

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, 2018  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report  
For the transition period from to

Commission file number 001-33098

**Kabushiki Kaisha Mizuho Financial Group**

(Exact name of Registrant as specified in its charter)

**Mizuho Financial Group, Inc.**

(Translation of Registrant's name into English)

**Japan**

(Jurisdiction of incorporation or organization)

1-5-5 Otemachi

Chiyoda-ku, Tokyo 100-8176

Japan

(Address of principal executive offices)

Masahiro Kosugi, +81-3-5224-1111, +81-3-5224-1059, address is same as above

(Name, Telephone, Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

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

The New York Stock Exchange\*  
The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.  
At March 31, 2018, the following shares of capital stock were issued: 25,389,644,945 shares of common stock (including 6,487,234 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 and posted on its corporate Web site, if any, every Interactive Data File required to be  
submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was  
required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> 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 “Group,” “we,” “us” and “our” generally refer to Mizuho Financial Group, Inc. and its consolidated subsidiaries, but from time to time as appropriate to the context, those terms refer to Mizuho Financial Group, Inc. as an individual legal entity. Furthermore, unless the context indicates otherwise, these references are intended to refer to us as if we had been in existence in our current form for all periods referred to herein.

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

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

In this annual report, references to “U.S. dollars,” “dollars” and “\$” refer to the lawful currency of the United States and those to “yen” and “¥” refer to the lawful currency of Japan.

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

Our fiscal year end is March 31. References to years not specified as being fiscal years are to calendar years.

Unless otherwise specified, for purposes of this annual report, we have presented our financial information in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Unless otherwise stated or the context otherwise requires, all amounts in our financial statements are expressed in yen.

We usually hold the ordinary general meeting of shareholders of Mizuho Financial Group in June of each year in Chiyoda-ku, Tokyo.

## FORWARD-LOOKING STATEMENTS

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission, including this annual report, and other reports to shareholders and other communications.

The U.S. Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves. We rely on this safe harbor in making these forward-looking statements.

This annual report contains forward-looking statements regarding the intent, belief, current expectations and targets of our management with respect to our financial condition and future results of operations. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “endeavor,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “project,” “risk,” “seek,” “should,” “strive,” “target” and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking

statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks and uncertainties include, without limitation, the following:

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

Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. We identify in this annual report in “Item 3.D. Key Information—Risk Factors,” “Item 4.B. Information on the Company—Business Overview,” “Item 5. Operating and Financial Review and Prospects” and elsewhere, some, but not necessarily all, of the important factors that could cause these differences.

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

### **ITEM 3. KEY INFORMATION**

#### **3.A. Selected Financial Data**

The following tables set forth our selected consolidated financial data.

The first table below sets forth selected consolidated financial data of Mizuho Financial Group as of and for the fiscal years ended March 31, 2014, 2015, 2016, 2017 and 2018 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, 2014, 2015, 2016, 2017 and 2018 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, 2016, 2017 and 2018 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,				
	2014	2015	2016	2017	2018
	(in millions of yen, except per share data, share number information and percentages)				
<b>Statement of income data:</b>					
Interest and dividend income . . . . .	¥ 1,422,799	¥ 1,457,659	¥ 1,500,171	¥ 1,509,030	¥ 1,761,886
Interest expense . . . . .	401,565	411,982	495,407	601,712	889,936
Net interest income . . . . .	1,021,234	1,045,677	1,004,764	907,318	871,950
Provision (credit) for loan losses . . . . .	(126,230)	(60,223)	34,560	37,668	(126,362)
Net interest income after provision (credit) for loan losses . . . . .	1,147,464	1,105,900	970,204	869,650	998,312
Noninterest income . . . . .	1,082,834	1,801,215	1,883,894	1,368,032	1,604,663
Noninterest expenses . . . . .	1,503,955	1,639,462	1,657,493	1,757,307	1,763,677
Income before income tax expense . . . . .	726,343	1,267,653	1,196,605	480,375	839,298
Income tax expense . . . . .	226,108	437,420	346,542	91,244	237,604
Net income . . . . .	500,235	830,233	850,063	389,131	601,694
Less: Net income (loss) attributable to noncontrolling interests . . . . .	1,751	27,185	(429)	26,691	24,086
Net income attributable to MHFG shareholders . . . . .	¥ 498,484	¥ 803,048	¥ 850,492	¥ 362,440	¥ 577,608
Net income attributable to common shareholders . . . . .	¥ 491,739	¥ 798,138	¥ 848,062	¥ 362,440	¥ 577,608
<b>Amounts per share:</b>					
Basic earnings per common share—net income attributable to common shareholders . . . . .	¥ 20.33	¥ 32.75	¥ 34.19	¥ 14.33	¥ 22.77
Diluted earnings per common share—net income attributable to common shareholders . . . . .	¥ 19.64	¥ 31.64	¥ 33.50	¥ 14.28	¥ 22.76
Number of shares used to calculate basic earnings per common share (in thousands) . . . . .	24,189,670	24,368,116	24,806,161	25,285,899	25,366,345
Number of shares used to calculate diluted earnings per common share (in thousands) . . . . .	25,371,252	25,381,047	25,387,033	25,380,302	25,373,931
Cash dividends per share <sup>(1)(2)</sup> :					
Common stock . . . . .	¥ 6.50	¥ 7.50	¥ 7.50	¥ 7.50	¥ 7.50
\$ . . . . .	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07
Eleventh series class XI preferred stock <sup>(3)</sup> . . . . .	¥ 20.00	¥ 20.00	¥ 20.00	¥ —	¥ —
\$ . . . . .	\$ 0.19	\$ 0.17	\$ 0.18	\$ —	\$ —



	As of and for the fiscal years ended March 31,				
	2014	2015	2016	2017	2018
	(in millions of yen, except per share data, share number information and percentages)				
<b>Balance sheet data:</b>					
Total assets	¥175,697,452 <sup>(4)</sup>	¥190,114,354 <sup>(4)</sup>	¥193,810,151 <sup>(4)</sup>	¥200,456,304	¥204,255,642
Loans, net of allowance	72,858,777	77,528,017	77,104,122	81,804,233	83,204,742
Total liabilities	169,076,081 <sup>(4)</sup>	181,924,510 <sup>(4)</sup>	185,626,960 <sup>(4)</sup>	191,684,247	194,751,942
Deposits	102,610,154	114,206,441	117,937,722	131,184,953	136,884,006
Long-term debt	9,852,048 <sup>(4)</sup>	14,576,861 <sup>(4)</sup>	14,765,527 <sup>(4)</sup>	14,529,414	12,955,230
Common stock	5,489,295	5,590,396	5,703,144	5,826,149	5,826,383
Total MHFG shareholders' equity	6,378,470	7,930,338	8,014,551	8,261,357	8,868,421
<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	0.27%	0.42%	0.43%	0.18%	0.28%
Net income attributable to common shareholders as a percentage of average MHFG shareholders' equity	9.64%	13.86%	13.33%	5.25%	8.26%
Dividends per common share as a percentage of basic earnings per common share	31.97%	22.90%	21.94%	52.34%	32.94%
Average MHFG shareholders' equity as a percentage of total average assets	2.84%	3.04%	3.23%	3.38%	3.35%
Net interest income as a percentage of total average interest-earning assets	0.64%	0.63%	0.58%	0.51%	0.47%

