets, at March 31, 2018 and 2019:

	<u>2018</u>			<u>2019</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	(in millions of yen)					
Intangible assets subject to amortization:						
Customer relationships <sup>(Note)</sup>	126,979	52,237	74,742	126,882	61,630	65,252
Other	1,847	1,341	506	1,698	1,412	286
Total	<u>128,826</u>	<u>53,578</u>	<u>75,248</u>	<u>128,580</u>	<u>63,042</u>	<u>65,538</u>
Intangible assets not subject to amortization:						
Total	<u>9,199</u>	<u>—</u>	<u>9,199</u>	<u>8,702</u>	<u>—</u>	<u>8,702</u>
Total	<u>138,025</u>	<u>53,578</u>	<u>84,447</u>	<u>137,282</u>	<u>63,042</u>	<u>74,240</u>

Note: Customer relationships were acquired in connection with the merger of MHSC and Shinko on May 7, 2009 and the integration among asset management companies on October 1, 2016, see Note 3 “Business

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combination” for further details of the integration among asset management companies. See Note 1 “Basis of presentation and summary of significant accounting policies” for further information.

For the fiscal years ended March 31, 2017, 2018, and 2019, the MHFG Group recognized ¥7,433 million, ¥9,812 million, and ¥9,604 million, respectively, of amortization expense in respect of intangible assets, reported in Other noninterest expenses.

The table below presents the estimated aggregate amortization expense in respect of intangible assets for the next five years:

	<u>(in millions of yen)</u>
Fiscal year ending March 31:	
2020 .....	8,969
2021 .....	8,237
2022 .....	7,702
2023 .....	7,184
2024 .....	6,666

**9. 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, 2018 and 2019:

	<u>2018</u>	<u>2019</u>
	<u>(in billions of yen)</u>	
Interest-bearing deposits in other banks .....	37	68
Trading account assets .....	5,611	4,137
Investments .....	6,500	6,076
Loans .....	5,229	4,055
Other assets .....	2,099	1,886
Total .....	<u>19,476</u>	<u>16,222</u>

The associated liabilities collateralized by the above assets at March 31, 2018 and 2019 are summarized below:

	<u>2018</u>	<u>2019</u>
	<u>(in billions of yen)</u>	
Deposits .....	256	386
Payables under repurchase agreements .....	5,518	3,435
Payables under securities lending transactions .....	1,193	1,675
Other short-term borrowings .....	441	519
Long-term debt .....	<u>3,179</u>	<u>1,431</u>
Total .....	<u>10,587</u>	<u>7,446</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, 2018 and 2019, 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

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¥45,325 billion and ¥43,552 billion, respectively. These balances included the reserve funds required to be maintained by the MHFG Group, which amounted to ¥1,589 billion and ¥1,583 billion at March 31, 2018 and 2019, respectively.

At March 31, 2018 and 2019, the MHFG Group had received collateral that can be sold or repledged, with a fair value of ¥13,419 billion and ¥16,114 billion, respectively, of which ¥12,655 billion and ¥12,264 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.

**10. Deposits**

The balances of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$90 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2019) or more and the balances of these deposits issued by foreign offices in amounts of US\$100,000 or more at March 31, 2018 and 2019 are as follows:

	2018	2019
	(in millions of yen)	
Domestic offices:		
Time deposits .....	17,194,707	16,578,642
Certificates of deposit .....	5,778,430	5,643,303
Total .....	22,973,137	22,221,945
Foreign offices:		
Time deposits .....	13,426,554	17,606,520
Certificates of deposit .....	5,604,160	7,695,240
Total .....	19,030,714	25,301,760

The aggregate amount of demand deposits in overdraft status that have been reclassified as loan balances at March 31, 2018 and 2019 was ¥792 billion and ¥810 billion, respectively.



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The balance and remaining maturities of time deposits and certificates of deposit issued by domestic and foreign offices at March 31, 2019 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 . . . . .	21,240,581	5,492,603	26,733,184
Due after one year through two years . . . . .	1,709,682	150,700	1,860,382
Due after two years through three years . . . . .	1,387,191	—	1,387,191
Due after three years through four years . . . . .	319,829	—	319,829
Due after four years through five years . . . . .	371,921	—	371,921
Due after five years . . . . .	245,455	—	245,455
Total . . . . .	<u>25,274,659</u>	<u>5,643,303</u>	<u>30,917,962</u>
Foreign offices:			
Due in one year or less . . . . .	17,525,778	7,468,492	24,994,270
Due after one year through two years . . . . .	65,423	162,721	228,144
Due after two years through three years . . . . .	3,902	64,055	67,957
Due after three years through four years . . . . .	775	—	775
Due after four years through five years . . . . .	11,369	—	11,369
Due after five years . . . . .	11,122	—	11,122
Total . . . . .	<u>17,618,369</u>	<u>7,695,268</u>	<u>25,313,637</u>
Total . . . . .	<u>42,893,028</u>	<u>13,338,571</u>	<u>56,231,599</u>

**11. Due to trust accounts**

MHTB holds assets on behalf of its 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 for the customers' short-term investment needs. These amounts which MHTB owes to the trust accounts are recorded as Due to trust accounts.

**12. 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.

Details of Other short-term borrowings at March 31, 2018 and 2019 are as follows:

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Short-term notes issued by consolidated VIEs of asset-backed commercial paper programs <sup>(1)</sup> . . . . .	27,985	22,339
Commercial paper and short-term notes issued by MHFG's subsidiaries <sup>(1) (2)</sup> . . . . .	1,044,591	1,274,382
Borrowings from the Bank of Japan . . . . .	432,328	508,627
Other . . . . .	183,114	189,478
Total . . . . .	<u>1,688,018</u>	<u>1,994,826</u>

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Notes:

- (1) Short-term notes are issued under the laws of Japan in the form of commercial paper.
- (2) The amounts of commercial paper and short-term notes issued by MHFG's subsidiaries were ¥710,391 million and ¥334,200 million, respectively, at March 31, 2018, and ¥941,182 million and ¥333,200 million, respectively, at March 31, 2019.

*Long-term debt*

Long-term debt with original maturities of more than one year at March 31, 2018 and 2019 is comprised of the following:

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Obligations under capital leases	36,010	25,020
Loan participation borrowings	89,353	142,838
Senior borrowings and bonds	9,184,075	7,503,032
Subordinated borrowings and bonds	3,645,792	3,858,510
Total	<u>12,955,230</u>	<u>11,529,400</u>

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>2018</u>	<u>2019</u>
	(%)		(in millions of yen)	
Senior borrowings and bonds:				
fixed rate denominated in Japanese yen	0.00-8.10	Apr. 2019-Dec. 2046	4,146,989	2,057,156
fixed rate denominated in U.S. dollars	0.00-5.39	Apr. 2019-Mar. 2048	2,519,845	2,765,247
fixed rate denominated in other currencies	0.02-12.40	Apr. 2019-May. 2037	233,842	324,162
floating rate denominated in Japanese yen	0.00-25.00	Apr. 2019-Mar. 2049	662,751	656,029
floating rate denominated in U.S. dollars	0.00-16.00	Apr. 2019-Jul. 2033	1,469,248	1,493,617
floating rate denominated in other currencies	0.00-9.00	Apr. 2019-Mar. 2024	151,400	206,821
Total			<u>9,184,075</u>	<u>7,503,032</u>
Subordinated borrowings and bonds:				
fixed rate denominated in Japanese yen	0.40-4.26	Jun. 2019-Perpetual	3,247,639	3,442,438
fixed rate denominated in U.S. dollars	4.30-4.70	Jul. 2022-Oct. 2025	398,153	416,072
Total			<u>3,645,792</u>	<u>3,858,510</u>
Total			<u>12,829,867</u>	<u>11,361,542</u>

Notes:

- (1) The interest rates disclosed reflect the range of contractual rates in effect at March 31, 2019.
- (2) Maturity information disclosed is the range of maturities at March 31, 2019.
- (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.

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The following is a summary of contractual maturities of long-term debt subsequent to March 31, 2019:

	<u>(in millions of yen)</u>
Fiscal year ending March 31:	
2020 .....	1,401,583
2021 .....	1,443,458
2022 .....	1,319,030
2023 .....	1,176,818
2024 .....	508,821
2025 and thereafter .....	<u>5,679,690</u>
Total .....	<u><u>11,529,400</u></u>

**13. Other assets and liabilities**

The following table sets forth the details of other assets and liabilities at March 31, 2018 and 2019:

	<u>2018</u>	<u>2019</u>
	<u>(in millions of yen)</u>	
Other assets:		
Accounts receivable:		
Receivables from brokers, dealers and customers for securities transactions <sup>(1)</sup> . . . .	1,578,952	1,517,235
Other .....	368,030	400,676
Collateral pledged:		
Collateral pledged for derivative transactions .....	981,390	856,439
Margins provided for futures contracts .....	142,156	159,747
Other .....	965,137	857,814
Prepaid pension cost .....	874,191	850,472
Security deposits .....	126,001	123,317
Loans held for sale .....	86,153	24,921
Other .....	<u>609,624</u>	<u>485,383</u>
Total .....	<u><u>5,731,634</u></u>	<u><u>5,276,004</u></u>
Other liabilities:		
Accounts payable:		
Payables to brokers, dealers and customers for securities transactions <sup>(1)</sup> . . . .	1,410,785	2,572,315
Other .....	455,789	442,776
Guaranteed trust principal <sup>(2)</sup> .....	761,685	809,450
Collateral accepted:		
Collateral accepted for derivative transactions .....	598,524	589,411
Margins accepted for futures contracts .....	325,038	339,863
Unearned income <sup>(3)</sup> .....	130,916	126,594
Other .....	<u>1,022,858</u>	<u>1,052,297</u>
Total .....	<u><u>4,705,595</u></u>	<u><u>5,932,706</u></u>

Notes:

- (1) Receivables from brokers, dealers and customers for securities transactions included ¥372,395 million and ¥555,938 million of such receivables of consolidated VIEs at March 31, 2018 and 2019, respectively.

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- Payables to brokers, dealers and customers for securities transactions included ¥422,060 million and ¥620,766 million of such payables of consolidated VIEs at March 31, 2018 and 2019, respectively.
- (2) Guaranteed trust principal is the liability of certain consolidated trust arrangements that meet the definition of a VIE for which the MHFG Group provides guarantees for the repayment of principal. See Note 25 “Variable interest entities and securitizations” for further discussion of the guaranteed principal money trusts.
- (3) Unearned income is primarily comprised of loan fees received from consumer loan customers when loans are made. This income is being deferred and recognized in earnings over the life of the loan.

**14. Preferred stock**

The composition of preferred stock at March 31, 2017, 2018 and 2019 is as follows:

Class of stock	March 31, 2017		March 31, 2018		March 31, 2019	
	Authorized	Issued	Authorized	Issued	Authorized	Issued
			(number of shares)			
Class XI preferred stock . . . . .	914,752,000	—	—	—	—	—
Class XIV preferred stock . . . . .	900,000,000	—	900,000,000	—	900,000,000	—
Class XV preferred stock . . . . .	900,000,000	—	900,000,000	—	900,000,000	—
Class XVI preferred stock . . . . .	1,500,000,000	—	1,500,000,000	—	1,500,000,000	—

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.

The following table shows the changes in the number of shares and the aggregate amount of preferred stock during the fiscal year ended March 31, 2017:

	2017	
	(shares)	(in millions of yen)
Balance at beginning of fiscal year . . . . .	914,752,000	914,752
Net change <sup>(Note)</sup> . . . . .	(914,752,000)	(914,752)
Balance at end of fiscal year . . . . .	—	—

Note: In July 2016, all shares of the class XI preferred stock were converted into common stock and cancelled.

There was no change in balance of the preferred stock in the fiscal years ended March 31, 2018 and 2019.

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**15. Common stock**

The following table shows the changes in the number of issued shares of common stock during the fiscal years ended March 31, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
		(shares)	
Balance at beginning of fiscal year . . . . .	25,030,525,657	25,386,307,945	25,389,644,945
Issuance of new shares of common stock due to conversion of class XI preferred stock . . . . .	349,677,288	—	—
Issuance of new shares of common stock due to exercise of stock acquisition rights . . . . .	6,105,000	3,337,000	2,854,000
Balance at end of fiscal year . . . . .	<u>25,386,307,945</u>	<u>25,389,644,945</u>	<u>25,392,498,945</u>

**16. Dividends**

The amount available for dividends under Japan’s 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, 2019, MHFG’s capital stock, capital surplus and retained earnings were ¥2,256,768 million, ¥1,196,673 million and ¥2,070,749 million, respectively, under Japanese GAAP.

Pursuant to the Companies Act, 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, 2019 was ¥1,201,010 million, of which ¥1,196,660 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 Japan’s 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, 2019, was ¥2,060,236 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% for capital adequacy purposes under the rules in Basel III. See Note 18 “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, if any are outstanding.

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**17. Accumulated other comprehensive income**

Changes in each component of AOCI for the fiscal years ended March 31, 2017, 2018 and 2019 are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
AOCI, balance at beginning of fiscal year, previously reported . . . . .	1,469,308	1,521,163	1,741,894
Cumulative effect of change in accounting principles . . . . .	330	—	(1,535,142) <sup>(1)</sup>
AOCI, balance at beginning of fiscal year, adjusted . . . . .	1,469,638	1,521,163	206,752
Net unrealized gains (losses) on available-for-sale securities:			
Balance at beginning of fiscal year, previously reported . . . . .	1,409,459	1,461,302	1,556,585
Cumulative effect of change in accounting principles . . . . .	(85)	—	(1,525,064) <sup>(1)</sup>
Balance at beginning of fiscal year, adjusted . . . . .	1,409,374	1,461,302	31,521
Unrealized holding gains (losses) during year . . . . .	273,844	282,141	(11,358)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	(221,916)	(186,858)	1,856
Change during year . . . . .	51,928	95,283	(9,502)
Balance at end of fiscal year . . . . .	1,461,302	1,556,585	22,019
Foreign currency translation adjustments:			
Balance at beginning of fiscal year, previously reported . . . . .	6,310	(5,535)	(35,076)
Cumulative effect of change in accounting principles . . . . .	415	—	—
Balance at beginning of fiscal year, adjusted . . . . .	6,725	(5,535)	(35,076)
Foreign currency translation adjustments during year . . . . .	(11,920)	(26,936)	(22,737)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	(340)	(2,605)	(745)
Change during year . . . . .	(12,260)	(29,541)	(23,482)
Balance at end of fiscal year . . . . .	(5,535)	(35,076)	(58,558)
Pension liability adjustments:			
Balance at beginning of fiscal year . . . . .	53,539	65,396	220,385
Unrealized gains (losses) during year . . . . .	11,561	157,737	(17,243)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	296	(2,748)	(6,696)
Change during year . . . . .	11,857	154,989	(23,939)
Balance at end of fiscal year . . . . .	65,396	220,385	196,446
Own credit risk adjustments <sup>(2)</sup> :			
Balance at beginning of fiscal year, previously reported . . . . .	—	—	—
Cumulative effect of change in accounting principles . . . . .	—	—	(10,078) <sup>(1)</sup>
Balance at beginning of fiscal year, adjusted . . . . .	—	—	(10,078)
Unrealized gains (losses) during year . . . . .	—	—	14,293
Less: reclassification adjustments for losses (gains) included in net income . . . . .	—	—	(101)
Change during year . . . . .	—	—	14,192
Balance at end of fiscal year . . . . .	—	—	4,114
Total other comprehensive income (loss), net of tax attributable to MHFG shareholders . . . . .	51,525	220,731	(42,731)
AOCI, balance at end of fiscal year . . . . .	<u>1,521,163</u>	<u>1,741,894</u>	<u>164,021</u>

Notes:

(1) See Note 2 “Recently issued accounting pronouncements” for further details of the cumulative-effect adjustment for AOCI.

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- (2) The MHFG Group adopted ASU No.2016-01 on April 1, 2018. The ASU 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. See Note 2 “Recently issued accounting pronouncements” for further details.

The following table shows the amounts reclassified out of AOCI into net income during the fiscal year ended March 31, 2019:

	<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 . . . . .	(2,735)	889	(1,846)	(10)	(1,856)	Investment gains (losses)—net
Foreign currency translation adjustments . . . . .	745	—	745	—	745	Investment gains (losses)—net
Pension liability adjustments . . . . .	9,068	(2,370)	6,698	(2)	6,696	Salaries and employee benefits
Own credit risk adjustments . . . . .	<u>152</u>	<u>(47)</u>	<u>105</u>	<u>(4)</u>	<u>101</u>	Other noninterest income (expenses)
Total . . . . .	<u>7,230</u>	<u>(1,528)</u>	<u>5,702</u>	<u>(16)</u>	<u>5,686</u>	

Notes:

- (1) The financial statement line item in which the amounts in the Before tax column are reported in the Consolidated statements of income is listed to the right of the table.
- (2) The financial statement line items in which the amounts in the Tax effect and the Net of tax attributable to noncontrolling interest columns are reported in the consolidated statements of income are Income tax expense and Net income, respectively.

**18. 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. Certain foreign banking subsidiaries are subject to regulation and control by local supervisory authorities, including central banks. 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

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the Bank for International Settlements and are intended to further strengthen the soundness and stability of Japanese banks.

In December 2010, Basel Committee on Banking Supervision (“BCBS”) issued the 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.

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 text that have been applied from January 1, 2013.

There are three primary regulatory capital ratios used to assess capital adequacy: Common Equity Tier 1, Tier 1 and Total risk-based capital ratios. The ratios are comprised of Common Equity Tier 1 capital, Tier 1 capital (Common Equity Tier 1 capital and Additional Tier 1 capital) and total risk-based capital (Tier 1 and Tier 2 capital) divided by risk-weighted assets. Common Equity Tier 1 capital primarily consists of common stock, capital surplus, retained earnings and AOCI. Regulatory adjustments including certain intangible fixed assets, such as goodwill, and defined-benefit pension fund assets will be deducted from Common Equity Tier 1. Additional Tier 1 capital generally consists of Basel III compliant preferred securities and other capital that meets Tier 1 requirements under Basel II standards, net of regulatory adjustments. Tier 2 capital generally consists of Basel III compliant deferred obligations, such as subordinated debts, capital that meets Tier 2 requirements under Basel II standards, certain allowances for credit losses and noncontrolling interests in subsidiaries’ Tier 2 instruments.

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 MHBK and MHTB, or on a consolidated basis for bank holding companies with international operations, such as MHFG. 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%.

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 preferred securities (the amounts thereof included within Additional Tier 1 capital as of March 31, 2019 being ¥303.0 billion) and subordinated debt issued before March 2013 that are still outstanding (the amounts thereof included within Tier 2 capital as of March 31, 2019 being ¥506.1 billion) are subject to the phase-out arrangements.

In November 2015, the Financial Services Agency published the 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 capital buffer and the additional loss absorbency requirements for global systemically important banks (“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



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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, MHFG is currently designated as both a G-SIB and D-SIB, and the additional loss absorption capacity requirement applied to MHFG was 1.0%. The additional loss absorption capacity requirement was the same as that imposed by the Financial Stability Board, which was phased in starting in March 2016 at 0.25% and became fully effective in March 2019 at 1.0%.

*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.

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 for the leverage ratio is the Tier 1 capital of the risk-based capital framework, and the exposure measure is the sum of the on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items.

In March 2019, the Financial Services Agency published the revised leverage ratio framework and the minimum leverage ratio is defined as 3% 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.

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 2018</u>	<u>March 2019</u>	<u>March 2020</u>	<u>March 2021</u>	<u>March 2022</u>
Minimum Common Equity Tier 1 capital . . . . .	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital . . . . .	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital . . . . .	8.0%	8.0%	8.0%	8.0%	8.0%
Phase out of recognition of capital instruments that no longer qualify as capital . . . . .	<i>40.0%</i>	<i>30.0%</i>	<i>20.0%</i>	<i>10.0%</i>	0.0%
Capital conservation buffer . . . . .	<i>1.875%</i>	2.5%	2.5%	2.5%	2.5%
Countercyclical capital buffer <sup>(1)</sup> . . . . .	0.01%	0.05%	0.05%	0.05%	0.05%
Additional loss absorbency requirements for G-SIBs and D-SIBs <sup>(2)</sup> . . . .	<i>0.75%</i>	1.0%	1.0%	1.0%	1.0%
Minimum Leverage Ratio . . . . .	<i>3.0%</i>	3.0%	3.0%	3.0%	3.5% <sup>(3)</sup>

Notes:

- (1) Figures assume that the countercyclical capital buffer will continue to be 0.05% after March 2019.
- (2) 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 in future years.
- (3) This figure includes a leverage ratio buffer required to be met at 50% of the additional loss absorbency requirements applied to the Group as a G-SIB under the finalized Basel III reforms.

If the capital adequacy ratio and leverage 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 and leverage ratios of MHFG, MHBK, and MHTB as of March 31, 2018 and 2019 calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency are set forth in the following table:

	2018		2019	
	Amount	Ratio	Amount	Ratio
(in billions of yen, except percentages)				
Consolidated:				
MHFG:				
Common Equity Tier 1 capital:				
Required <sup>(1)</sup> .....	4,247	7.135	4,661	8.05
Actual .....	7,437	12.49	7,390	12.76
Tier 1 capital:				
Required <sup>(1)</sup> .....	5,140	8.635	5,529	9.55
Actual .....	9,192	15.44	9,232	15.94
Total risk-based capital:				
Required <sup>(1)</sup> .....	6,331	10.635	6,687	11.55
Actual .....	10,860	18.24	10,918	18.85
Leverage Ratio:				
Required .....	/	—	/	3.00
Actual <sup>(2)</sup> .....	/	4.28	/	4.42
MHBK:				
Common Equity Tier 1 capital:				
Required .....	2,400	4.50	2,388	4.50
Actual .....	6,584	12.34	6,690	12.60
Tier 1 capital:				
Required .....	3,200	6.00	3,184	6.00
Actual .....	8,330	15.61	8,527	16.06
Total risk-based capital:				
Required .....	4,267	8.00	4,246	8.00
Actual .....	9,881	18.52	10,098	19.02
Leverage Ratio:				
Required .....	/	—	/	3.00
Actual <sup>(2)</sup> .....	/	4.53	/	4.44
MHTB:				
Common Equity Tier 1 capital:				
Required .....	112	4.50	95	4.50
Actual .....	498	19.99	500	23.67
Tier 1 capital:				
Required .....	149	6.00	127	6.00
Actual .....	499	20.05	501	23.70
Total risk-based capital:				
Required .....	199	8.00	169	8.00
Actual .....	505	20.28	505	23.87
Leverage Ratio:				
Required .....	/	—	/	3.00
Actual <sup>(2)</sup> .....	/	7.03	/	6.55
Non-consolidated:				
MHBK:				
Common Equity Tier 1 capital:				
Required .....	2,312	4.50	2,272	4.50
Actual .....	6,330	12.32	6,363	12.60
Tier 1 capital:				
Required .....	3,082	6.00	3,029	6.00
Actual .....	8,081	15.73	8,199	16.23

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	2018		2019	
	Amount	Ratio	Amount	Ratio
	(in billions of yen, except percentages)			
Total risk-based capital:				
Required .....	4,109	8.00	4,039	8.00
Actual .....	9,619	18.72	9,757	19.32
Leverage Ratio:				
Required .....	/	—	/	3.00
Actual <sup>(3)</sup> .....	/	—	/	4.45
MHTB:				
Common Equity Tier 1 capital:				
Required .....	112	4.50	94	4.50
Actual .....	504	20.28	494	23.58
Tier 1 capital:				
Required .....	149	6.00	126	6.00
Actual .....	504	20.28	494	23.58
Total risk-based capital:				
Required .....	199	8.00	168	8.00
Actual .....	509	20.50	498	23.75
Leverage Ratio:				
Required .....	/	—	/	3.00
Actual <sup>(3)</sup> .....	/	—	/	6.53

Notes:

- (1) The required ratios disclosed above, at March 31, 2018 and 2019, include the transitional capital conservation buffer of 1.875% and 2.5%, respectively, the countercyclical capital buffer of 0.01% and 0.05%, respectively, and the transitional additional loss absorbency requirements for G-SIBs and D-SIBs of 0.75% and 1.0%, respectively, which are all in addition to the regulatory minima. The respective required amounts are determined by applying the ratios to the sum of the risk weighted assets and certain other risk amounts.
- (2) The actual leverage ratios disclosed above, at March 31, 2018, are based on the Pillar 3 requirements.
- (3) MHBK and MHTB did not calculate the leverage ratios on non-consolidated basis at March 31, 2018 as they are excluded from the Pillar 3 requirement.

MHFG's securities subsidiary in Japan is 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 calculated using Japanese GAAP figures, 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 each latest balance sheet date, that MHFG, MHBK, MHTB, and their securities subsidiary in Japan and foreign banking subsidiaries were in compliance with all capital adequacy requirements to which they were subject.

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**19. Earnings per common share**

The following table sets forth the computation of basic and diluted earnings per common share for the fiscal years ended March 31, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Net income:			
Net income attributable to MHFG common shareholders . . . . .	362,440	577,608	84,471
Effect of dilutive securities . . . . .	—	—	—
Net income attributable to common shareholders after assumed conversions . . . . .	362,440	577,608	84,471
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(thousands of shares)		
Shares:			
Weighted average common shares outstanding . . . . .	25,285,899	25,366,345	25,362,376
Effect of dilutive securities:			
Convertible preferred stock <sup>(Note)</sup> . . . . .	82,993	—	—
Stock options . . . . .	11,410	7,586	4,522
Weighted average common shares after assumed conversions . . . . .	25,380,302	25,373,931	25,366,898
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in yen)		
Amounts per common share:			
Basic net income per common share . . . . .	14.33	22.77	3.33
Diluted net income per common share . . . . .	14.28	22.76	3.33

Note: The number of common shares after assumed conversion of the convertible preferred stock is based on the applicable conversion prices.

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**20. Income taxes**

*Income tax expense*

The following table presents the components of Income tax expense for the fiscal years ended March 31, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Current:			
Domestic .....	130,164	130,573	116,695
Foreign .....	<u>68,512</u>	<u>47,020</u>	<u>49,871</u>
Total current tax expense .....	<u>198,676</u>	<u>177,593</u>	<u>166,566</u>
Deferred:			
Domestic .....	(99,831)	58,078	(162,475)
Foreign .....	<u>(7,601)</u>	<u>1,933</u>	<u>5,244</u>
Total deferred tax expense (benefit) .....	<u>(107,432)</u>	<u>60,011</u>	<u>(157,231)</u>
Total income tax expense .....	<u><u>91,244</u></u>	<u><u>237,604</u></u>	<u><u>9,335</u></u>

The preceding table does not reflect the tax effects of items recorded directly in Equity for the fiscal years ended March 31, 2017, 2018 and 2019. The detailed amounts recorded directly in Equity are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Net unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) .....	112,467	123,186	(3,940)
Less: reclassification adjustments .....	<u>(97,729)</u>	<u>(82,828)</u>	<u>889</u>
Total .....	<u>14,738</u>	<u>40,358</u>	<u>(3,051)</u>
Pension liability adjustments:			
Unrealized gains (losses) .....	4,785	66,331	(6,558)
Less: reclassification adjustments .....	<u>178</u>	<u>190</u>	<u>(2,370)</u>
Total .....	<u>4,963</u>	<u>66,521</u>	<u>(8,928)</u>
Own credit risk adjustments <sup>(Note)</sup> :			
Unrealized gains (losses) .....	—	—	3,033
Less: reclassification adjustments .....	<u>—</u>	<u>—</u>	<u>(47)</u>
Total .....	<u>—</u>	<u>—</u>	<u>2,986</u>
Total tax effect before allocation to noncontrolling interests .....	<u><u>19,701</u></u>	<u><u>106,879</u></u>	<u><u>(8,993)</u></u>

Note: The MHFG Group adopted ASU No.2016-01 on April 1, 2018. The ASU 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

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liability at fair value in accordance with the fair value option for financial instruments. See Note 2 “Recently issued accounting pronouncements” for further details.