Notes:

- (1) Yen amounts are expressed in U.S. dollars at the rate of ¥102.98 = \$1.00, ¥119.96 = \$1.00, ¥112.42 = \$1.00, ¥111.41 = \$1.00 and ¥106.20 = \$1.00 for the fiscal years ended March 31, 2014, 2015, 2016, 2017 and 2018, 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,				
	2014	2015	2016	2017	2018
	(in millions of yen, except per share data and percentages)				
<b>Statement of income data:</b>					
Interest income	¥ 1,417,569	¥ 1,468,976	¥ 1,426,256	¥ 1,445,555	¥ 1,622,354
Interest expense	309,266	339,543	422,574	577,737	814,988
Net interest income	1,108,303	1,129,433	1,003,682	867,818	807,366
Fiduciary income	52,014	52,641	53,458	50,627	55,400
Net fee and commission income	560,768	593,360	607,551	603,542	614,349
Net trading income	187,421	262,963	310,507	325,332	275,786
Net other operating income	126,774	209,340	246,415	245,419	162,454
General and administrative expenses	1,258,227	1,351,611	1,349,593	1,467,221	1,488,973
Other income	344,275	301,652	365,036	438,042	565,683
Other expenses	135,962	207,147	228,807	279,368	192,113
Income before income taxes <sup>(1)</sup>	985,366	990,632	1,008,252	784,193	799,953
Income taxes:					
Current <sup>(2)</sup>	137,010	260,268	213,289	196,535	190,158
Deferred	77,960	44,723	69,260	(58,800)	1,469
Profit <sup>(1)</sup>	770,396	685,640	725,702	646,457	608,326
Profit attributable to non-controlling interests <sup>(1)</sup>	81,980	73,705	54,759	42,913	31,778
Profit attributable to owners of parent <sup>(1)</sup>	¥ 688,415	¥ 611,935	¥ 670,943	¥ 603,544	¥ 576,547
<b>Net income per share:</b>					
Basic	¥ 28.18	¥ 24.91	¥ 26.94	¥ 23.86	¥ 22.72
Diluted	27.12	24.10	26.42	23.78	22.72
<b>Balance sheet data:</b>					
Total assets	¥175,822,885	¥189,684,749	¥193,458,580	¥200,508,610	¥205,028,300
Loans and bills discounted <sup>(3)</sup>	69,301,405	73,415,170	73,708,884	78,337,793	79,421,473
Securities	43,997,517	43,278,733	39,505,971	32,353,158	34,183,033
Deposits <sup>(4)</sup>	101,811,282	113,452,451	117,456,604	130,676,494	136,463,824
Net assets	8,304,549	9,800,538	9,353,244	9,273,361	9,821,246
<b>Risk-adjusted capital data (Basel III)<sup>(5)</sup>:</b>					
Common Equity Tier 1 capital	¥ 5,304,412	¥ 6,153,141	¥ 6,566,488	¥ 7,001,664	¥ 7,437,048
Tier 1 capital	6,844,746	7,500,349	7,905,093	8,211,522	9,192,244
Total capital	8,655,990	9,508,471	9,638,641	10,050,953	10,860,440
Risk-weighted assets	60,274,087	65,191,951	62,531,174	61,717,158	59,528,983
Common Equity Tier 1 capital ratio	8.80%	9.43%	10.50%	11.34%	12.49%
Tier 1 capital ratio	11.35	11.50	12.64	13.30	15.44
Total capital ratio	14.36	14.58	15.41	16.28	18.24

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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 adopted the advanced internal ratings-based approach (the “AIRB approach”) for the calculation of risk-weighted assets associated with credit risk from the fiscal year ended March 31, 2009. We also adopted the advanced measurement approach (the “AMA”) for the calculation of operational risk from the fiscal year ended March 31, 2010. For more details on capital adequacy requirements set by the Bank for International Settlements (“BIS”), and the guideline implemented by the Financial Services Agency in compliance thereto, see “Item 5. Operating and Financial Review and Prospects—Capital Adequacy.”

There are certain differences between U.S. GAAP and Japanese GAAP. The differences between U.S. GAAP and Japanese GAAP applicable to us primarily relate to the accounting for derivative financial instruments and hedging activities, investments, loans, allowances for loan losses and off-balance-sheet instruments, premises and equipment, land revaluation, business combinations, pension liabilities, consolidation of variable interest entities, deferred taxes and foreign currency translation. See “Item 5. Operating and Financial Review and Prospects—Reconciliation with Japanese GAAP.”

### Exchange Rate Information

The following table sets forth, for each period indicated, the noon buying rate in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in yen per \$1.00. The exchange rates are reference rates and are not necessarily the rates used to calculate ratios or the rates used to convert yen to U.S. dollars in the financial statements contained in this annual report.

<u>Fiscal years ended (ending) March 31,</u>	<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Period end</u>
			(yen per dollar)	
2014 .....	¥105.25	¥ 92.96	¥100.46	¥102.98
2015 .....	121.50	101.26	110.78	119.96
2016 .....	125.58	111.30	120.13	112.42
2017 .....	118.32	100.07	108.31	111.41
2018 .....	114.25	104.83	110.70	106.20
2019 (through May 31) .....	111.08	105.99	109.01	108.73
<u>Calendar year 2017</u>				
December .....	¥113.62	¥111.88	—	—
<u>Calendar year 2018</u>				
January .....	¥113.18	¥108.38	—	—
February .....	110.40	106.10	—	—
March .....	106.91	104.83	—	—
April .....	109.33	105.99	—	—
May .....	111.08	108.62	—	—

Note:

- (1) Calculated by averaging the exchange rates on the last business day of each month during the respective periods. The noon buying rate as of May 31, 2018 was ¥108.73 = \$1.00.

### 3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

### 3.D. Risk Factors

*Investing in our securities involves a high degree of risk. You should carefully consider the risks described below as well as the other information in this annual report, including our consolidated financial statements and related notes, “Item 5. Operating and Financial Review and Prospects,” “Item 11. Quantitative and Qualitative Disclosures about 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 banks and other financial institutions, manufacturing and real estate industries is relatively high. We manage our credit portfolio by regularly monitoring the credit profile of each of our customers, the progress made on restructuring plans and credit exposure concentrations in particular industries or corporate groups, and we also utilize credit derivatives for hedging and credit risk mitigation purposes. We provide an allowance for loan losses taking into consideration the borrower's situation, the value of relevant collateral and guarantee, which we periodically re-evaluate, and economic trends based on our self-assessment standards as well as applicable charge-off and allowance standards. However, depending on trends in the domestic and global economic environment, the business environment in particular industries, 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.

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

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

In addition, if the framework set by the Basel Committee on Banking Supervision, upon which the Financial Services Agency's rules concerning banks' capital adequacy ratios are based, is changed or if the Financial Services Agency otherwise changes its banking regulations, we might not be able to meet the minimum regulatory requirements for capital adequacy ratios. For example, in December 2010, the Basel Committee on Banking Supervision issued its Basel III rules text, which presents the details of global regulatory standards on bank capital adequacy and liquidity. In March 2012, the Financial Services Agency published revisions to its capital adequacy guidelines which generally reflect rules in the Basel III- text and began phasing them in from March 31, 2013. The Basel Committee on Banking Supervision reviewed the risk measurement method and other rules and published the finalized Basel III reforms in December 2017. Regulations based on the review are expected to be phased in from 2022.

Furthermore, we have been named one of the global systemically important banks ("G-SIBs") and have become subject to additional capital requirements since March 2016. The group of G-SIBs will be updated annually and published by the Financial Stability Board ("FSB") each November. The FSB published the final standard requiring G-SIBs to maintain total loss-absorbing capacity ("TLAC") in November 2015, and G-SIBs will be required to meet the minimum TLAC requirement from 2019. In addition, the Financial Services Agency published a policy to develop a framework in connection with such requirements in Japan in April 2016, and a revised version of this document was published in April 2018. Based on this policy, the Financial Services Agency intends that Mizuho Financial Group be subject to the TLAC regulations from March 31, 2019.

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

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

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

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

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

For example, the additional collateral requirement in connection with our derivative contracts, absent other changes, assuming a downgrade occurred on March 31, 2018, would have been approximately ¥3.0 billion for a one-notch downgrade and approximately ¥6.3 billion for a two-notch downgrade.

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

We rely principally on deposits and bonds as our funding sources. In addition, we also raise funds in the financial markets. Our efforts to maintain stable funding, such as setting maximum limits on financial market funding and monitoring our liquidity position to apply appropriate funding policies, may not be sufficient to prevent significant increases in our funding costs or, in the case mainly of foreign currencies, cash flow problems if we encounter difficulties in attracting deposits or otherwise raising funds. Such difficulties could result, among other things, from any of the following:

- adverse developments with respect to our financial condition and results of operations;
- downgrading of our credit ratings or damage to our reputation; or
- a reduction in the size and liquidity of the debt markets due for example to the decline in the domestic and global economy, concerns regarding the financial system or turmoil in financial markets and other factors.

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

We have been implementing strategic initiatives and measures in various areas. In May 2016, we announced our Medium-term Business Plan for the three fiscal years ending March 31, 2019. Also, in November 2017, with the aim of achieving sustainable growth and maintaining and strengthening our competitive advantages over the long term, we developed a basic principle of structural reforms.

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 Medium-term 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, securities and other services. As the needs of our customers become more sophisticated and broader in scope, and as the Japanese financial industry continues to be deregulated, we have been entering into various new areas of business, including through various business and equity alliances, which expose us to new risks. While we have developed and intend to maintain risk management policies that we believe are appropriate to address such risks, if a risk materializes in a manner or to a degree outside of our expectations, our business, financial condition and results of operations could be materially and adversely affected.



**We are subject to various laws and regulations, and violations could result in penalties and other regulatory actions.**

Our business and employees in Japan are subject to various laws and regulations, including those applicable to financial institutions as well as general laws applicable to our business activities, and we are under the regulatory oversight of the Financial Services Agency. Our businesses outside of Japan are also subject to the laws and regulations of the jurisdictions in which they operate and are subject to oversight by the regulatory authorities of those jurisdictions.

Our compliance and legal risk management structures are designed to prevent violations of such laws and regulations, but they may not be effective in preventing all 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.

**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.

**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. Our efforts to sustain stable daily operations and development of contingency plans for unexpected events, including the implementation of backup and redundancy measures. Mizuho Bank, Ltd. and Mizuho Trust & Banking Co., Ltd. are working on shifting to our next-generation accounting system for the purpose of improving our customer service capabilities. In shifting to this new system, we plan to progress gradually from the viewpoint of ensuring safety and a steady transition, such as multiple temporary suspensions of our online services. 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 Law 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 Act on the Protection of Personal Information, 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.

**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.

**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, 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.

**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. We are currently facing significant uncertainties in the economic environment such as U.S. governmental policies, political concerns in Europe, the economic outlook for China and heightening geopolitical risks. Significant changes in general economic conditions or financial markets due to the effect of changes in these risks could materially and adversely affect our financial condition and results of operations.

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

We are subject to general laws, regulations and accounting rules applicable to our business activities in and outside of Japan. We are also subject to various laws and regulations applicable to financial institutions such as the Banking Act, including capital adequacy requirements, in and outside of Japan. If the laws and regulations that are applicable to us are amended or otherwise changed, such as in a way that restricts us from engaging in business activities that we currently conduct 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.

**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. Additionally, massive natural disasters such as the March 2011 Great East Japan Earthquake may have various adverse effects, including a deterioration in economic conditions, declines in the business performance of many of our corporate customers and declines in stock prices. As a result, our financial condition and results of operations could be materially and adversely affected due to an increase in the amount of problem loans and credit-related costs as well as an increase in unrealized losses on, or losses from sales of, equity securities and financial products.

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

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

***Risks Related to Owning Our Shares***

**Rights of shareholders under Japanese law may be more limited than under the law of other jurisdictions.**

Our articles of incorporation, our regulations of board of directors and Japan's Companies Act govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from or less clearly defined than those that would apply if we were incorporated in another jurisdiction. For example, under the Companies Act, only holders of 3% or more of the total voting rights or total outstanding shares are entitled to examine our accounting books and records. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the law of jurisdictions within the United States or other countries. For more information on the rights of shareholders under Japanese law, see "Item 10.B. Additional Information—Memorandum and Articles of Association."

**It may not be possible for investors to effect service of process within the United States upon us or our directors, executive officers or senior management, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.**

We are a joint stock corporation incorporated under the laws of Japan. Almost all of our directors, executive officers and senior management reside outside the United States. Many of the assets of us and these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce, against us or these persons, judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of claims predicated solely upon the federal securities laws of the United States.

***Risks Related to Owning Our ADSs***

**As a holder of ADSs, you have fewer rights than a shareholder and you must act through the depository 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 depository, through its

custodian, is the record holder of the shares underlying the ADSs, a holder of ADSs may not be entitled to the same rights as a shareholder. In your capacity as an ADS holder, you are not able to bring a derivative action, examine our accounting books and records or exercise appraisal rights, except through the depositary.

**Foreign exchange rate fluctuations may affect the U.S. dollar value of our ADSs and dividends payable to holders of our ADSs.**

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **4.A. History and Development of the Company**

#### **The Mizuho Group**

The Mizuho group was created on September 29, 2000 through the establishment of Mizuho Holdings, Inc. as a holding company of our three predecessor banks, The Dai-Ichi Kangyo Bank, The Fuji Bank and The Industrial Bank of Japan. On October 1, 2000, the respective securities subsidiaries of the predecessor banks merged to form Mizuho Securities Co., Ltd. and the respective trust bank subsidiaries merged on the same date to form Mizuho Trust & Banking.

A further major step in the Mizuho group's development occurred in April 2002 when the operations of our three predecessor banks were realigned through a corporate split and merger process under Japanese law into a wholesale banking subsidiary, the former Mizuho Corporate Bank, and a banking subsidiary serving primarily retail and small and medium-sized enterprise customers, the former Mizuho Bank. As an additional step for realigning the group structure, Mizuho Financial Group was established on January 8, 2003 as a corporation organized under the laws of Japan, and on March 12, 2003, it became the holding company for the Mizuho group through a stock-for-stock exchange with Mizuho Holdings, which became an intermediate holding company focused on management of the Mizuho group's banking and securities businesses. The legal and commercial name of the company is Mizuho Financial Group, Inc.