*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, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>(in millions of yen, except tax rates)</u>		
Income before income tax expense . . . . .	480,375	839,298	85,060
Effective statutory tax rate . . . . .	30.86%	30.86%	30.62%
Income tax calculated at the statutory tax rate . . . . .	148,244	259,007	26,045
Income not subject to tax . . . . .	(7,521)	(9,312)	(8,861)
Expenses not deductible for tax purposes . . . . .	1,483	1,421	1,389
Tax rate differentials of subsidiaries . . . . .	(2,165)	(2,696)	(3,522)
Change in valuation allowance . . . . .	112,781 <sup>(1)</sup>	(9,102)	(2,444)
Change in undistributed earnings of subsidiaries . . . . .	5,217	(1,972)	(21,347) <sup>(3)</sup>
Change in net operating loss carryforwards resulting from intercompany capital transactions . . . . .	647	—	—
Effect of enacted change in tax rates . . . . .	—	6,863 <sup>(2)</sup>	(11)
Reversal of outside basis differences . . . . .	(159,119) <sup>(1)</sup>	—	—
Change in unrecognized tax benefits . . . . .	—	—	9,420
Other . . . . .	<u>(8,323)</u>	<u>(6,605)</u>	<u>8,666</u>
Income tax expense . . . . .	<u>91,244</u>	<u>237,604</u>	<u>9,335</u>

Notes:

- (1) These amounts for the fiscal year ended March 31, 2017 represent mainly the reversal of an outside basis difference related to certain foreign subsidiaries due to their organizational restructuring and the related increase in the valuation allowance.
- (2) On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act, which includes a reduction in the U.S. federal corporate income tax rate from 35% to 21%. The decrease in the Group’s balance of net deferred tax assets, reflecting such tax rate reductions, was recognized as an increase to Income tax expense in the fiscal year ended March 31, 2018. The MHFG Group has completed its analysis and accounting under Staff Accounting Bulletin No. 118 for the effects of the Act.
- (3) In the fiscal year ended March 31, 2019, the MHFG Group derecognized majority of deferred tax liabilities for undistributed earnings of foreign subsidiaries because the Group has intent and ability to reinvest those earnings indefinitely in certain foreign subsidiaries.

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*Deferred tax assets and liabilities*

The components of net deferred tax assets (liabilities) at March 31, 2018 and 2019 are as follows:

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Deferred tax assets:		
Allowance for loan losses . . . . .	126,977	122,585
Premises and equipment . . . . .	4,896	73,944
Derivative financial instruments . . . . .	53,336	48,487
Investments . . . . .	453,880	—
Trading securities . . . . .	1,988	—
Net operating loss carryforwards <sup>(Note)</sup> . . . . .	178,256	167,755
Other . . . . .	<u>204,005</u>	<u>216,568</u>
	1,023,338	629,339
Valuation allowance <sup>(Note)</sup> . . . . .	<u>(163,358)</u>	<u>(158,581)</u>
Deferred tax assets, net of valuation allowance . . . . .	<u>859,980</u>	<u>470,758</u>
Deferred tax liabilities:		
Prepaid pension cost and accrued pension liabilities . . . . .	255,239	247,694
Investments . . . . .	—	198,495
Available-for-sale securities . . . . .	764,497	12,426
Trading securities . . . . .	—	9,158
Other . . . . .	<u>89,359</u>	<u>61,330</u>
Deferred tax liabilities . . . . .	<u>1,109,095</u>	<u>529,103</u>
Net deferred tax assets (liabilities) . . . . .	<u>(249,115)</u>	<u>(58,345)</u>

Note: The amount includes ¥110,729 million and ¥107,246 million related to MHSC's net operating loss carryforwards resulting mainly from the organizational restructuring of certain foreign subsidiaries as of March 31, 2018 and 2019, respectively. The tax effect of the net operating loss carryforwards is substantially offset by ¥86,189 million and ¥88,294 million, respectively, of valuation allowance as a result of considering all available evidence regarding sources of future taxable income including historical trends in taxable income in the preceding periods and forecasted taxable income.

Deferred tax assets and deferred tax liabilities within the same tax jurisdiction have been netted for presentation purposes in the consolidated balance sheets.

As of March 31, 2019, the accumulated amount of undistributed earnings that will be indefinitely reinvested and the unrecognized deferred tax liabilities related to such subsidiaries are approximately ¥186 billion and ¥17 billion, respectively.

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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, 2018 and 2019:

	<u>Deferred tax assets</u>	<u>Valuation allowance</u>	<u>Deferred tax assets, net of valuation allowance</u>
	(in billions of yen)		
<b>2018</b>			
Japan <sup>(1)</sup> . . . . .	117	(88)	29
The United States . . . . .	10	(1)	9
The United Kingdom <sup>(2)</sup> . . . . .	48	(48)	—
Others . . . . .	3	(2)	1
Total . . . . .	<u>178</u>	<u>(139)</u>	<u>39</u>
<b>2019</b>			
Japan <sup>(3)</sup> . . . . .	111	(92)	19
The United States . . . . .	8	—	8
The United Kingdom <sup>(2)</sup> . . . . .	46	(46)	—
Others . . . . .	3	(2)	1
Total . . . . .	<u>168</u>	<u>(140)</u>	<u>28</u>

Notes:

- (1) ¥111 billion of the Japan deferred tax assets of ¥117 billion is related to MHSC, which is substantially offset by a valuation allowance, and will expire during the fiscal year ending March 31, 2026.
- (2) The United Kingdom net operating loss carryforwards may be carried forward indefinitely for tax purposes.
- (3) ¥107 billion of the Japan deferred tax assets of ¥111 billion is related to MHSC, which is substantially offset by a valuation allowance, and will expire during the fiscal year ending March 31, 2026.

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

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 certain subsidiaries, 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 the 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, 2019, 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 most recent three years' pretax results as of March 31, 2019. 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. 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, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Balance at beginning of fiscal year . . . . .	339,922	438,344	163,358
Changes that directly affected Income tax expense . . . . .	112,781	(9,102)	(2,444)
Changes that did not affect Income tax expense:			
Expiration of net operating loss carryforwards . . . . .	—	(264,234)	—
Others . . . . .	(14,359)	(1,650)	(2,333)
Total . . . . .	<u>(14,359)</u>	<u>(265,884)</u>	<u>(2,333)</u>
Balance at end of fiscal year . . . . .	<u>438,344</u>	<u>163,358</u>	<u>158,581</u>

The increase in the fiscal year ended March 31, 2017 of ¥112,781 million in the valuation allowance that directly affected Income tax expense was a result of an assessment of realizability of deferred tax assets related to the net operating loss carryforwards, primarily related to the reversal of an outside basis difference related to certain foreign subsidiaries due to their organizational restructuring. The decrease in the fiscal year ended March 31, 2017 of ¥14,359 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 foreign currency rate reductions of MHFG's foreign subsidiaries.

The decrease in the fiscal years ended March 31, 2018 and 2019 of ¥9,102 million and ¥2,444 million, respectively, 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.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*Net operating loss carryforwards*

At March 31, 2019, the MHFG Group had net operating loss carryforwards totaling ¥683 billion. These carryforwards are scheduled to expire as follows:

	<b>Net operating loss carryforwards</b> <b>(in billions of yen)</b>
Fiscal year ending March 31:	
2020 .....	—
2021 .....	—
2022 .....	—
2023 .....	12
2024 .....	3
2025 and thereafter <sup>(Note)</sup> .....	668
<b>Total</b> .....	<b>683</b>

Note: Including the net operating loss carryforwards which may be carried forward indefinitely in the United Kingdom.

In addition, included in the net operating loss carryforwards in the above table are MHSC's net operating loss carryforwards of ¥350 billion resulting mainly from the reversal of an outside basis difference related to certain foreign subsidiaries due to their organizational restructuring. The tax loss was recorded at MHSC in accordance with Japanese tax law. The net operating loss carryforwards due to this restructuring will expire during the fiscal year ending March 31, 2026.

*Uncertainty in income tax*

The following table is a roll-forward of unrecognized tax benefits for the fiscal years ended March 31, 2017, 2018 and 2019:

	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of yen)</b>		
Total unrecognized tax benefits at beginning of fiscal year .....	1,300	1,867	2,345
Gross amount of increases related to positions taken during prior years ...	167	224	9,550
Gross amount of increases related to positions taken during the current year .....	409	351	330
Amount of decreases related to settlements .....	—	—	—
Foreign exchange translation .....	(9)	(97)	98
Total unrecognized tax benefits at end of fiscal year .....	1,867	2,345	12,323

The total amount of unrecognized tax benefits including ¥675 million, ¥888 million and ¥2,164 million of interest and penalties was ¥1,867 million, ¥2,345 million and ¥12,323 million at March 31, 2017, 2018 and 2019, 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 2010, 2002 and 2015, respectively. It is reasonably possible that unrecognized tax benefits may decrease by approximately ¥9 billion within the next twelve months due to the resolution of various audits.

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

**21. 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 positions in career, the length of service and the reason for severance. When employees meet certain conditions including the length of service, they may opt to receive annuity payments instead of lump-sum payments. 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, 2017, 2018 and 2019 were ¥3,141 million, ¥2,511 million and ¥3,217 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, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Service cost-benefits earned during the fiscal year . . . . .	44,367	43,649	43,698
Interest costs on projected benefit obligations . . . . .	5,724	7,471	6,933
Expected return on plan assets . . . . .	(35,969)	(34,916)	(38,518)
Amortization of prior service cost (benefits) . . . . .	(195)	214	152
Amortization of net actuarial loss (gain) . . . . .	780	411	(7,886)
Special termination benefits . . . . .	3,857	3,960	2,929
Net periodic benefit cost . . . . .	<u>18,564</u>	<u>20,789</u>	<u>7,308</u>

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) before-tax for the fiscal years ended March 31, 2018 and 2019 are summarized as follows:

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Net actuarial gain (loss) . . . . .	216,777	(21,300)
Amortization of net actuarial loss (gain) . . . . .	411	(7,886)
Prior service benefits (cost) . . . . .	(348)	(109)
Amortization of prior service cost (benefits) . . . . .	214	152
Total recognized in other comprehensive income (loss) before-tax . . . . .	<u>217,054</u>	<u>(29,143)</u>

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

As of March 31, 2019, the amounts in Accumulated other comprehensive income (loss), which will be amortized as prior service costs and actuarial gain over the next fiscal year, are estimated to be ¥163 million and ¥5,627 million, respectively.

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Weighted-average assumptions used to determine benefit obligations at fiscal year end:			
Discount rates .....	0.47%	0.43%	0.34%
Rates of increase in future compensation levels .....	1.80-4.80%	1.80-4.80%	1.80-4.80%
Weighted-average assumptions used to determine net periodic benefit cost during the year:			
Discount rates .....	0.37%	0.47%	0.43%
Rates of increase in future compensation levels .....	1.80-4.80%	1.80-4.80%	1.80-4.80%
Expected rates of return on plan assets .....	1.73%	1.58%	1.60%

In estimating the discount rates, the MHFG Group uses interest rates on high-quality fixed-income government and corporate bonds. The durations of these 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.

**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, 2018 and 2019 for the plans of MHFG and its subsidiaries:

	<u>2018</u>	<u>2019</u>
	<u>(in millions of yen)</u>	
Change in benefit obligations:		
Benefit obligations at beginning of fiscal year	1,545,893	1,559,356
Service cost	43,649	43,698
Interest cost	7,471	6,933
Plan participants' contributions	1,233	1,229
Amendments	348	109
Actuarial loss (gain)	30,633	49,085
Foreign exchange translation	(32)	(817)
Benefits paid	(53,167)	(52,618)
Lump-sum payments	<u>(16,672)</u>	<u>(16,157)</u>
Benefit obligations at end of fiscal year	<u>1,559,356</u>	<u>1,590,818</u>
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	2,200,812	2,405,730
Actual return (negative return) on plan assets	280,251	66,652
Foreign exchange translation	(113)	(390)
Partial withdrawal of assets from employee retirement benefits trusts <sup>(Note)</sup>	(66,565)	(27,534)
Employer contributions	43,279	20,487
Plan participants' contributions	1,233	1,229
Benefits paid	<u>(53,167)</u>	<u>(52,618)</u>
Fair value of plan assets at end of fiscal year	<u>2,405,730</u>	<u>2,413,556</u>
Funded status	<u>846,374</u>	<u>822,738</u>
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid pension cost	874,191	850,472
Accrued pension liability	<u>(27,817)</u>	<u>(27,734)</u>
Net amount recognized	<u>846,374</u>	<u>822,738</u>
Amounts recognized in Accumulated other comprehensive income (loss) before-tax consist of:		
Prior service benefits (cost)	(1,352)	(1,309)
Net actuarial gain (loss)	<u>291,230</u>	<u>262,044</u>
Net amount recognized	<u>289,878</u>	<u>260,735</u>

Note: During the fiscal year ended March 31, 2018 and 2019, a subsidiary of MHFG partially withdrew assets from employee retirement benefit trusts, which were established for the payment of employees' severance pay and retirement pensions. Overall, the trusts remain in overfunded status as of March 31, 2018 and 2019. No gains or losses have been recognized as a result of this transaction.

The aggregated accumulated benefit obligations of these plans were ¥1,559,356 million and ¥1,590,818 million, as of March 31, 2018 and 2019, respectively. 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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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, 2018 and 2019:

	<b>2018</b>	<b>2019</b>
	(in millions of yen)	
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations .....	59,319	61,579
Fair value of plan assets .....	31,503	33,845
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations .....	59,319	61,579
Fair value of plan assets .....	31,503	33,845

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 and liquidity of a financial instrument among other things. The investments in each asset category are further diversified across funds, strategies and sectors along with other things. 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, 2019 is as follows:

<u>Asset category</u>	<u>Asset ratio</u>
Japanese equity securities .....	5.00%
Japanese debt securities .....	34.00%
Foreign equity securities .....	25.00%
Foreign debt securities .....	23.00%
General account of life insurance companies .....	11.00%
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 payments.

*Fair value of plan assets*

The following table presents the fair value of plan assets of MHFG and its subsidiaries at March 31, 2018 and 2019, 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 28 "Fair value".

	<u>2018</u>				<u>2019</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> .....	1,330	—	—	1,330	1,317	—	—	1,317
Pooled funds <sup>(2)</sup> .....	10	9	—	19	11	4	—	15
Japanese debt securities:								
Government bonds .....	184	—	—	184	190	—	—	190
Pooled funds <sup>(2)</sup> .....	—	4	—	4	—	10	—	10
Other .....	—	25	—	25	—	24	—	24
Foreign equity securities:								
Common stocks .....	108	—	—	108	120	—	—	120
Pooled funds <sup>(2)</sup> .....	—	5	—	5	—	5	—	5
Foreign debt securities:								
Government bonds .....	175	6	—	181	178	6	—	184
Pooled funds <sup>(2)</sup> .....	—	9	—	9	—	10	—	10
Other .....	—	16	—	16	—	18	—	18
General account of life insurance companies <sup>(3)</sup> .....	—	110	—	110	—	111	—	111
Other .....	92 <sup>(4)</sup>	—	—	92	79 <sup>(4)</sup>	4	—	83
Plan assets measured at net asset value <sup>(5)</sup> .....				323				327
Total assets at fair value .....	<u>1,899</u>	<u>184</u>	<u>—</u>	<u>2,406</u>	<u>1,895</u>	<u>192</u>	<u>—</u>	<u>2,414</u>

Notes:

- (1) This class represents equity securities held in the employee retirement benefit trusts of ¥1,330 billion and ¥1,317 billion carried at fair value at March 31, 2018 and 2019, respectively, which are well-diversified across industries.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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- (2) These classes primarily include pension investment fund trusts. Investments in these classes are generally measured at fair value and can be redeemed within a short-term period upon request.
- (3) Investments in this class are measured at conversion value, which is equivalent to fair value.
- (4) Amounts primarily include cash and short-term assets carried at fair value.
- (5) In accordance with ASC 820, certain plan assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

There were no returns on and purchases and sales of Level 3 assets during the fiscal years ended March 31, 2018 and 2019.