In May 2003, we initiated a project to promote early corporate revitalization of customers in need of revitalization or restructuring and to separate the oversight of restructuring borrowers from the normal credit origination function. In July 2003, our three principal banking subsidiaries, the former Mizuho Corporate Bank, the former Mizuho Bank and Mizuho Trust & Banking each transferred loans, equity securities and other claims outstanding relating to approximately 950 companies to new subsidiaries that they formed. In October 2005, based on the significant reduction in the balance of impaired loans held by these new subsidiaries, which we call the "revitalization subsidiaries," we deemed the corporate revitalization project to be complete, and each of the revitalization subsidiaries was merged into its respective banking subsidiary parent.

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

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

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

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

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

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

In 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. (“JTTSB”) and Trust & Custody Services Bank, Ltd. (“TCSB”). In March 2018, TCSB executed a management integration agreement with JTTSB to carry out the management integration through incorporation of a holding company by joint share transfer. 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.

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

##### **General**

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



We launched our three-year medium-term business plan, the “Progressive Development of “One MIZUHO”—The Path to a Financial Services Consulting Group,” formulated for the three years beginning the fiscal year ended March 31, 2017. This plan aims for (i) further reinforcement of the “customer-focused” perspective that we have been promoting and (ii) the pursuit of “operational excellence,” as part of our effort to promote greater business improvement and efficiency. Through these efforts, we aim to further develop the “One MIZUHO” strategy by establishing a new business model as a “Financial Services Consulting Group.”

We are positioning our asset management function and our research and consulting functions as new pillars that supplement the banking, trust and securities functions, and by striving to provide the best possible and optimal services to customers for their improved satisfaction, we aim to become an indispensable partner for achieving sustainable growth of corporate customers and securing a promising future of retail customers.

With the aim of establishing this new business model, we have set forth five basic policies in the medium-term business plan. The five basic policies are supported by ten basic strategies, which are classified into business strategies, financial strategies and management foundations.

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

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

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

#### *Five Basic Policies*

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

#### *Ten Basic Strategies*

##### *Business strategies*

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

### *Financial strategies*

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

### *Management foundations*

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

In the fiscal year ended March 31 2018, the second year of the medium-term business plan, we adopted “accelerating the One MIZUHO strategy through commitment to customer-focused business operations and fundamental enhancement of productivity” as our operational policy and have worked together as a group in this direction.

First, in order to further promote the evolution of integrated, group-wide operations across banking, trust and securities functions to ensure that the business is managed on a customer-focused basis, we have enhanced our front-line capabilities, implemented prompt decision-making processes, increased the efficiency of group management and worked to strengthen our noninterest income business on a group-wide basis by providing solutions to issues that customers may face.

In addition, with respect to the fulfillment of fiduciary duties, in addition to our policies and action plans for each group company regarding the asset management-related business, we set and published quantitative key performance indicators to confirm the extent to which our fiduciary duties are being fulfilled and implemented various kinds of customer-focused measures.

Secondly, we have promoted “operational excellence” in order to improve productivity. With the aim of “improving operational efficiency” and “enhancing service value for customers by raising the sophistication of our operations,” we have streamlined head office operations and advanced our business process reform through the utilization of digital technologies such as robotic process automation (i.e., software that is capable of inputting, processing, collecting and checking data that requires simple judgment, which can be utilized for the automation of routine manual tasks) and employee mind-set reforms, etc.

Thirdly, we have actively worked on improving innovation. Under a new structure for promoting innovation, which the CDIO (Chief Digital Innovation Officer) is exclusively in charge of, we have advanced our initiatives by establishing Blue Lab Co., Ltd. for the purposes of creating next-generation business models and actual commercialization related businesses, and commenced “AI-based Score Lending,” (i.e., an individual consumer financing service that provides reference values for lending terms, such as interest rates and borrowing limits, based on AI-based score levels), one of the first FinTech services in Japan, provided by J.Score CO., LTD.

Fourthly, in order to contribute to the sustainable development of society and to create new corporate value, we have pursued a CSR initiative regarding environmental, societal and governance (ESG) issues. With respect to environment and society, we issued green bonds and developed a human rights policy in line with international standards, among other initiatives. With respect to governance, we became the first Japanese bank holding company for which the Chairman of the Board of Directors and the chairmen of the three legally-required committees are all outside directors, and each of Mizuho Bank, Ltd., Mizuho Trust & Banking Co., Ltd. and Mizuho Securities Co., Ltd. (the “Three Core Companies”) changed its corporate governance system from the “Company with Board of Company Auditors” structure to the “Company with Audit and Supervisory Committee” structure.

Finally, with respect to legal compliance, we continued our various efforts, including severing transactions with anti-social elements and our countermeasures against money laundering and terrorist financing.

The business environment surrounding financial institutions continues to be challenging, and we anticipate it will undergo major structural changes over time. Under these circumstances, we will undertake fundamental structural reforms in our business structure, and, based on a ten-year time horizon, we will strive to secure our sustainable growth and continued competitive advantage.

We will utilize advanced technologies in accordance with our concept of open innovation to further develop our “One MIZUHO strategy” by, for example, (i) endeavoring to increase profit through actively pursuing collaborative engagement with other companies, not limited to financial activities, in order to create new business opportunities and (ii) endeavoring to strengthen cost competitiveness and enhance productivity while striving to optimize organization and staffing, restructure branch strategies and accomplish other related tasks.

In the fiscal year ending March 31, 2019, in order to address three material issues, “launching and implementing fundamental structural reforms,” “achieving the medium-term business plan” and “completing implementation of our next generation IT systems,” we are focusing our attention on progressively developing our “One MIZUHO strategy” by implementing changes to the structure and foundations of our business, further integrating our “customer first” principle into everything we do and fundamentally increasing productivity, and we will work to advance such strategy by placing emphasis on the points described below.

#### *Increasing Our Earning Capacity through Fully Implementing Our Customer First Principle*

Through strengthening customer contacts, ensuring awareness of customer needs and accomplishing other related tasks, we will work to further develop our “One MIZUHO strategy” by which group-wide operations are integrated and work to increase our earnings capacity on a group-wide basis by solving issues that need to be addressed. We will also work to fulfill our fiduciary duties with respect to the asset management-related business and incorporate customers’ voices and evaluations into the process of following our business plan in order to reflect them in our strategies and measures.

#### *Selecting and Focusing on Certain Areas of Business*

By improving the reasonable allocation of management resources in relation to the focus and streamline areas by which targets and markets are narrowed, we will work to make efficient use of our limited management resources and increase our earnings capacity. In the focus areas, we will work to expand the area and breadth of risk taking and will commence strengthening new and growing businesses.

#### *Establishment of a Resilient Financial Base*

By capturing signs of changes in the business environment and exercising flexible and effective control over our balance sheets, we will seek to optimize risk and return. With respect to the disposal of cross-shareholdings, we will work to achieve targets set forth in the medium-term business plan. In addition, by thoroughly reviewing our business processes through the pursuit of “operational excellence” and other similar efforts and by reviewing our working style, we will reform our cost structure.

#### *Utilization of Technology and Data*

We will strengthen our ability to develop and promote group-wide digital innovation strategies and will promote efforts towards the utilization of technology and data, and the co-creation of value through collaboration with other companies in each area of productivity enhancement through upgraded business processes, the reform of business foundation and the creation of new businesses.

### *Transforming Our Corporate Culture into One that Encourages the Active Participation of Our Workforce to Support a Stronger Mizuho*

We will seek to establish and spread the “fundamental reform of HR management” by promoting, among other matters, HR management that respects employees’ individuality, active participation of a diverse workforce, a work-life balance initiative to provide flexible and varied work arrangements and the “health and productivity management” initiative. We will also proceed with initiatives toward the transformation of our corporate culture, such as mind-set reforms that encourage employees to take on challenges and eliminate inward-facing energy.

### *Completion of Implementation of our Next Generation IT Systems*

As our most important and largest systems project, we will take all possible measures to complete the implementation of our next-generation IT systems in a safe and steady manner.

In addition to the foregoing efforts, we will also continue to endeavor to upgrade our risk appetite framework and strengthen our attitude toward governance and compliance with laws and regulations, including severance of business relations with anti-social elements.

As already announced, Trust & Custody Services Bank, Ltd., which is our consolidated subsidiary, has executed a management integration agreement with Japan Trustee Services Bank, Ltd. to the effect that both parties will carry out management integration. The integrated company will aim to be the top trust bank in Japan specializing in asset administration services that meet a wide variety of customer needs regarding asset administration services.

We will also continue to consider the possibility of consolidation between Mizuho Bank and Mizuho Trust & Banking.

We will contribute to the sustainable development of society by pursuing a CSR initiative toward addressing social challenges, such as the Sustainable Development Goals (i.e., the international goals from 2016 to 2030 that were set forth in the “2030 Agenda for Sustainable Development” adopted by the UN Summit held in September 2015), on a group-wide basis and further promote our corporate values.

In addition, we will continue to implement measures to further improve the value of our brand through means such as positive communication with various stakeholders and extending support to the Olympic and Paralympic Games Tokyo 2020 (Mizuho is a Tokyo 2020 Gold Banking Partner).

## **Group Operations**

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

We operate our group through five in-house companies, which determine and promote strategies group-wide across banking, trust, 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 in charge of the services for individual customers, small- and medium-sized enterprises and middle-market firms.

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.

While fulfilling our fiduciary duties, to promote the change “from savings to investments” and in addition to the consulting services that combine banking, trust 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 such as family trusts and annual fund giving trusts.

With respect to the loan business, we have expanded our line of housing loan and card loan products and offer various products and services in response to each customer’s life stage, including the development of new internet-based services.

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 expanded our branch network throughout Japan (Mizuho Bank: 465; Mizuho Trust & Banking: 60; Mizuho Securities: 275; each as of March 31, 2018) and our ATM network (approximately 7,200 locations as of March 31, 2018, including ATMs shared with AEON Bank). We also have 166 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, 2018.

We have also made efforts to enhance customer convenience by offering new services that utilize advanced scientific and digital technologies, as well as by enhancing the quality of our internet and smart phone services.

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.

Starting from consulting services, we offer multi-layered solutions in response to the various development stages of our customers’ businesses through the combined strength of our banking, trust, securities, asset management and research 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 traditional 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 this manner, we aim to grow with our customers into a “Financial Services Consulting Company.”

### *Corporate & Institutional Company*

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

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

Mizuho Bank and Mizuho Securities have introduced the dual-hat structure in several offices in Japan. They collaborate to 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.

We are also strengthening business structures across the group by increasing personnel and reframing the business structure of Mizuho Securities, as well as strengthening the consulting functions of Mizuho Trust & Banking.

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

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.

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

### *Global Corporate Company*

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

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 Phnom Penh Branch (under the Bangkok Branch), Washington, D.C. Representative Office, and Dallas Representative Office (under the New York Branch) as well as the Mizuho Bank Mexico, S.A., Leon Office, the Mizuho Securities Asia Limited, Seoul Branch and the Mizuho International plc, Dubai Branch.

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.

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

#### *Global Markets Company*

The Global Markets Company operates sales and trading business to meet the risk hedging and investment needs of a wide range of customers, from individuals to institutional investors, by offering a comprehensive range of market-related products. We also operate asset liability management and investment business with respect to bonds and equities.

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

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

With respect to our asset liability management, we contribute to the stabilization of foreign currency liquidity management. Also, as for the investment business, we earn stable revenue by constructing well diversified portfolio and changing allocation appropriately with using our early warning control to reflect the changes of market environment flexibly.

In addition, we are also actively working on the advancement of our market business through the use of advanced technology such as AI.

The Global Markets Company is aiming to become a top-class Asian player in the global market by utilizing its capacity to offer a wide range of products based on the collaboration among the banking, trust and securities functions.

#### *Asset Management Company*

The Asset Management Company works with our banking, trust and securities functions as well as Asset Management One to meet the needs of a wide range of customers, from individuals to institutional investors, by providing products and services while fulfilling its fiduciary duties.

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 through Mizuho Alternative Investments, our New York-based hedge fund manager, Mizuho Global Alternative Investments, our Tokyo-based financial gatekeeper, EurekaHedge, 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.

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

#### *Global Products Unit*

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

In the investment banking business we provide sophisticated financial solutions mainly in the business areas of mergers and acquisitions, real estate, asset finance, project finance and corporate finance.

In the mergers and acquisitions business, with an aim to increase the corporate value of our customers, we offer sophisticated 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 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 solutions related to domestic exchange settlement, foreign exchange, cash management, trade finance, yen correspondence settlement and yen securities custody, global custody, asset management and stock transfer agent services.

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.

The Global Products Unit aims to support the group-wide goal of becoming a “Financial Services Consulting Group” by building a solid products platform.

#### *Research & Consulting Unit*

The Research & Consulting Unit, the fifth pillar for becoming a “Financial Services Consulting Group,” offers both in-house and customer research and consulting functions through “One Think Tank,” in collaboration with each of the in-house companies.

In the research field, we conduct deep investigations and analyses widely ranging from macro-economics to industry and business trends, and we also offer public policy advice based on such investigations and analyses.

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

With increased global economic and social uncertainties, as well as the diversification of management issues for our customers and social challenges, our customers’ expectations of the unit’s research and consulting functions are rising. To better meet such a business environment, we will focus on the following two areas:

- Creating new value through sharpening our expertise in the research and consulting fields and combining it with digital technology.
- Helping boost the Mizuho group’s underlying profitability by disseminating the Research & Consulting Unit’s knowledge, skills and value-added to the entire group through strengthened collaboration with the in-house companies.

Through such efforts, our “One Think Tank” teams of experts are tackling a variety of new areas and further strengthening intra-group collaboration in order to contribute to the further development of our customers and society as the “source of value creation.”

#### **Competition**

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

Our major competitors in Japan include:

- Japan’s other major banking groups: Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group.
- Other banking institutions: These include city banks, trust banks, regional banks, *shinkin* banks (or credit associations), credit cooperatives, agricultural cooperatives, foreign banks and retail-oriented online banks.
- Securities companies and investment banks: These include both domestic securities companies and the Japanese affiliates of global investment banks.
- Government financial institutions: These include Japan Finance Corporation, Japan Post Bank, Development Bank of Japan and Japan Bank for International Cooperation.