*Contributions*

The total contribution of approximately ¥52 billion is expected to be paid to the pension plans during the fiscal year ending March 31, 2020, 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:

	(in millions of yen)
Fiscal year ending March 31:	
2020 .....	68,890
2021 .....	70,015
2022 .....	70,637
2023 .....	71,370
2024 .....	72,606
2025-2029 .....	351,719

**22. Stock-based compensation**

*Stock options*

MHFG, MHBK, 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 exercise price is 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.



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The following is a roll-forward of MHFG Stock Plan for the fiscal year ended March 31, 2019:

	<u>Number of shares</u>	<u>Weighted-average exercise price</u> (in yen)	<u>Weighted-average remaining contractual term</u> (in years)	<u>Aggregate intrinsic value</u> (in millions of yen)
Outstanding at beginning of fiscal year . . . . .	7,216,000	1		
Exercised during fiscal year . . . . .	<u>2,971,000</u>	1		
Outstanding at end of fiscal year . . . . .	<u>4,245,000</u>	1	14.81	723
Exercisable at end of fiscal year . . . . .	<u>—</u>	—	—	—

There were no non-vested stock options remaining as of March 31, 2019.

In May 2015, MHFG discontinued the stock option program. Thereafter, MHFG has not issued any new stock options.

*Stock compensation programs*

MHFG, MHBK, MHTB and MHSC introduced a position-based stock compensation program for Directors (“Stock Compensation I”) in July 2018 and a performance-based stock compensation program for Directors (“Stock Compensation II”) in May 2015. The stock compensation is paid in the form of shares of common stock of MHFG, acquired from the stock market through a trust, with the aim of aligning the Directors’ interests with those of the shareholders and increasing the incentive to enhance corporate value. Stock Compensation I, in principle, is paid at the time of retirement of the individual Directors in the form of common stock of MHFG and cash, calculated based on their position. Stock Compensation II is calculated and then paid to the Directors based on MHFG Group’s immediate, prior period-performance, the recent performance of organizations that the Directors are in charge of, and the performance of each Director. The payment in the form of common stock of MHFG and cash is deferred over a three-year, graded-vesting period. The amount of Stock Compensation I and II is subject to reduction or forfeiture.

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The following table presents activities related to the stock compensation programs for the fiscal years ended March 31, 2018 and 2019:

	Stock Compensation I		Stock Compensation II	
	Number of shares	Weighted-average grant-date fair value (per share in yen)	Number of shares	Weighted-average grant-date fair value (per share in yen)
<b>2018</b>				
Nonvested at the beginning of the year . . . . .	—	—	9,000,000	158.68
Granted during fiscal year . . . . .	—	—	8,130,000	196.94
Vested during fiscal year . . . . .	—	—	3,810,594	158.68
Forfeited during fiscal year . . . . .	—	—	—	—
Nonvested at the end of the year . . . . .	—	—	13,319,406	182.04
	Stock Compensation I		Stock Compensation II	
	Number of shares	Weighted-average grant-date fair value (per share in yen)	Number of shares	Weighted-average grant-date fair value (per share in yen)
<b>2019</b>				
Nonvested at the beginning of the year . . . . .	—	—	13,319,406	182.04
Granted during fiscal year . . . . .	3,770,065	189.24	6,906,635	189.24
Vested during fiscal year . . . . .	3,770,065	189.24	5,068,949	187.48
Forfeited during fiscal year . . . . .	—	—	—	—
Nonvested at the end of the year . . . . .	—	—	15,157,092	183.50

Note: Stock Compensation I was introduced in the fiscal year ended March 31, 2019.

The following table presents the total fair value of the stock compensation that vested and the total amount of the common stock acquired from the stock market by the trustee for the fiscal years ended March 31, 2018 and 2019:

	2018		2019	
	Stock Compensation I	Stock Compensation II	Stock Compensation I	Stock Compensation II
	(in millions of yen)			
Fair value of vested shares . . . . .	—	782	713	930
Common stock shares acquired . . . . .	—	1,601	713	1,307

For both programs, the stock-based compensation cost is determined based on the fair value of MHFG's common stock as of grant date. For Stock Compensation I and II, the liability related to the cash-based compensation cost is remeasured at each reporting date based on the fair value of MHFG's common stock. For Stock Compensation II, the stock-based compensation costs are recognized evenly over the graded-vesting period, which is three years. For Stock Compensation I, as the program is effectively vested on the grant date, the stock-based compensation cost is recognized on the grant date. The following table presents the compensation cost recognized in the stock compensation programs for the fiscal years ended March 31, 2017, 2018 and 2019:

	2017	2018	2019
	(in millions of yen)		
Stock Compensation I: . . . . .	—	—	713
Stock Compensation II: . . . . .	354	868	1,287

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

With regard to Stock Compensation II, the total compensation cost related to non-vested awards not yet recognized is ¥1,757 million, and this cost will be recognized over 1.74 years as of the fiscal year ended March 31, 2019.

**23. 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. Counterparty credit risk arises when a counterparty fails to perform according to the terms and conditions of the contract and the value of the underlying collateral held, if applicable, is not sufficient to recover resulting losses. The exposure to counterparty credit risk is measured by the fair value of all derivatives and its potential exposure at the balance sheet dates. The exposure to counterparty 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 and fair value amounts of derivative instruments*

The following table summarizes the notional and fair value amounts of derivative instruments outstanding as of March 31, 2018 and 2019. The fair values of derivatives are presented on a gross basis, derivative receivables and payables are not offset. In addition, they are 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.

2018	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 . . . . .	1,004,169	—	7,176	—	7,143
Foreign exchange contracts . . . . .	155,832	2	2,695	—	2,382
Equity-related contracts . . . . .	6,189	—	197	9	142
Credit-related contracts . . . . .	2,708	—	18	—	21
Other contracts . . . . .	335	—	23	—	19
Total . . . . .	<u>1,169,233</u>	<u>2</u>	<u>10,109</u>	<u>9</u>	<u>9,707</u>

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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<u>2019</u>	<u>Notional amount</u> <sup>(1)</sup>	<u>Fair value</u>			
		<u>Derivative receivables</u> <sup>(2)</sup>		<u>Derivative payables</u> <sup>(2)</sup>	
		<u>Designated as hedges</u>	<u>Not designated as hedges</u>	<u>Designated as hedges</u>	<u>Not designated as hedges</u>
		(in billions of yen)			
Interest rate contracts . . . . .	1,052,267	—	5,786	—	5,610
Foreign exchange contracts . . . . .	166,383	—	1,959	—	1,758
Equity-related contracts . . . . .	5,181	—	125	—	142
Credit-related contracts . . . . .	2,939	—	18	—	17
Other contracts . . . . .	438	—	16	—	14
Total . . . . .	<u>1,227,208</u>	<u>—</u>	<u>7,904</u>	<u>—</u>	<u>7,541</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, which was not offset against derivative positions, was included in Other assets and Other liabilities, respectively, of which the amounts were ¥981 billion and ¥599 billion at March 31, 2018, and ¥856 billion and ¥589 billion at March 31, 2019, respectively.

***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 forward contracts to modify exposure to changes in the fair value of Equity securities. The Group adopted ASU No.2016-01 on April 1, 2018. 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. Therefore, after the adoption of the ASU, these forward contracts are not eligible to be hedging instruments. See Note 2 "Recently issued accounting pronouncements" for further details.

Before the adoption of the ASU, 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 were 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 was recorded in Trading account gains (losses)—net. No ineffectiveness existed because the MHFG Group chose to exclude changes in the differences between the spot and the forward prices from the effectiveness test. If the hedge relationship was terminated, the fair value adjustment to the hedged item continued to be reported as part of the basis of the item. The fair value adjustment was recognized in earnings upon the sale of the hedged item.

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The following table summarizes gains and losses information related to fair value hedges for the fiscal years ended March 31, 2017, 2018:

	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
<u>2017</u>	(in millions of yen)			
Equity-related contracts . . . . .	(14,747)	11,393	—	(3,354)
Total . . . . .	<u>(14,747)</u>	<u>11,393</u>	<u>—</u>	<u>(3,354)</u>

	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
<u>2018</u>	(in millions of yen)			
Equity-related contracts . . . . .	(23,832)	19,631	—	(4,201)
Total . . . . .	<u>(23,832)</u>	<u>19,631</u>	<u>—</u>	<u>(4,201)</u>

*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, 2017, 2018 and 2019:

	Gains (losses) recorded in income and other comprehensive income (“OCI”)					
	2017		2018		2019	
	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 . . . . .	16,767	47	(30)	90	7,405	107
Total . . . . .	<u>16,767</u>	<u>47</u>	<u>(30)</u>	<u>90</u>	<u>7,405</u>	<u>107</u>

Note: Related to the effective portion of net investment hedges, gains of ¥41 million and ¥186 million were reclassified from Accumulated other comprehensive income to earnings for the fiscal years ended March 31, 2017 and 2019, respectively. No amount related to the effective portion of net investment

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hedges was reclassified from Accumulated other comprehensive income to earnings for the fiscal year ended March 31, 2018.

*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 strategies: (1) interest-rate swap transactions for the purpose of economically managing the interest-rate risks in deposits, loans etc., (2) currency swap transactions for the purpose of economically managing the foreign exchange risk of these assets, and (3) credit derivatives for the purpose of economically managing the credit risk in loans, residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), collateralized loan obligations (“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).

The following table summarizes gains and losses on derivatives not designated or qualifying as hedges during the fiscal years ended March 31, 2017, 2018 and 2019:

	<b>Gains (losses) recorded in income</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of yen)</b>		
Interest rate contracts	(209,361)	(63,260)	127,242
Foreign exchange contracts	37,129	61,046	6,748
Equity-related contracts <sup>(1)</sup>	5,131	(94,607)	37,875
Credit-related contracts <sup>(2)</sup>	(6,694)	(2,830)	(467)
Other contracts	742	6,330	(1,455)
Total	<u>(173,053)</u>	<u>(93,321)</u>	<u>169,943</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 ¥7,594 million, ¥754 million and ¥736 million on the credit derivatives economically managing the credit risk of loans during the fiscal years ended March 31, 2017, 2018 and 2019, 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

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the underlying reference credit and the 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, 2018 and 2019:

	2018		2019	
	<u>Notional amount</u>	<u>Fair value</u>	<u>Notional amount</u>	<u>Fair value</u>
	(in billions of yen)			
Credit protection written:				
Investment grade . . . . .	1,105	15	1,266	12
Non-investment grade . . . . .	<u>197</u>	<u>4</u>	<u>199</u>	<u>3</u>
Total . . . . .	<u>1,302</u>	<u>19</u>	<u>1,465</u>	<u>15</u>
Credit protection purchased . . . . .	<u>1,541</u>	<u>(22)</u>	<u>1,628</u>	<u>(14)</u>

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, 2018 and 2019:

	Maximum payout/Notional amount	
	<u>2018</u>	<u>2019</u>
	(in billions of yen)	
One year or less . . . . .	329	326
After one year through five years . . . . .	831	1,057
After five years . . . . .	<u>142</u>	<u>82</u>
Total . . . . .	<u>1,302</u>	<u>1,465</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.

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The following table shows the quantitative information about derivative instruments with credit-risk-related contingent features at March 31, 2018 and 2019:

	<u>2018</u>	<u>2019</u>
	(in billions of yen)	
Aggregate fair value of derivative instruments with credit-risk-related contingent features in net liability positions . . . . .	572	511
Collateral provided to counterparties in the normal course of business . . . . .	593	489
Amount required to be posted as collateral or settled immediately if credit-risk-related contingent features were triggered <sup>(Note)</sup> . . . . .	—	22

Note: There was no amount that the Group would be required to post as collateral or settle immediately on March 31, 2018.

**24. 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.

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



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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 25 “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 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.

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, 2018 and 2019 was ¥82 billion and ¥109 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 ¥62 billion and ¥90 billion at March 31, 2018 and 2019, respectively.

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The table below summarizes the remaining term and maximum potential amount of future payments by type of guarantee at March 31, 2018 and 2019. 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.

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>2018</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 .....	2,165	1,084	908	173
Guarantees on loans .....	241	123	28	90
Guarantees on securities .....	164	32	132	—
Other guarantees .....	2,210	1,555	614	41
Guarantees for the repayment of trust principal .....	709	639	49	21
Liabilities of trust accounts .....	13,861	13,546	149	166
Derivative financial instruments .....	11,654	4,911	4,996	1,747

<u>2019</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 .....	2,307	1,265	878	164
Guarantees on loans .....	289	164	46	79
Guarantees on securities .....	145	91	54	—
Other guarantees .....	2,324	1,447	834	43
Guarantees for the repayment of trust principal .....	65	—	47	18
Liabilities of trust accounts .....	362	61	148	153
Derivative financial instruments .....	14,170	5,807	6,434	1,929

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, 2018 and 2019:

	<u>2018</u>	<u>2019</u>
	(in billions of yen)	
Investment grade .....	3,930	4,124
Non-investment grade .....	850	941
Total .....	<u>4,780</u>	<u>5,065</u>

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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.

*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, 2018 and 2019:

	<u>2018</u>	<u>2019</u>
	<u>(in billions of yen)</u>	
Commitments to extend credit <sup>(Note)</sup> .....	78,448	76,857
Commercial letters of credit .....	690	778
Total .....	<u>79,138</u>	<u>77,635</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, 2018 and 2019 were ¥90 billion and ¥80 billion, respectively, and were included in Other liabilities.

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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, 2019:

	<u>Capitalized leases</u>	<u>Operating leases</u>
	(in millions of yen)	
Fiscal year ending March 31:		
2020 .....	9,942	51,329
2021 .....	7,347	41,227
2022 .....	4,454	34,707
2023 .....	2,661	24,633
2024 .....	915	23,425
2025 and thereafter .....	<u>222</u>	<u>297,183</u>
Total minimum lease/rental payments .....	<u>25,541</u>	<u>472,504</u>
Amount representing interest .....	<u>25,020</u>	
Present value of minimum lease payments .....	<u>521</u>	

Total rental expense for the fiscal years ended March 31, 2017, 2018 and 2019 was ¥113,991 million, ¥117,270 million and ¥115,239 million, respectively.

MHFG leases its head office from a third party and accounts for the lease arrangement as an operating lease.