- Non-bank finance companies: These include credit card issuers, installment shopping credit companies and other non-bank finance companies.
- 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 June 28, 2018): (i) ordinary banks, of which there were 122, not including foreign commercial banks with banking operations in Japan; and (ii) trust banks, of which there were 15, including Japanese subsidiaries of foreign financial institutions and subsidiaries of Japanese financial institutions.

Ordinary banks consist mainly of city banks and regional banks. City banks, including Mizuho Bank, are based in large cities, operate domestically on a nation-wide scale through networks of branch offices and have strong links with large corporate customers in Japan. In light of deregulation and other competitive factors, however, many of these banks have placed increasing emphasis on other markets, including retail banking, small and medium-sized enterprise banking, international operations and investment banking. Regional banks are based in one of the prefectures of Japan and are generally much smaller in terms of total assets than city banks. In recent years, as a consequence of changes in the business environment, the number of regional banks that integrate their businesses with other regional banks is 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 [May 8], 2018, 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. “In September 2017, the government further sold down approximately 22% of Japan Post Holdings shares.” Japan Post Holdings plans to initially dispose of its two subsidiaries shares gradually down to approximately 50% ownership.

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 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.

Under the prompt warning system introduced in December 2002, the Financial Services Agency may take precautionary measures to maintain and promote the sound operations of financial institutions, even before those financial institutions become subject to the prompt corrective action system. These measures require a financial institution to reform profitability, credit risk management, stability and cash flow.

### *The Bank of Japan*

The Bank of Japan is Japan's central bank and serves as the principal instrument for the execution of Japan's monetary policy. The principal measures by which the Bank of Japan implements monetary policy are the adjustment of its discount rate, its operations in the open market and the imposition of deposit reserve requirements. Banks in Japan are allowed to obtain borrowings from, and rediscount bills with, the Bank of Japan. Moreover, most banks in Japan maintain current accounts under agreements with the Bank of Japan pursuant to which the Bank of Japan is entitled to supervise, examine and audit the banks. The supervisory functions of the Bank of Japan are intended to enable it to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of an orderly financial system, whereas the supervisory practices of the Prime Minister or the Commissioner of the Financial Services Agency are intended to maintain the sound operations of banks and promote the security of depositors.

### *Examination of Banks*

The Banking Act authorizes the Prime Minister to inspect banks and bank holding companies in Japan at any time. By evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the Financial Services Agency monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The inspection of banks is performed pursuant to a Financial Inspection Manual published by the Financial Services Agency. Currently, the Financial Services Agency takes the "better regulation" approach in its financial regulation and supervision. This consists of four pillars: optimal combination of rules-based and principles-based supervisory approaches; timely recognition of priority issues and effective response; encouraging voluntary efforts by financial institutions and placing greater emphasis on providing them with incentives; and improving the transparency and predictability of regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision. On December 15, 2017, the Financial Services Agency announced a plan to repeal the Financial Inspection Manual after April 1, 2019 and establish its new supervisory approaches. In addition to individual financial institutions, the Financial Services Agency also supervises financial groups as financial conglomerates based on its Guidelines for Financial Conglomerates Supervision that focus on management, financial soundness and operational appropriateness of a financial conglomerate as a whole.

The Bank of Japan also conducts examinations of banks similar to those undertaken by the Financial Services Agency. The examinations are normally conducted once every few years, and involve such matters as examining asset quality, risk management and reliability of operations. Through these examinations, the Bank of Japan seeks to identify problems at an early stage and give corrective guidance where necessary.

In addition, the Securities and Exchange Surveillance Commission examines banks in connection with their financial instruments business activities in accordance with the Financial Instruments and Exchange Act of Japan (Kinyu Shouhin Torihiki Hou) (Act No. 25 of 1948, as amended).

### *Examination and Reporting Applicable to Shareholders*

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

limited circumstances, the Financial Services Agency may order such principal shareholder to take such measures as the Financial Services Agency deems necessary.

Furthermore, under the Banking Act, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or bank must report its ownership of voting rights to the director of the relevant local finance bureau within five business days. In addition, a similar report must be made in respect of any subsequent change of 1% or more in any previously reported holding or any change in material matters set forth in reports previously filed, with some exceptions.

### *Deposit Insurance System*

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

The Deposit Insurance Corporation receives annual insurance premiums from insured banks. The effective premium rate from April 2018, 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 0.034%.

The insurance money may be paid out in case of a suspension of deposit repayments, banking license revocation, dissolution or bankruptcy of the bank. Pay outs are generally limited to a maximum of ¥10 million of principal amount, together with any interest accrued with respect to each depositor. Only non-interest bearing deposits, redeemable on demand and used by depositors primarily for payment and settlement functions are protected in full.

Participation in the deposit insurance system is compulsory for city banks (including Mizuho Bank), regional banks, trust banks (including Mizuho Trust & Banking), credit associations and co-operatives, labor banks and other financial institutions.

### *Governmental Measures to Treat Troubled Institutions*

Under the Deposit Insurance Act, a Financial Reorganization Administrator can be appointed by the Prime Minister if the bank is unable to fully perform its obligations with its assets or may suspend or has suspended repayment of deposits. The Financial Reorganization Administrator will take control of and dispose of the assets of the bank and search for another institution willing to take over its business. Its business may also be transferred to a "bridge bank" established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of these types of institutions, and the bridge bank will seek to transfer the bank's assets to another financial institution or dissolve the bank. The financial aid provided by the Deposit Insurance Corporation to assist another financial institution with succeeding the failed bank's business may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock or subordinated bonds, lending of subordinated loans, or loss sharing.

Where the Prime Minister recognizes that the failure of a bank which falls into any of (i) through (iii) below may cause an extremely grave problem in maintaining the financial order in Japan or the region where such bank is operating ("systemic risk"), without taking any of the measures described in (i) through (iii) below, the Prime Minister may confirm (nintei) to take any of the following measures, after the deliberation at the Financial Crisis Management Meeting: (i) if the bank does not fall into either of the banks described in (ii) or (iii), the Deposit Insurance Corporation may subscribe for shares or subordinated bonds of, or lend subordinated loans to the bank,

or subscribe for shares of the bank holding company of the bank, in order to enhance capital adequacy of the bank (item 1 measures (dai ichigo sochi)); (ii) if the bank is likely to suspend or has suspended repayment of deposits or is unable to fully perform its obligations with its assets, financial aid exceeding the pay-off cost may be available to such bank (item 2 measures (dai nigo sochi)); and (iii) if the bank is likely to suspend or has suspended repayment of deposits and is unable to fully perform its obligations with its assets, and the systemic risk cannot be avoided by the measure mentioned in (ii) above, the Deposit Insurance Corporation may acquire all of the bank's shares (item 3 measures (dai sango sochi)). The expenses for implementation of the above measures will be borne by the bank industry, with an exception under which the Government of Japan may provide partial subsidies for such expenses.

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

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

Further, under the new resolution regime, among other things, where the Prime Minister recognizes that the failure of a financial institution which falls into either (a) or (b) below may cause significant disruption in the financial markets or other financial systems in Japan without taking any of the measures described in (a) (specified item 1 measures)(tokutei dai ichigo sochi) stipulated in Article 126-2, Paragraph 1, Item 1 of the Deposit Insurance Act or the measures described in (b) (specified item 2 measures)(tokutei dai nigo sochi) stipulated in Article 126-2, Paragraph 1, Item 2 of the Deposit Insurance Act, the Prime Minister may confirm (specified confirmation)(tokutei nintei) to take any of the following measures, after the deliberation at the Financial Crisis Management Meeting; (a) if the financial institution does not fall into a financial institution which is unable to fully perform its obligations with its assets, the Deposit Insurance Corporation shall supervise the operation of the business of and the management and disposal of assets of that financial institution (tokubetsu kanshi), and may provide it with loans or guarantees necessary to avoid the risk of significant disruption in the financial systems in Japan (shikin no kashitsuke tou), or subscribe for shares or subordinated bonds of, or lend subordinated loans to the financial institutions (tokutei kabushiki tou no hikiuke tou) , in each case to be taken as necessary taking into consideration of the financial conditions of the financial institution; and (b) if the financial institution is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the Deposit Insurance Corporation shall supervise that financial institution (tokubetsu kanshi), and may provide financial aid necessary to assist merger, business transfer, corporate split or other reorganization in respect to such failed financial institution (tokutei shikin enjo). The expenses for implementation of the measures under this regime will be borne by the financial industry, with an exception under which the Government of Japan may provide partial subsidies for such expenses. If a measure set out in (b) above is determined to be taken with respect to a financial institution, the Prime Minister may order that the financial institution's operation and assets be under the special control (tokutei kanri) of the Deposit Insurance Corporation. The business or liabilities of the financial institution subject to the special supervision (tokubetsu kanshi) or special control (tokutei kanri) by the Deposit Insurance Corporation as set forth above may also be transferred to a "bridge bank" established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of, or repayment of the liabilities of, such financial institutions, and the bridge bank will seek to transfer the bank's business or liabilities to another financial institution or dissolve the bank. The financial aid provided by the Deposit Insurance Corporation to assist merger, business transfer, corporate split or other reorganization in respect to the financial institution set out in (b) above may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock or subordinated bonds, lending of subordinated loan, or loss sharing.

If the Deposit Insurance Corporation has provided such financial assistance, the Prime Minister may designate the movable assets and claims of the failed financial institution as not subject to attachment under Article 126-16 of the Deposit Insurance Act, and such merger, business transfer, corporate split or other reorganization may be conducted outside of the court-administrated insolvency proceedings.

If the financial institution subject to the special supervision or the special control by the Deposit Insurance Corporation as set forth above is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the financial institution may transfer all or a material portion of its business or all or a portion of shares of its subsidiaries or implement corporate split or certain other corporate actions with court permission in lieu of any shareholder resolutions under Article 126-13 of the Deposit Insurance Act which permission may be granted by the court in accordance with the Deposit Insurance Act if (i) the financial institution is under special supervision by, or under special control of, the Deposit Insurance Corporation pursuant to the Deposit Insurance Act and (ii) the financial institution is, or is likely to be, unable to fully perform its obligations with its assets, or the financial institution has suspended, or is likely to suspend, repayment of its obligations. In addition, the Deposit Insurance Corporation must request other financial institution creditors of the failed financial institution to refrain from exercising their rights against the failed financial institution until measures necessary to avoid the risk of significant disruption to the financial system in Japan have been taken, if it is recognized that such exercise of their rights is likely to make it difficult to conduct an orderly resolution of the failed financial institution.

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

#### *Recovery and Resolution Plan*

In November 2017, 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 2017 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, a bank holding company may, with prior approval of the Prime Minister, carry out certain common operations of 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.

### *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 is being phased in starting in March 2016 at 0.625% until becoming fully effective in March 2019 at 2.5%. In addition, subject to national discretion by the respective regulatory authorities, if the relevant national authority judges a period of excess credit growth to be leading to the build-up of system-wide risk, a countercyclical capital buffer ranging from 0% to 2.5% would also be imposed on banking organizations. The countercyclical capital buffer is a weighted average of the buffers deployed across all the jurisdictions to which the banking organization has credit exposures. Further, we were designated as both a G-SIB and D-SIB, and the additional loss absorption capacity requirement applied to us was 1.0%. The additional loss absorption capacity requirement was the same as that imposed by the Financial Stability Board, which is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%.

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 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. LCR is subject to phase-in arrangements pursuant to which the LCR rises in equal annual steps of 10 percentage points to reach 100% on January 1, 2019, with a minimum requirement of 90% during the period from January 1 to December 31, 2018. 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 is scheduled to be introduced as a minimum standard by the Financial Services Agency.

#### *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. Specifically, G-SIBs will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group’s risk-weighted assets as from January 1, 2019 and at least 18% as from January 1, 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator from January 1, 2019, and at least 6.75% from January 1, 2022.

Following the publication of the final TLAC standards for G-SIBs by the FSB, in April 2016, the Financial Services Agency published an explanatory paper outlining its approach for the introduction of the TLAC framework in Japan, and a revised version of this document was published in April 2018. According to the Financial Services Agency’s approach, which is subject to change based on future international discussions, the preferred resolution strategy for G-SIBs in Japan 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 Single Point of Entry (“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 plans to require the resolution entities in Japan of the Covered SIBs, which will be typically the ultimate holding company of the group, to (i) meet the minimum external TLAC requirements provided under the FSB’s TLAC standard, 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. In addition, under the approach, the Financial Services Agency plans to apply the TLAC requirement for Japanese G-SIBs from March 31, 2019, and Japanese G-SIBs would be allowed to count the Japanese Deposit Insurance Fund Reserves in an amount equivalent to 2.5% of their consolidated risk-weighted assets from 2019 and 3.5% of their consolidated risk-weighted assets from 2022 as their external TLAC.

### *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.

### *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.

As an FHC, we are also subject to additional regulatory requirements. For example, we and each of our U.S. insured depository institution subsidiaries with operations in the United States must be “well capitalized,” meaning maintenance of a Tier 1 risk-based capital ratio of at least 6%, a total risk-based capital ratio of at least 10% and a leverage ratio of at least 5%. We and each of our U.S. insured depository institution subsidiaries must also be “well managed,” including that 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 NYDFS 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, the Federal Reserve Board expects to finalize single counterparty credit limits and early remediation requirements for foreign banking organizations at a later date. In addition, 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.

Under Section 619 of the Dodd-Frank Act, also known as the "Volcker Rule," any insured depository institution; any insured depository institution holding company; any non-U.S. bank with branches in the United States, such as Mizuho Bank; and any affiliate or subsidiary of such entities (each, a "banking entity") is prohibited from engaging in proprietary trading or from investing in or sponsoring private equity or hedge funds, subject to certain limited exceptions. In December 2013, U.S. financial regulators approved final rules implementing Section 619 of the Dodd-Frank Act, 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. 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”) will replace the existing E.U. Data Protection Directive and, as a regulation, will have direct effect in all EU member states from May 25, 2018. Although a number of the existing principles for the protection of personal data will remain, the GDPR is designed to harmonize data privacy laws across Europe and reshape the way organizations approach data privacy. The GDPR introduces new obligations and expands its territorial reach. It will apply 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 will require 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 will need to be given full disclosure about how their personal data will be 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 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 cannot be exited by Mizuho Bank unilaterally. In the fiscal year ended March 31, 2018, Mizuho Bank received fees of less than ¥1 million attributable to this guarantee and earned net profits of less than that amount. Mizuho Bank continues to seek to terminate the counter guarantee to the extent permitted under applicable laws.