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 ¥41,430 million, ¥32,977 million and ¥24,525 million at March 31, 2017, 2018 and 2019, respectively.

***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 in respect of the collateral. 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 and 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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**25. 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, structured finance, and funding vehicles. 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 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 possibly be required to record in its consolidated statements of income as a result of its involvement with the VIEs. This represents exposures associated with both on-balance-sheet assets and off-balance-sheet liabilities related to the VIEs. 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, 2018 and 2019:

	<b>Consolidated VIEs</b>		
	<b>Significant unconsolidated VIEs</b>		
<b>2018</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 . . . . .	2,185	—	—
Asset-backed securitizations . . . . .	627	78	5
Investments in securitization products . . . . .	374	—	—
Investment funds . . . . .	2,661	1,891	533
Trust arrangements and other . . . . .	21	—	—
<b>Total</b> . . . . .	<b>5,868</b>	<b>1,969</b>	<b>538</b>

	<b>Consolidated VIEs</b>		
	<b>Significant unconsolidated VIEs</b>		
<b>2019</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 . . . . .	2,249	—	—
Asset-backed securitizations . . . . .	571	70	8
Investments in securitization products . . . . .	372	—	—
Investment funds . . . . .	2,836	1,280	410
Trust arrangements and other . . . . .	20	—	—
<b>Total</b> . . . . .	<b>6,048</b>	<b>1,350</b>	<b>418</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, 2018 and 2019:

<u>Assets on balance sheets related to unconsolidated VIEs:</u>	<u>2018</u>	<u>2019</u>
	<u>(in billions of yen)</u>	
Trading account assets .....	89	104
Investments .....	210	168
Loans .....	<u>163</u>	<u>71</u>
Total .....	<u>462</u>	<u>343</u>
<u>Liabilities on balance sheets and maximum exposure to loss related to unconsolidated VIEs:</u>	<u>2018</u>	<u>2019</u>
	<u>(in billions of yen)</u>	
Payables under securities lending transactions .....	38	47
Trading account liabilities .....	<u>1</u>	<u>1</u>
Total .....	<u>39</u>	<u>48</u>
Maximum exposure to loss <sup>(Note)</sup> .....	<u>538</u>	<u>418</u>

Note: This represents the maximum amount the Group could possibly 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 with 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 by 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 schemes to meet its clients' needs for off-balance-sheet financing. 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 by 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.

Prior to April 1, 2016, the Group determined that certain investment funds managed by the Group that had attributes of an investment company (or similar entity) qualified 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”). For these funds, the Group determined whether it was the primary beneficiary by evaluating whether it absorbed the majority of expected losses, received the majority of expected residual returns, or both.

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On April 1, 2016, the Group adopted ASU No.2015-02 which eliminated the deferral. The Group determines whether it is the primary beneficiary by evaluating whether it has both (1) the power to make investment decisions about the investment funds and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the investment funds.

Upon the adoption of ASU No.2015-02, the Group newly consolidated certain investment funds that had not been consolidated prior to April 1, 2016, which had the impact of increasing total assets primarily consisting of Trading account assets by ¥16 billion, and noncontrolling interests by ¥16 billion, respectively. On the other hand, the Group deconsolidated certain investment funds that had been consolidated prior to April 1, 2016, which had the impact of decreasing total assets by ¥54 billion, total liabilities by ¥27 billion, and noncontrolling interests by ¥27 billion, respectively. In addition, the Group determined that certain limited partnerships and similar entities that had been voting interest entities prior to April 1, 2016 are significant unconsolidated VIEs. The amounts relating to significant unconsolidated VIEs as of March 31, 2018 and 2019 in the tables above include the amounts of these limited partnerships and similar entities.

*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 by the VIEs or to manage these assets. In addition, through the principal guarantee agreements, 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. See Note 24 "Commitments and contingencies" for the balances of guaranteed trust principal that are not consolidated at March 31, 2018 and 2019.

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.

*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 it does not have significant variable interests.



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*Funding Vehicles*

The MHFG Group has established several wholly-owned off-shore vehicles which issue securities, typically preferred stock that is fully guaranteed by the MHFG Group, to investors unrelated to the MHFG Group to fund purchases of debt instruments issued by the MHFG Group. These entities are considered VIEs because they lack sufficient equity to finance their activities; however, the MHFG Group's investment in the vehicles' equity is not a variable interest because the investment is not considered to be at risk as the entire amount raised by the vehicles was used to purchase debt instruments issued by the MHFG Group. Because the MHFG Group does not have variable interests in these vehicles, the MHFG Group does not consolidate these entities. Debt instruments issued by the MHFG Group, which are included in Long-term debt, were ¥950 billion and ¥681 billion at March 31, 2018 and 2019, respectively.

*Securitization*

The MHFG Group engages in securitization activities and securitizes mortgage loans, other loans, government and corporate securities and other types 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 all 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. If all the criteria are not met, the transfer is accounted for as a secured borrowing.

For the fiscal years ended March 31, 2017, 2018 and 2019, 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, 2018 and 2019.

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 ¥208 billion and ¥89 billion as of March 31, 2018, and ¥207 billion and ¥143 billion as of March 31, 2019, 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.

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**26. Noninterest income**

Details of Noninterest income for the fiscal years ended March 31, 2017, 2018 and 2019 are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Fee and commission income:			
Securities-related business <sup>(1)</sup> . . . . .	165,857	180,122	145,270
Deposits and lending business <sup>(2)</sup> . . . . .	164,572	156,426	152,283
Remittance business <sup>(1)</sup> . . . . .	108,368	110,054	110,382
Asset management business <sup>(1)</sup> . . . . .	79,426	100,765	97,852
Trust related business <sup>(1)</sup> . . . . .	108,931	121,808	124,843
Agency business <sup>(1)</sup> . . . . .	36,003	37,397	36,466
Guarantee related business <sup>(3)</sup> . . . . .	26,292	28,258	28,582
Fees for other customer services <sup>(1)</sup> . . . . .	136,514	130,881	157,612
Total Fee and commission income . . . . .	<u>825,963</u>	<u>865,711</u>	<u>853,290</u>
Foreign exchange gains (losses)—net <sup>(3)</sup> . . . . .	69,453	91,793	93,577
Trading account gains (losses)—net <sup>(2)</sup> . . . . .	(42,481)	236,982	328,841
Investment gains (losses)—net:			
Debt securities <sup>(3)</sup> . . . . .	59,517	7,757	(3,842)
Equity securities <sup>(3)</sup> . . . . .	273,753	289,400	(155,947)
Equity in earnings (losses) of equity method investees—net <sup>(3)</sup> . . . .	26,785	24,342	29,172
Gains on disposal of premises and equipment <sup>(3)</sup> . . . . .	5,638	8,225	5,145
Other noninterest income <sup>(2)</sup> . . . . .	149,404	80,453	72,135
Total . . . . .	<u><u>1,368,032</u></u>	<u><u>1,604,663</u></u>	<u><u>1,222,371</u></u>

Notes:

- (1) These amounts are revenues from contracts within the scope of ASC 606, “Revenue from contracts with customers ” (“ASC 606”).
- (2) Part of these amounts are considered to be revenues from contracts that are within the scope of ASC 606.
- (3) These amounts are revenues from contracts that do not meet the scope of ASC 606.

Certain Fee and commission income, Trading account gains (losses)—net and Other noninterest income outlined in the table above are considered to be revenues from contracts that are within the scope of ASC 606. The MHFG Group disaggregates Fee and commission income, which is the main part of revenues within the scope of ASC 606, by type of business or service in the table above.

*Fee and commission income*

Securities-related business fees mainly consist of brokerage fees and commissions, and asset-based revenues. Brokerage fees and commissions mainly include fees earned from the execution of customer transactions and sales commissions of investment trusts. Brokerage fees and commissions are recognized at the point in time on transaction date. Asset-based revenues mainly include fees received from investment trust management companies in return for administration services, such as record keeping services, of investment trusts. The amounts of asset-based revenues are calculated based on customer’s net asset value and recognized over time in the period when the related service is provided.

Deposits and lending business fees consist of deposit-related fees and lending-related fees. Most of the deposit-related fees are within the scope of ASC 606, while most of the lending-related fees such as commitment fees

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and arrangement fees are not. Deposit-related fees within the scope of ASC 606 include service charges on consumer and commercial deposit accounts such as account transfer charges. Deposit-related fees are recognized at the point in time when the transactions occur or the related service is provided.

Remittance business fees include service charges for domestic and international funds transfers and collections. These fees are recognized at the point in time when the related service is provided.

Asset management business fees consist of investment trust management fees and investment advisory fees for investment trusts. These fees are received from investment trusts in return for asset management services and/or investment advisory services on behalf of customers. The amounts of these fees are calculated based on a percentage of customer's net asset value. These fees are recognized over time in the period when the management and/or advisory service is provided and the amount is fixed.

Trust related business fees consist of trust fees earned primarily through fiduciary asset management and administrative service and other trust-related fees, which amounted to ¥51 billion and ¥74 billion for the fiscal year ended March 31, 2019, respectively. Fees for fiduciary asset management and administration services for corporate pension plans and investment funds are recognized over time in the period when the related service is provided. Other trust-related fees mainly include brokerage commissions of real estate property, sales commissions of beneficial interest in real estate trust and charges for stock transfer agent services. These fees are mainly earned on a transaction basis and recognized at the point in time when the related service is provided.

Agency business fees mainly include administration service fees related to the MHFG Group's agency business such as Japan's principal public lottery program and revenues from standing proxy services. These fees are recognized at the point in time when the related service is provided.

Fees for other customer services include various revenues such as sales commissions of life insurance, service charges for electronic banking, financial advisory fees, and service charges for software development. Sales commissions from life insurance sales are received from insurance companies in return for selling insurance products and recognized when the insurance product is sold to customers. Service charges for electronic banking are mainly monthly basic usage fees and recognized over the related transaction period. Financial advisory fees are recognized over time in the period when the related advisory service based on the contract is rendered. Service charges for software development are recognized over time according to the progress of the development.

*Trading account gains (losses)—net and Other noninterest income*

In addition to Fee and commission income, Trading account gains (losses)—net and Other noninterest income include certain revenues within the scope of ASC 606. Underwriting fees from trading securities, which amounted to ¥68 billion for the fiscal year ended March 31, 2019, are within the scope of ASC 606 and accounted for in Trading account gains (losses)—net. Underwriting fees are recognized at the point in time when trade terms are fixed. For the fiscal year ended March 31, 2019, approximately ¥26 billion of Other noninterest income was within the scope of ASC 606. Credit card interchange fees are within the scope of ASC 606 and accounted for in Other noninterest income. Credit card interchange fees are earned on credit card transactions conducted through payment networks and recognized upon settlement of the credit card payment transactions.

*Contract balances relating to revenues from contracts with customers subject to ASC 606*

Contract assets and receivables from contracts with customers subject to ASC 606 are recognized in Accrued income or accounts receivable of Other assets. As of March 31, 2019, the balance of contract assets was not material. Contract liabilities are recognized in unearned income of Other liabilities. As of March 31, 2019, the balance of contract liabilities was not material.

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*Remaining performance obligations relating to revenues from contracts with customers subject to ASC 606*

Remaining performance obligations are services that the MHFG Group has committed to provide in the future in connection with its contracts with customers. As of March 31, 2019, the amount of expected revenues from current obligations to provide services in the future is not material. It excludes revenues from contracts less than one year or contracts that have provisions that allow the Group to recognize revenue at the amount it has the right to invoice.

**27. 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 debt securities reported as Trading securities. Net trading gains (losses) for the fiscal years ended March 31, 2017, 2018 and 2019 are comprised of the following:

	<b>2017</b>	<b>2018</b>	<b>2019</b>
	(in millions of yen)		
Trading account gains (losses)—net:			
Trading securities . . . . .	126,332	333,749	158,162
Derivative contracts:			
Interest rate contracts . . . . .	(209,361)	(63,260)	127,242
Foreign exchange contracts <sup>(1)</sup> . . . . .	37,129	61,046	6,748
Equity-related contracts <sup>(2)</sup> . . . . .	1,777	(98,807)	37,875
Credit-related contracts <sup>(3)</sup> . . . . .	900	(2,076)	269
Other contracts . . . . .	742	6,330	(1,455)
Total . . . . .	(42,481)	236,982	328,841
Foreign exchange gains (losses)—net <sup>(4)</sup> . . . . .	69,453	91,793	93,577
Net trading gains (losses) . . . . .	26,972	328,775	422,418

Notes:

- (1) Amounts include gains and losses on currency swaps.
- (2) The net gain (loss) excluded from the assessment of the effectiveness of fair value hedges is included in the above table.
- (3) Amounts do not include the net loss of ¥7,594 million, ¥754 million and ¥736 million on the credit derivatives economically managing the credit risk of loans during the fiscal years ended March 31, 2017, 2018 and 2019, respectively. The net loss is recorded in Other noninterest expenses.
- (4) Amounts include realized and unrealized gains and losses on both derivative instruments and nonderivative instruments. Amounts on derivative instruments include gains and losses on forward foreign exchange contracts and currency options. Amounts on nonderivative instruments include translation gains and losses related to foreign currency-denominated debt securities reported as Trading securities.

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**28. 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.

*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 pricing models 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 valuation policies which govern the principles of fair value measurements and the authority and duty of each department. The Group has also established 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

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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 “*Available-for-sale securities*”. 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 the head of accounting, depending on the nature and characteristics of the change.

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, 2019, 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 equity 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 pricing models 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 securitization products such as RMBS, CMBS, ABS, and CLO 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.

Hedge funds the Group invests in are primarily multi strategy funds that employ a fundamental bottom-up investment approach across various asset classes globally. Hedge 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. Private equity funds have specific investment objectives in connection with their acquisition of equity interests in new and emerging firms in need of capital. Employing venture capital strategies, they provide financing and other support to start-up businesses, medium and small entities in particular geographical areas, and to companies with certain technologies or companies in high-growth industries. Real estate funds invest globally and primarily in real estate companies, debt recapitalizations and direct property. Private equity funds and real estate funds are measured at the NAV per share and the Group does not have the ability to redeem its investment in 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

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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. In addition, the Group records credit-risk valuation adjustments on over-the-counter derivatives to reflect the credit quality of its counterparties and its own credit quality. The Group calculates these credit-risk valuation adjustments using modeled expected exposure, and default probabilities and severity factors that are developed from market credit spreads and other related market information.

*Available-for-sale securities*

The fair values of available-for-sale securities are determined primarily using the same procedures described under 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 Level 3 depending on the observability of the significant inputs to the model, such as credit risk. The fair values of securitization products such as RMBS, CMBS and ABS 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 rare instances 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 and ABS, 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.

*Equity securities*

Equity securities mainly consist of marketable equity securities. The fair values of the marketable equity securities are based upon quoted market prices for identical equity securities trading as securities in an active market. Equity securities also include securities measured at the NAV per share. These securities are determined primarily using the same procedures described under trading securities above.

*Other investments*

Other investments consist of investments held by consolidated investment companies. These companies typically hold investments in 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

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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*

Fair value accounting is elected for certain long-term debt instruments with embedded derivatives. The fair values are determined using a discounted cash flow model that considers the embedded derivatives and the terms and payment structures of the notes. The fair values of the derivatives embedded in such notes are primarily derived by using the same procedures described in “*Derivative financial instruments*” above. Such notes are classified in Level 2 or Level 3 depending on the observability of the significant inputs into the model used to determine the fair value of the embedded derivatives. The Group also measures certain notes that contain embedded derivatives at fair value under the practicability exception. For these instruments, fair value is based on quoted prices for identical debt traded as a security in inactive markets. These instruments are classified in Level 2 of the fair value hierarchy.



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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, 2018 and 2019, including those for which the MHFG Group has elected the fair value option, are summarized below:

<u>2018</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 . . . . .	1,375	43	—	1,418
Japanese local government bonds . . . . .	—	107	—	107
U.S. Treasury bonds and federal agency securities . . . . .	2,442	209	—	2,651
Other foreign government bonds . . . . .	1,682	480	—	2,162
Agency mortgage-backed securities . . . . .	—	1,799	—	1,799
Residential mortgage-backed securities . . . . .	—	—	12	12
Certificates of deposit and commercial paper . . . . .	—	643	—	643
Corporate bonds and other . . . . .	25	1,992	1,013	3,030
Equity securities . . . . .	1,642	—	23	1,665
Trading securities measured at net asset value <sup>(2)</sup> . . . . .				705
Derivative financial instruments:				
Interest rate contracts . . . . .	39	7,089	48	7,176
Foreign exchange contracts . . . . .	17	2,667	13	2,697
Equity-related contracts . . . . .	82	110	5	197
Credit-related contracts . . . . .	—	16	2	18
Other contracts . . . . .	6	8	9	23
Available-for-sale securities:				
Japanese government bonds . . . . .	12,435	897	—	13,332
Japanese local government bonds . . . . .	—	239	—	239
U.S. Treasury bonds and federal agency securities . . . . .	686	—	—	686
Other foreign government bonds . . . . .	355	703	—	1,058
Agency mortgage-backed securities . . . . .	—	889	—	889
Residential mortgage-backed securities . . . . .	—	65	54	119
Commercial mortgage-backed securities . . . . .	—	—	441	441
Japanese corporate bonds and other debt securities . . . . .	—	1,827	163	1,990
Foreign corporate bonds and other debt securities . . . . .	—	799	80	879
Equity securities (marketable) <sup>(3)</sup> . . . . .	3,912	121	—	4,033
Other investments . . . . .	—	—	38	38
Total assets measured at fair value on a recurring basis . . . . .	<u>24,698</u>	<u>20,703</u>	<u>1,901</u>	<u>48,007</u>
<b>Liabilities:</b>				
Trading securities sold, not yet purchased . . . . .	2,777	618	4	3,399
Derivative financial instruments:				
Interest rate contracts . . . . .	42	7,074	27	7,143
Foreign exchange contracts . . . . .	11	2,370	1	2,382
Equity-related contracts . . . . .	81	69	1	151
Credit-related contracts . . . . .	—	20	1	21
Other contracts . . . . .	4	6	9	19
Long-term debt <sup>(4)</sup> . . . . .	—	1,395	561	1,956
Total liabilities measured at fair value on a recurring basis . . . . .	<u>2,915</u>	<u>11,552</u>	<u>604</u>	<u>15,071</u>

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

<u>2019</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 . . . . .	1,829	33	—	1,862
Japanese local government bonds . . . . .	—	134	—	134
U.S. Treasury bonds and federal agency securities . . . . .	1,069	138	—	1,207
Other foreign government bonds . . . . .	2,417	553	—	2,970
Agency mortgage-backed securities . . . . .	—	1,041	—	1,041
Residential mortgage-backed securities . . . . .	—	—	11	11
Certificates of deposit and commercial paper . . . . .	—	1,047	—	1,047
Corporate bonds and other . . . . .	36	1,806	1,044	2,886
Equity securities . . . . .	1,297	—	28	1,325
Trading securities measured at net asset value <sup>(2)</sup> . . . . .				631
Derivative financial instruments:				
Interest rate contracts . . . . .	36	5,729	21	5,786
Foreign exchange contracts . . . . .	9	1,927	23	1,959
Equity-related contracts . . . . .	58	63	4	125
Credit-related contracts . . . . .	—	16	2	18
Other contracts . . . . .	2	4	10	16
Available-for-sale securities:				
Japanese government bonds . . . . .	10,902	995	—	11,897
Japanese local government bonds . . . . .	—	210	—	210
U.S. Treasury bonds and federal agency securities . . . . .	1,009	—	—	1,009
Other foreign government bonds . . . . .	456	886	—	1,342
Agency mortgage-backed securities . . . . .	—	544	—	544
Residential mortgage-backed securities . . . . .	—	61	40	101
Commercial mortgage-backed securities . . . . .	—	—	500	500
Japanese corporate bonds and other debt securities . . . . .	—	1,629	120	1,749
Foreign corporate bonds and other debt securities . . . . .	—	678	103	781
Equity securities <sup>(3)</sup> :				
Equity securities with readily determinable fair values . . . . .	3,633	135	—	3,768
Equity securities measured at net asset value <sup>(2)</sup> . . . . .				53
Other investments . . . . .	—	—	35	35
Total assets measured at fair value on a recurring basis . . . . .	<u>22,753</u>	<u>17,629</u>	<u>1,941</u>	<u>43,007</u>
<b>Liabilities:</b>				
Trading securities sold, not yet purchased . . . . .	2,380	199	1	2,580
Derivative financial instruments:				
Interest rate contracts . . . . .	38	5,564	8	5,610
Foreign exchange contracts . . . . .	11	1,746	1	1,758
Equity-related contracts . . . . .	82	51	9	142
Credit-related contracts . . . . .	—	16	1	17
Other contracts . . . . .	1	4	9	14
Long-term debt <sup>(4)</sup> . . . . .	—	1,778	655	2,433
Total liabilities measured at fair value on a recurring basis . . . . .	<u>2,512</u>	<u>9,358</u>	<u>684</u>	<u>12,554</u>

Notes:

- (1) Trading securities include foreign currency denominated securities for which the MHFG Group elected the fair value option.
- (2) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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value amounts presented for these classes of assets are intended to permit the reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position. The amounts of unfunded commitments related to these investments at March 31, 2018 and 2019 were ¥31 billion and ¥37 billion, respectively.

- (3) The MHFG Group adopted ASU No.2016-01 on April 1, 2018. In connection with the adoption, equity securities are no longer classified as available-for-sale securities. See Note 2 “Recently issued accounting pronouncements” for further details.
- (4) Amounts represent items for which the Group elected the fair value option or for which it applied the practicability exception.

*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, 2018 and 2019:

2018	April 1, 2017	Gains (losses) in Earnings	Gains (losses) in OCI	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Issuances	Settle- ments	March 31, 2018	Change in unrealized gains (losses) still held <sup>(6)</sup>
	(in billions of yen)										
<b>Assets:</b>											
Trading securities:											
Residential mortgage-backed securities . . . . .	15	— <sup>(2)</sup>	—	—	—	—	—	—	(3)	12	—
Corporate bonds and other . . . . .	1,052	(20) <sup>(2)</sup>	—	123	(241)	1,082	(631)	—	(352)	1,013	(19)
Equity securities . . . . .	23	(1) <sup>(2)</sup>	—	—	—	2	(1)	—	—	23	—
Derivative financial instruments, net <sup>(1)</sup> :											
Interest rate contracts . . . . .	26	(6) <sup>(2)</sup>	—	—	—	—	—	—	1	21	(1)
Foreign exchange contracts . . . . .	8	2 <sup>(2)</sup>	—	—	—	—	—	—	2	12	5
Equity-related contracts . . . . .	(25)	1 <sup>(2)</sup>	—	—	—	—	—	—	28	4	12
Credit-related contracts . . . . .	—	— <sup>(2)</sup>	—	—	—	—	—	—	1	1	—
Other contracts . . . . .	—	(1) <sup>(2)</sup>	—	—	—	—	—	—	1	—	—
Available-for-sale securities:											
Residential mortgage-backed securities . . . . .	77	— <sup>(3)</sup>	— <sup>(4)</sup>	—	—	3	(6)	—	(20)	54	—
Commercial mortgage-backed securities . . . . .	224	— <sup>(3)</sup>	3 <sup>(4)</sup>	—	—	286	(69)	—	(3)	441	—
Japanese corporate bonds and other debt securities . . . . .	174	11 <sup>(3)</sup>	(10) <sup>(4)</sup>	—	—	17	—	—	(29)	163	11
Foreign corporate bonds and other debt securities . . . . .	110	— <sup>(3)</sup>	(1) <sup>(4)</sup>	15	(46)	2	—	—	—	80	—
Other investments . . . . .	37	— <sup>(3)</sup>	—	—	—	14	(3)	—	(10)	38	—
<b>Liabilities:</b>											
Trading securities sold, not yet purchased . . . . .	—	— <sup>(2)</sup>	—	—	—	(146)	150	—	—	4	—
Long-term debt . . . . .	593	3 <sup>(5)</sup>	—	1	(10)	—	—	151	(171)	561	5

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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2019	April 1, 2018	Gains (losses) in Earnings	Gains (losses) in OCI	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Issuances	Settle- ments	March 31, 2019	Change in unrealized gains (losses) still held <sup>(6)</sup>
(in billions of yen)											
<b>Assets:</b>											
Trading securities:											
Residential mortgage-backed securities	12	— <sup>(2)</sup>	—	—	—	—	—	—	(1)	11	—
Corporate bonds and other	1,013	1 <sup>(2)</sup>	—	—	—	762	(378)	—	(354)	1,044	8
Equity securities	23	1 <sup>(2)</sup>	—	—	—	7	(3)	—	—	28	(1)
Derivative financial instruments, net <sup>(1)</sup> :											
Interest rate contracts	21	(11) <sup>(2)</sup>	—	—	—	—	—	—	3	13	(5)
Foreign exchange contracts	12	15 <sup>(2)</sup>	—	—	—	—	—	—	(5)	22	14
Equity-related contracts	4	(15) <sup>(2)</sup>	—	—	—	—	—	—	6	(5)	3
Credit-related contracts	1	(2) <sup>(2)</sup>	—	—	—	—	—	—	2	1	1
Other contracts	—	1 <sup>(2)</sup>	—	—	—	—	—	—	—	1	1
Available-for-sale securities:											
Residential mortgage-backed securities	54	— <sup>(3)</sup>	— <sup>(4)</sup>	—	—	—	—	—	(14)	40	—
Commercial mortgage-backed securities	441	— <sup>(3)</sup>	1 <sup>(4)</sup>	—	—	144	(72)	—	(14)	500	—
Japanese corporate bonds and other debt securities	163	37 <sup>(3)</sup>	(33) <sup>(4)</sup>	—	—	29	(7)	—	(69)	120	19
Foreign corporate bonds and other debt securities	80	— <sup>(3)</sup>	(1) <sup>(4)</sup>	61	(42)	27	—	—	(22)	103	—
Other investments	38	5 <sup>(3)</sup>	—	—	—	13	(6)	—	(15)	35	(2)
<b>Liabilities:</b>											
Trading securities sold, not yet purchased	4	1 <sup>(2)</sup>	—	—	—	(35)	33	—	—	1	—
Long-term debt	561	(6) <sup>(5)</sup>	10 <sup>(4)</sup>	7	—	—	—	192	(101)	655	5

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, 2018 and 2019.

*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, 2018, the transfers into Level 3 included ¥123 billion of Trading securities, ¥15 billion of Available-for-sale securities and ¥1 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 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, 2018, the transfers out of Level 3 included ¥241 billion of Trading securities, ¥46 billion of Available-for-sale securities and ¥10 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

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Available-for-sale securities were primarily due to increased liquidity for certain Foreign corporate bonds and other debt securities. 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, 2019, the transfers into Level 3 included ¥61 billion of Available-for-sale securities and ¥7 billion of Long-term debt. Transfers into Level 3 for Available-for-sale securities were primarily due to decreased liquidity for certain 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, 2019, the transfers out of Level 3 included ¥42 billion of Available-for-sale securities. Transfers out of Level 3 for Available-for-sale securities were primarily due to increased liquidity for certain Foreign corporate bonds and other debt securities.

*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, 2018 and 2019:

**2018**

Products/Instruments	Fair value	Principal valuation technique	Unobservable inputs	Range of input values	Weighted average <sup>(5)</sup>
(in billions of yen, except for percentages and basis points)					
Trading securities and Available-for-sale securities:					
Residential mortgage-backed securities	66	Discounted cash flow Price-based	Prepayment rate Default rate Recovery rate Discount margin	3%–17% 0%–1% 100%–100% 17bps–170bps	7% 0% 100% 50bps
Commercial mortgage-backed securities	441	Discounted cash flow Price-based	Discount margin	9bps–141bps	28bps
Corporate bonds and other debt securities	1,256	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>	26%–37% 1%–2% 60%–69% 12bps–1,165bps 5bps–1,064bps	36% 2% 68% 115bps 379bps
Derivative financial instruments, net:					
Interest rate contracts	21	Internal valuation model <sup>(3)</sup>	IR – IR correlation Default rate <sup>(4)</sup>	23%–100% 0%–63%	
Foreign exchange contracts	12	Internal valuation model <sup>(3)</sup>	FX – IR correlation FX – FX correlation Default rate <sup>(4)</sup>	16%–53% 61%–61% 0%–63%	
Equity-related contracts	4	Internal valuation model <sup>(3)</sup>	Equity – IR correlation Equity volatility	25%–25% 12%–41%	
Credit-related contracts	1	Internal valuation model <sup>(3)</sup>	Default rate Credit correlation	0%–3% 27%–100%	
Long-term debt	561	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	23%–100% 9%–53% 61%–61% 25%–25% 55%–70% 24%–100% 13%–56% 0%–2% 28%–100%	

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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**2019**

<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 percentages and basis points)			
Trading securities and Available-for-sale securities:					
Residential mortgage-backed securities	51	Discounted cash flow Price-based	Prepayment rate Default rate Recovery rate Discount margin	4%–19% 0%–1% 100%–100% 18bps–170bps	8% 0% 100% 51bps
Commercial mortgage-backed securities	500	Discounted cash flow Price-based	Discount margin	9bps–161bps	24bps
Corporate bonds and other debt securities	1,267	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>	22%–22% 2%–2% 69%–69% 48bps–1,173bps 4bps–1,063bps	22% 2% 69% 134bps 295bps
Derivative financial instruments, net:					
Interest rate contracts	13	Internal valuation model <sup>(3)</sup>	IR – IR correlation Default rate <sup>(4)</sup>	23%–100% 0%–63%	
Foreign exchange contracts	22	Internal valuation model <sup>(3)</sup>	FX – IR correlation FX – FX correlation Default rate <sup>(4)</sup>	9%–55% 63%–63% 0%–63%	
Equity-related contracts	(5)	Internal valuation model <sup>(3)</sup>	Equity – IR correlation Equity correlation Equity volatility	25%–25% 40%–100% 5%–36%	
Credit-related contracts	1	Internal valuation model <sup>(3)</sup>	Default rate Credit correlation	0%–5% 29%–100%	
Long-term debt	655	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	23%–100% 9%–55% 63%–63% 25%–25% 55%–88% 12%–100% 5%–49% 0%–4% 20%–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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*Sensitivities to unobservable inputs and interrelationships 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, 2018 and 2019:

<u>2018</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 . . . . .	113	—	—	113	164
Loans held-for-sale . . . . .	60	—	60	—	74
Equity securities (without readily determinable fair values) . . . . .	1	—	—	1	3
Premises and equipment—net . . . . .	—	—	—	—	4
Total assets measured at fair value on a nonrecurring basis . . . . .	<u>174</u>	<u>—</u>	<u>60</u>	<u>114</u>	<u>245</u>
<u>2019</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 . . . . .	125	—	41	84	177
Loans held-for-sale . . . . .	3	—	3	—	3
Equity securities (without readily determinable fair values) . . . . .	1	—	—	1	1
Other investments . . . . .	98	98	—	—	104
Premises and equipment—net . . . . .	9	—	4	5	34
Intangible assets . . . . .	—	—	—	—	1
Total assets measured at fair value on a nonrecurring basis . . . . .	<u>236</u>	<u>98</u>	<u>48</u>	<u>90</u>	<u>320</u>

Note: The fair values may not be current as of the dates indicated, but rather as of the date the fair value change occurred. Accordingly, the carrying values may not equal current fair value.

Loans in the table above have been impaired and measured based upon the observable market price of the loan or 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.

Equity securities (without readily determinable fair values) in the table above consist of non-marketable equity securities which are measured at fair value on a nonrecurring basis, using the measurement alternative for non-marketable equity securities. These equity securities are on a nonrecurring basis either (1) written down to fair value as a result of impairment or (2) adjusted upward or downward to fair value as a result of transactions observed for the identical or similar securities of the same issuer. The fair values of the impaired non-marketable equity securities 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.



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Other investments in the table above include certain equity method investments which 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.

Premises and equipment—net and Intangible assets in the table above have been impaired and written down to fair value.

***Fair value option***

The MHFG Group elected the fair value option for certain eligible financial instruments described below.

***Foreign currency denominated debt securities***

The MHFG Group elected the fair value option for foreign currency denominated debt securities to mitigate the volatility in earnings due to the difference in the recognition of foreign exchange risk between foreign currency denominated debt securities and financial liabilities. Following the election of the fair value option, these debt securities are reported as trading securities in Trading account assets. On April 1, 2018, the Group adopted ASU No.2016-01. Before the adoption of the ASU, the fair value option was elected for foreign currency denominated equity securities, which were reported as trading securities, but after the adoption of the ASU, the Group no longer elected the fair value option for these equity securities.

***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 ¥21 billion and ¥21 billion at March 31, 2018 and 2019, respectively. The net unrealized gains (losses) resulting from changes in fair values of these notes recorded in Other noninterest income (expenses) were of ¥(15) billion and ¥(17) billion for the fiscal years ended March 31, 2018 and 2019, respectively. The Group records changes in fair value on these notes attributable to the instrument-specific credit risk in AOCI in accordance with ASU No.2016-01, which was adopted on April 1, 2018. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the Company's current credit spreads observable in the bond market.

***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

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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.

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, interest-bearing deposits in other 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 non-marketable equity securities is not readily determinable, nor practicable to estimate, due to the lack of available information. Their carrying amounts of ¥267 billion and ¥212 billion at March 31, 2018 and 2019, respectively, were not included in the disclosure.

*Loans*

Loans have been fair valued based on the type of loan, credit quality, prepayment assumptions and remaining maturity. The fair value of 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 collateral dependent impaired loans is determined based on the fair value of the underlying collateral.

*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 13 "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

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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.

*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 13 "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, 2018 and 2019.

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The following table shows the carrying amounts and fair values at March 31, 2018 and 2019, 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”):

	2018				
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
(in billions of yen)					
Financial assets:					
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 . . . . .	61,381	61,381	1,206	60,175	—
Investments . . . . .	2,518	2,522	1,984	538	—
Loans, net of allowance for loan losses <sup>(Note)</sup> . . . . .	83,088	84,041	—	—	84,041
Financial liabilities:					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . .	43,921	43,921	22,898	21,023	—
Interest-bearing deposits . . . . .	113,558	113,540	61,719	51,821	—
Due to trust accounts . . . . .	3,993	3,993	—	3,993	—
Other short-term borrowings . . . . .	1,688	1,688	—	1,688	—
Long-term debt . . . . .	10,970	10,995	—	10,098	897
2019					
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
(in billions of yen)					
Financial assets:					
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 . . . . .	62,012	62,012	873	61,139	—
Investments . . . . .	1,604	1,609	1,140	469	—
Loans, net of allowance for loan losses <sup>(Note)</sup> . . . . .	82,382	83,490	—	—	83,490
Financial liabilities:					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . .	44,918	44,918	24,983	19,935	—
Interest-bearing deposits . . . . .	112,658	112,655	55,542	57,113	—
Due to trust accounts . . . . .	312	312	—	312	—
Other short-term borrowings . . . . .	1,995	1,995	—	1,995	—
Long-term debt . . . . .	9,096	9,178	—	8,336	842

Note: Loans, net of allowance for loan losses include items measured at fair value on a nonrecurring basis.

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**29. 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, 2018 and 2019. 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>2018</b>						
Assets <sup>(1)</sup> :						
Derivatives	9,341	—	9,341	(7,751)	(520)	1,070
Receivables under resale agreements	7,804	—	7,804	(7,763)	—	41
Receivables under securities borrowing transactions	3,904	—	3,904	(3,874)	—	30
Total	<u>21,049</u>	<u>—</u>	<u>21,049</u>	<u>(19,388)</u>	<u>(520)</u>	<u>1,141</u>
Liabilities <sup>(1)</sup> :						
Derivatives	9,013	—	9,013	(7,758)	(884)	371
Payables under repurchase agreements	15,964	—	15,964	(15,847)	—	117
Payables under securities lending transactions	1,181	—	1,181	(1,179)	—	2
Total	<u>26,158</u>	<u>—</u>	<u>26,158</u>	<u>(24,784)</u>	<u>(884)</u>	<u>490</u>
<b>2019</b>						
Assets <sup>(1)</sup> :						
Derivatives	7,403	—	7,403	(5,903)	(528)	972
Receivables under resale agreements	12,589	—	12,589	(12,579)	—	10
Receivables under securities borrowing transactions	1,921	—	1,921	(1,894)	—	27
Total	<u>21,913</u>	<u>—</u>	<u>21,913</u>	<u>(20,376)</u>	<u>(528)</u>	<u>1,009</u>
Liabilities <sup>(1)</sup> :						
Derivatives	6,978	—	6,978	(5,766)	(769)	443
Payables under repurchase agreements	14,312	—	14,312	(14,309)	—	3
Payables under securities lending transactions	932	—	932	(931)	—	1
Total	<u>22,222</u>	<u>—</u>	<u>22,222</u>	<u>(21,006)</u>	<u>(769)</u>	<u>447</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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**30. 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, 2018 and 2019:

	<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)				
<b>2018</b>					
Repurchase agreements . . . . .	255	11,669	3,676	1,057	16,657
Securities lending transactions . . . . .	<u>1,270</u>	<u>355</u>	<u>—</u>	<u>208</u>	<u>1,833</u>
Total . . . . .	<u>1,525</u>	<u>12,024</u>	<u>3,676</u>	<u>1,265</u>	<u>18,490</u>
<b>2019</b>					
Repurchase agreements . . . . .	2,596	8,537	2,403	1,104	14,640
Securities lending transactions . . . . .	<u>1,012</u>	<u>473</u>	<u>—</u>	<u>313</u>	<u>1,798</u>
Total . . . . .	<u>3,608</u>	<u>9,010</u>	<u>2,403</u>	<u>1,417</u>	<u>16,438</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, 2018 and 2019:

	<u>Repurchase agreements</u>	<u>Securities lending transactions</u>
	(in billions of yen)	
<b>2018</b>		
Japanese government bonds and Japanese local government bonds . . . . .	1,358	592
Foreign government bonds and foreign agency mortgage-backed securities . . . . .	14,426	303
Commercial paper and corporate bonds . . . . .	328	48
Equity securities . . . . .	406	869
Other . . . . .	<u>139</u>	<u>21</u>
Total (Note) . . . . .	<u>16,657</u>	<u>1,833</u>
<b>2019</b>		
Japanese government bonds and Japanese local government bonds . . . . .	2,118	430
Foreign government bonds and foreign agency mortgage-backed securities . . . . .	11,613	396
Commercial paper and corporate bonds . . . . .	223	52
Equity securities . . . . .	492	902
Other . . . . .	<u>194</u>	<u>18</u>
Total (Note) . . . . .	<u>14,640</u>	<u>1,798</u>

Note: Amounts exceeded the gross amounts recognized in Note 29 “Offsetting of financial assets and financial liabilities” by ¥1,345 billion and ¥1,194 billion, at March 31, 2018 and 2019, respectively, 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

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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 regular basis, diversifying the maturities and counterparties, and using mainly highly liquid securities.

**31. Related party transactions**

The banking subsidiaries of MHFG make loans to the MHFG Group's directors, executive officers, and other related parties. At March 31, 2018 and 2019, outstanding loans to such related parties were not considered significant. At March 31, 2018 and 2019, there were no loans to these related parties that were considered impaired.

**32. Business segment information**

The MHFG Group consists of the following five in-house companies which are categorized based on a customer segment: the Retail & Business Banking Company, the Corporate & Institutional Company, the Global Corporate Company, the Global Markets Company, and the Asset Management Company. These customer segments are regarded as operating segments and constitute reportable segments.

The services that each in-house company is in charge of are as follows.

*Retail & Business Banking Company*

This company provides financial services for individual customers, small and medium-sized enterprises and middle market firms in Japan.

*Corporate & Institutional Company*

This company provides financial services for large corporations, financial institutions and public corporations in Japan.

*Global Corporate Company*

This company provides financial services for Japanese overseas affiliated corporate customers and non-Japanese corporate customers.

*Global Markets Company*

This company invests in financial products with market risk, such as interest rate risk, equity risk, and credit risk.

*Asset Management Company*

This company develops financial products and provides financial services that match the asset management needs of its wide range of customers from individuals to institutional investors.

The reportable segment information, set forth below, is derived from the internal management reporting systems used by management to measure the performance of the Group's operating segments. Management measures the performance of each of the operating segments in accordance with internal managerial accounting rules and practices. In addition, the format and information are presented primarily on the basis of Japanese GAAP.



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Therefore, they are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation is provided for the total amount of all business segments’ “Net business profits (losses) + Net gains (losses) related to ETFs and others” with income before income tax expense under U.S. GAAP, and the total amount of all business segments’ “Fixed assets” with the total amount of Premises and equipment-net, Goodwill, and Intangible assets reported under U.S. GAAP. “Fixed assets” pertaining to MHBK, MHTB and MHSC have been allocated to each segment.

<u>2017</u> <sup>(4)</sup>	MHFG (Consolidated)						
	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others <sup>(3)</sup>	Total
	(in billions of yen)						
Gross profits + Net gains (losses) related to ETFs and others <sup>(1)</sup> . . . . .	716.7	438.3	339.4	549.3	48.8	36.7	2,129.2
General and administrative expenses . . . . .	719.3	199.9	239.2	191.2	29.3	31.4	1,410.3
Equity in earnings (losses) of equity method investees—net . . . . .	14.9	1.0	0.9	—	0.5	1.6	18.9
Amortization of goodwill and others . . . . .	0.4	0.4	0.4	2.3	4.0	2.7	10.2
Others . . . . .	—	—	—	—	—	(27.7)	(27.7)
Net business profits (losses) <sup>(2)</sup> + Net gains (losses) related to ETFs and others . . . . .	<u>11.9</u>	<u>239.0</u>	<u>100.7</u>	<u>355.8</u>	<u>16.0</u>	<u>(23.5)</u>	<u>699.9</u>

<u>2018</u> <sup>(4)</sup>	MHFG (Consolidated)						
	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others <sup>(3)</sup>	Total
	(in billions of yen)						
Gross profits + Net gains (losses) related to ETFs and others <sup>(1)</sup> . . . . .	726.9	431.4	340.7	389.2	50.1	57.3	1,995.6
General and administrative expenses . . . . .	724.8	202.5	250.9	201.2	27.6	37.2	1,444.2
Equity in earnings (losses) of equity method investees—net . . . . .	12.7	1.0	2.3	—	2.9	2.6	21.5
Amortization of goodwill and others . . . . .	0.4	0.4	0.4	2.3	8.0	2.4	13.9
Others . . . . .	—	—	—	—	—	(21.0)	(21.0)
Net business profits (losses) <sup>(2)</sup> + Net gains (losses) related to ETFs and others . . . . .	<u>14.4</u>	<u>229.5</u>	<u>91.7</u>	<u>185.7</u>	<u>17.4</u>	<u>(0.7)</u>	<u>538.0</u>

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<u>2019</u> <sup>(4)</sup>	MHFG (Consolidated)						<u>Others</u> <sup>(3)</sup>	<u>Total</u>
	<u>Retail &amp; Business Banking Company</u>	<u>Corporate &amp; Institutional Company</u>	<u>Global Corporate Company</u>	<u>Global Markets Company</u>	<u>Asset Management Company</u>	(in billions of yen)		
Gross profits + Net gains (losses) related to ETFs and others <sup>(1)</sup> . . . . .	707.2	473.8	416.1	192.0	49.7	(11.1)	1,827.7	
General and administrative expenses . . . . .	713.7	198.2	251.8	203.3	27.3	46.3	1,440.6	
Equity in earnings (losses) of equity method investees—net . . . . .	18.1	0.9	7.3	—	1.3	23.6	51.2	
Amortization of goodwill and others . . . . .	0.4	0.4	0.4	2.3	8.0	2.1	13.6	
Others . . . . .	—	—	—	—	—	(16.3)	(16.3)	
Net business profits (losses) <sup>(2)</sup> + Net gains (losses) related to ETFs and others . . . . .	<u>11.2</u>	<u>276.1</u>	<u>171.2</u>	<u>(13.6)</u>	<u>15.7</u>	<u>(52.2)</u>	<u>408.4</u>	
Fixed assets <sup>(5)</sup> . . . . .	<u>499.3</u>	<u>225.8</u>	<u>176.9</u>	<u>92.6</u>	<u>0.1</u>	<u>662.5</u>	<u>1,657.2</u>	

Notes:

- (1) “Gross profits + Net gains (losses) related to ETFs and others” is reported instead of sales reported by general corporations. Gross profits is defined as the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income. Net gains (losses) related to ETFs and others consist of net gains (losses) on ETFs held by MHBK and MHTB and net gains (losses) on operating investment securities of MHSC on its consolidated basis. For the fiscal years ended March 31, 2017, 2018 and 2019, net gains related to ETFs and others amounted to ¥36.5 billion, ¥80.2 billion and ¥15.0 billion, respectively, of which ¥32.6 billion, ¥70.1 billion and ¥7.3 billion, respectively, are included in “Global Markets Company”.
- (2) Net business profits is used in Japan as a measure of the profitability of core banking operations, and is defined as gross profits (as defined above) less general and administrative expenses plus equity in earnings (losses) of equity method investees—net and others. Measurement of net business profits is required for regulatory reporting to the Financial Services Agency.
- (3) “Others” includes items which should be eliminated as internal transactions between each segment on a consolidated basis.
- (4) Beginning on April 1, 2018, new allocation methods for income and expense transactions between each segment and “Others” have been applied. In connection with the use of the new allocation methods, the presentation of “Net business profits” has changed to “Net business profits (losses) + Net gains (losses) related to ETFs and others”. Before the change, “Net gains (losses) related to ETFs and others” were included in “Gross profits” of each segment and eliminated in “Others”. In addition, “Amortization of goodwill and others” has been presented as a new item. Figures for the fiscal years ended March 31, 2017 and 2018 have been restated for the new allocation methods. These changes more appropriately reflect the performance of each of the operating segments in accordance with internal managerial accounting rules and practices. Furthermore, income and expense of foreign branches of MHBK and foreign subsidiaries with functional currency other than Japanese Yen have been translated for purposes of segment reporting using the budgeted foreign currency rates. Prior period comparative amounts for these foreign currency income and expense have been translated using current period budgeted foreign currency rates.
- (5) “Fixed assets” is presented based on Japanese GAAP and corresponds to the total amount of the following U.S. GAAP accounts, Premises and equipment-net, Goodwill, and Intangible assets. The above tables do not

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include other asset amounts because “Fixed assets” is the only balance sheet metric that management uses when evaluating and making decisions pertaining to the operating segments. “Fixed assets” has been allocated to each segment starting in the fiscal year ended March 31, 2019 to enhance management’s analysis of the Group’s operations. “Others” in “Fixed assets” includes assets of headquarters that have not been allocated to each segment, “Fixed assets” pertaining to consolidated subsidiaries that are not subject to allocation, consolidating adjustments, and others. Certain “Fixed assets” expenses have been allocated to the in-house company segments using a reasonable allocation criteria.

*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 segment’s information, other than net business profits, to the corresponding items in the accompanying consolidated statements of income. A reconciliation of “Net business profits (losses) + Net gains (losses) related to ETFs and others” for the fiscal years ended March 31, 2017, 2018 and 2019 presented above to income before income tax expense shown on the consolidated statements of income and a reconciliation of “Fixed assets” for the fiscal year ended March 31, 2019 to the total amount of Premises and equipment-net, Goodwill, and Intangible assets are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in billions of yen)		
Net business profits (losses) + Net gains (losses) related to ETFs and others . . . . .	699.9	538.0	408.4
Adjustment to reconcile management reporting to Japanese GAAP:			
General and administrative expenses (non-recurring losses) . . . . .	(46.7)	(30.9)	23.3
Expenses related to portfolio problems (including reversal of (provision for) general reserve for losses on loans) . . . . .	(80.2)	(17.0)	(30.7)
Gains on reversal of reserves for possible losses on loans, and others . . . . .	32.7	173.3	11.2
Net gains (losses) related to stocks - Net gains (losses) related to ETFs and others . . . . .	205.7	191.9	259.9
Net extraordinary gains (losses) . . . . .	46.7	17.5	(497.9)
Others . . . . .	<u>(73.9)</u>	<u>(72.8)</u>	<u>(57.9)</u>
Income before income tax expense under Japanese GAAP . . . . .	784.2	800.0	116.3
Adjustment to reconcile Japanese GAAP to U.S. GAAP:			
Derivative financial instruments and hedging activities . . . . .	(221.9)	(110.2)	45.3
Investments . . . . .	(115.9)	98.1	(273.3)
Loans . . . . .	2.5	(2.4)	(11.9)
Allowances for loan losses and off-balance-sheet instruments . . . . .	(13.8)	6.8	(5.8)
Premises and equipment . . . . .	28.6	35.4	303.6
Land revaluation . . . . .	4.5	3.4	10.2
Business combinations . . . . .	14.8	15.6	(12.8)
Pension liabilities . . . . .	33.8	(4.4)	(32.2)
Consolidation of variable interest entities . . . . .	1.6	2.7	(39.0)
Foreign currency translation . . . . .	(6.2)	12.1	1.7
Others . . . . .	<u>(31.8)</u>	<u>(17.8)</u>	<u>(17.0)</u>
Income before income tax expense under U.S. GAAP . . . . .	<u>480.4</u>	<u>839.3</u>	<u>85.1</u>
		<u>2019</u>	
		(in billions of yen)	
Fixed assets . . . . .		1,657.2	
U.S. GAAP adjustments . . . . .		413.1	
Premises and equipment-net, Goodwill, and Intangible assets . . . . .		<u>2,070.3</u>	

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

Note: The U.S. GAAP adjustments are primarily comprised of GAAP differences mainly from internally developed software, which was impaired under Japanese GAAP; land, which was revalued under Japanese GAAP; and the consolidation of certain variable interest entities, which are not consolidated under Japanese GAAP.

**33. 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, 2017:						
Total revenue <sup>(1)</sup> . . . . .	1,748.3	500.3	70.3	190.7	367.5	2,877.1
Total expenses <sup>(2)</sup> . . . . .	1,712.3	303.2	29.1	136.2	215.9	2,396.7
Income before income tax expense . . . . .	36.0	197.1	41.2	54.5	151.6	480.4
Net income . . . . .	5.7	167.6	38.8	39.5	137.5	389.1
Total assets at end of fiscal year . . . .	138,832.3	30,262.0	4,203.3	10,629.1	16,529.6	200,456.3
Fiscal year ended March 31, 2018:						
Total revenue <sup>(1)</sup> . . . . .	2,002.4	654.9	64.0	197.4	447.8	3,366.5
Total expenses <sup>(2)</sup> . . . . .	1,582.5	478.8	38.5	172.6	254.8	2,527.2
Income before income tax expense . . . . .	419.9	176.1	25.5	24.8	193.0	839.3
Net income . . . . .	231.3	152.7	23.7	21.3	172.7	601.7
Total assets at end of fiscal year . . . .	142,587.8	28,135.9	4,380.4	11,677.8	17,473.7	204,255.6
Fiscal year ended March 31, 2019:						
Total revenue <sup>(1)</sup> . . . . .	1,705.5	792.1	66.0	249.7	616.5	3,429.8
Total expenses <sup>(2)</sup> . . . . .	2,082.6	696.5	46.1	203.2	316.3	3,344.7
Income before income tax expense . . . . .	(377.1)	95.6	19.9	46.5	300.2	85.1
Net income . . . . .	(331.4)	85.3	17.0	34.6	270.2	75.7
Total assets at end of fiscal year . . . .	133,443.5	25,913.5	4,824.7	15,322.5	18,107.0	197,611.2

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)**

**34. Mizuho Financial Group, Inc., parent company**

The following tables present the parent company only financial information of MHFG:

*Condensed balance sheets*

	<u>2018</u>	<u>2019</u>
	(in millions of yen)	
Assets:		
Cash and due from banks . . . . .	22,264	99,209
Interest-bearing deposits in other banks . . . . .	1,227	1,158
Trading account assets . . . . .	176,593	—
Investments in subsidiaries and affiliated companies . . . . .	9,501,633	9,317,387
Long-term loans receivable from subsidiaries . . . . .	3,969,015	5,110,248
Other . . . . .	344,065	351,951
Total . . . . .	<u>14,014,797</u>	<u>14,879,953</u>
Liabilities and shareholders' equity:		
Short-term borrowings . . . . .	1,083,135	945,505
Long-term debt . . . . .	3,969,015	5,145,286
Other liabilities . . . . .	94,226	62,643
Shareholders' equity . . . . .	8,868,421	8,726,519
Total . . . . .	<u>14,014,797</u>	<u>14,879,953</u>

*Condensed statements of income*

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Income:			
Dividends from subsidiaries and affiliated companies:			
Banking subsidiaries . . . . .	300,530	227,057	267,724
Non-banking subsidiaries and affiliated companies . . . . .	27,618	28,987	23,392
Management fees from subsidiaries . . . . .	48,594	47,945	39,292
Interest income on loans and discounts . . . . .	39,359	68,869	106,920
Other income . . . . .	21,054	52,672	9,575
Total . . . . .	<u>437,155</u>	<u>425,530</u>	<u>446,903</u>
Expenses:			
Operating expenses . . . . .	38,927	38,661	40,680
Interest expense . . . . .	48,594	74,227	110,861
Other expense . . . . .	14,608	28,123	59,049
Total . . . . .	<u>102,129</u>	<u>141,011</u>	<u>210,590</u>
Equity in undistributed net income (loss) of subsidiaries . . . . .	32,595	309,210	(173,142)
Income before income tax expense . . . . .	367,621	593,729	63,171
Income tax expense (benefit) . . . . .	5,181	16,121	(21,300)
Net income . . . . .	<u>362,440</u>	<u>577,608</u>	<u>84,471</u>

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

*Condensed statements of cash flows*

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of yen)		
Cash flows from operating activities:			
Net income	362,440	577,608	84,471
Adjustments and other	(40,595)	(302,109)	197,193
Net cash provided by operating activities	<u>321,845</u>	<u>275,499</u>	<u>281,664</u>
Cash flows from investing activities:			
Proceeds from sales of Equity securities	—	—	139,719
Net change in loans	(2,022,860)	(1,344,323)	(1,075,059)
Purchases of premises and equipment	(40,362)	(6,649)	(11,640)
Payments for purchases of securities of subsidiaries	(65,269)	—	—
Proceeds from withdrawal of securities of subsidiaries	13,359	—	—
Net change in other investing activities	(5,336)	(4,114)	(1,310)
Net cash used in investing activities	<u>(2,120,468)</u>	<u>(1,355,086)</u>	<u>(948,290)</u>
Cash flows from financing activities:			
Net change in short-term borrowings	(30,000)	(70,000)	(140,000)
Proceeds from issuance of long-term debt	2,022,860	1,344,323	1,075,059
Proceeds from issuance of common stock	6	3	3
Purchases of treasury stock	(1,435)	(1,611)	(2,124)
Dividends paid	(190,031)	(190,382)	(190,413)
Net change in other financing activities	971	555	437
Net cash provided by financing activities	<u>1,802,371</u>	<u>1,082,888</u>	<u>742,962</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	540
Net increase (decrease) in cash and cash equivalents	3,748	3,301	76,876
Cash and cash equivalents at beginning of period	<u>16,442</u>	<u>20,190</u>	<u>23,491</u>
Cash and cash equivalents at end of period	<u><u>20,190</u></u>	<u><u>23,491</u></u>	<u><u>100,367</u></u>

**35. Subsequent events**

*Redemption of preferred securities*

On June 30, 2019, preferred securities, issued by the MHFG Group's overseas special purpose company, were redeemed in full. The special purpose company is 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 (JPY) 3 Limited	Series A ¥249,500	Arrival of optional redemption date
Mizuho Capital Investment (JPY) 3 Limited	Series B ¥53,500	Arrival of optional redemption date

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
1.1	Articles of Incorporation of Mizuho Financial Group, Inc., dated June 23, 2017 (English Translation)**
1.2	Regulations of the Board of Directors of Mizuho Financial Group, Inc., as amended on April 26, 2019 (English Translation)
1.3	Share Handling Regulations of Mizuho Financial Group, Inc., dated April 1, 2018 (English Translation)*
2.1	Form of American Depositary Receipt*
2.2	Form of Deposit Agreement, amended and restated as of April 2, 2018, among the registrant, The Bank of New York Mellon 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 for Financial Professionals of Mizuho Financial Group, Inc. (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).
15	Consent of Independent Registered Public Accounting Firm
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 3, 2018.

\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 7, 2017.

\*\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on July 21, 2016.

**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/ Tatsufumi Sakai

Name: Tatsufumi Sakai

Title: President & Group CEO

July 5, 2019



[ Translation ]

Effective from January 8, 2003  
As amended on April 26, 2019

## 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) Appointment of, 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) Appointment of, removal of, and commission to executive officers as defined in our internal regulations with special titles of management category A1 companies (companies categorized into “management category A1” 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 Chairman & Executive Officer, 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.

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tatsufumi Sakai, 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 5, 2019

By:  /s/ Tatsufumi Sakai  
Name: Tatsufumi Sakai  
Title: Chief Executive Officer

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Makoto Umemiya, 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 5, 2019

By:  /s/ Makoto Umemiya

Name: Makoto Umemiya

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, 2019 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.

Tatsufumi Sakai, Chief Executive Officer, and Makoto Umemiya, 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 5, 2019

By: /s/ Tatsufumi Sakai  
Name: Tatsufumi Sakai  
Title: Chief Executive Officer

By: /s/ Makoto Umemiya  
Name: Makoto Umemiya  
Title: Chief Financial Officer

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form F-3 No. 333-213187) of Mizuho Financial Group, Inc. and in the related Prospectus of our reports dated July 5, 2019, with respect to the consolidated financial statements of Mizuho Financial Group, Inc., and the effectiveness of internal control over financial reporting of Mizuho Financial Group, Inc., included in this Annual Report (Form 20-F) for the year ended March 31, 2019.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
July 5, 2019