#### *Activities through correspondent banking accounts*

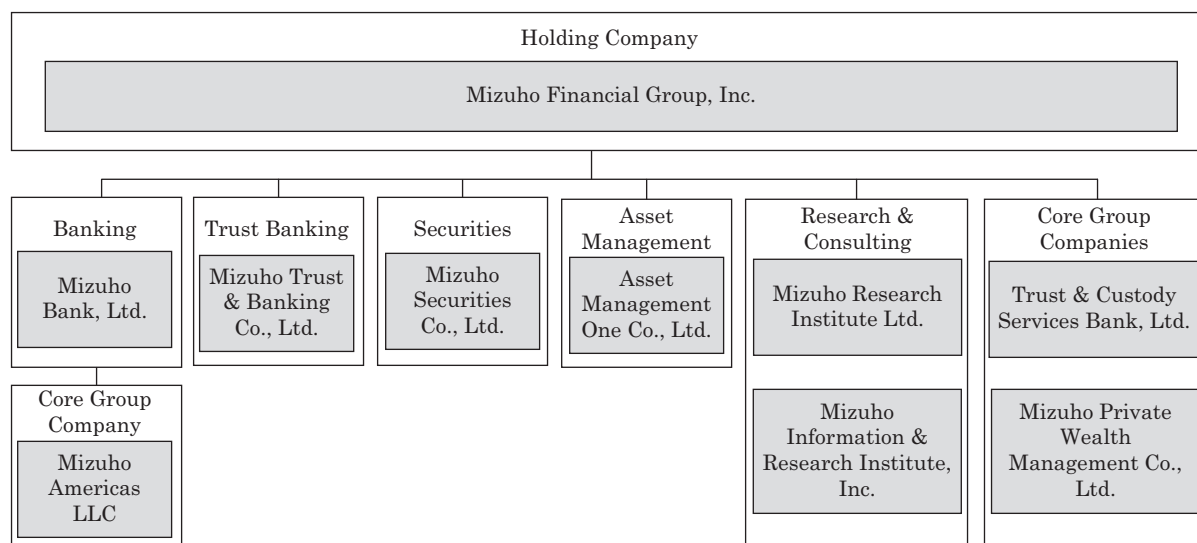
In the fiscal year ended March 31, 2018, Mizuho Bank conducted a limited number of fund transfers through accounts it maintains for or at a limited number of Iranian banks related to the Government of Iran and a bank designated under E.O. 13224, or through other correspondent banking accounts on behalf 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. 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, 2018 attributable to fees for these activities was less than ¥50 million, with a net profit of less than that amount. Mizuho Bank intends to continue engaging in these activities but 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, 2018:



The following table sets forth information with respect to our principal consolidated subsidiaries as of March 31, 2018:

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%
Trust & Custody Services Bank, Ltd. ....	Japan	Trust and banking	54.0%	54.0%
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%

Name	Country of organization	Main business	Proportion of ownership interest (%)	Proportion of voting interest (%)
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 .....	U.S.A.	Holding company	100.0%	100.0%
Mizuho Bank (China), Ltd. ....	China	Banking	100.0%	100.0%
Mizuho International plc .....	U.K.	Securities and banking	100.0%	100.0%
Mizuho Securities Asia Limited .....	China	Securities	100.0%	100.0%
Mizuho Securities USA LLC .....	U.S.A.	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) .....	U.S.A.	Banking and trust	100.0%	100.0%
Mizuho Bank (Switzerland) Ltd .....	Switzerland	Banking and trust	100.0%	100.0%
Mizuho Capital Markets LLC .....	U.S.A.	Derivatives	100.0%	100.0%
PT. Bank Mizuho Indonesia .....	Indonesia	Banking	99.0%	99.0%

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

The following table shows the breakdown of our premises and equipment at cost as of March 31, 2017 and 2018:

	As of March 31,	
	2017	2018
	(in millions of yen)	
Land .....	¥ 575,054	¥ 566,040
Buildings .....	807,312	811,911
Equipment and furniture .....	485,407	484,102
Leasehold improvements .....	93,967	97,066
Construction in progress .....	23,093	25,849
Software .....	1,308,292	1,463,786
Total .....	3,293,125	3,448,754
Less: Accumulated depreciation and amortization .....	1,251,852	1,332,570
Premises and equipment—net .....	<u>¥2,041,273</u>	<u>¥2,116,184</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 at March 31, 2018 was approximately 661,000 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 securities underwriting, fee and commission related to investment trusts and individual annuities and other securities-related activities;
- fee and commission from deposits and lending business, which consist mostly of fee and commission related to our loan businesses, including fees related to the arrangement of syndicated loans and other financing transactions such as arrangement fees related to management buy-out transactions and fees related to deposits such as account transfer charges;
- fee and commission from remittance business, including service charges for domestic and international funds transfers and collections;
- fee and commission from asset management business, including investment trust management fees and investment advisory fees;
- trust fees, including trust fees earned primarily through fiduciary asset management and administration services for corporate pension plans and investment funds; and
- fees for other customer services, including fees related to our agency businesses, such as administration fees related to Japan’s principal public lottery program, as well as guarantee fees and others.

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

Trading account gains (losses)—net include gains and losses from transactions undertaken for trading purposes, including both market making for customers and proprietary trading, or transactions through which we seek to capture gains arising from short-term changes in market value. Trading account gains (losses)—net also include gains and losses related to changes in the fair value of derivatives and other financial instruments not eligible for hedge accounting under U.S. GAAP that are utilized to offset mainly interest rate risk related to our various assets and liabilities, as well as gains and losses related to changes in the fair value of foreign currency-

denominated available-for-sale securities that are elected for fair value treatment under ASC 825. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report.

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

### *Noninterest Expenses*

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

Salaries and employee benefits include expenses incurred for salaries, bonuses and compensation to directors and employees. They also include expenses related to pension and other employee retirement benefit plans.

The principal items included in general and administrative expenses are amortization of software, tax expenses such as consumption tax and property tax that are not income taxes and other expenses, including premiums for deposit insurance.

The principal items included in occupancy expenses are expenses related to premises and equipment, including depreciation, losses on disposal and lease expenses.

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

### *Operating Environment*

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

As to the recent economic environment, the gradual recovery in the global economy has continued backed by such factors as the pickup in the Chinese economy, the improvement related to the IT cycle and improvements in business confidence particularly in major industrialized countries.

In the United States, the economy continued to recover due to such factors as strong consumer spending resulting from improvements in employment and income conditions and the wealth effect due to increases in stock prices and capital investment resulting from expectation regarding the tax reduction measures by the United States administration. Under such circumstances, the Federal Reserve Board (“FRB”) pursued an exit strategy from monetary easing whereby, among other measures, the FRB raised interest rates in June 2017, September 2017, March 2018 and June 2018 and began implementing a policy of shrinking its balance sheet in October 2017.

In Europe, despite the downward pressure from the further appreciation of the euro, the economy continued to recover, backed by the continued expansion of consumer spending due to an increase in employment, in addition to the actualization of demand for capital investment that had been put off due to political uncertainty surrounding the presidential election in France. Given these conditions, the European Central Bank (“ECB”) determined to decrease monthly asset purchases by half and steered itself in the direction of pursuing an exit strategy from monetary easing, while leaving key interest rates unchanged.

In Asia, the Chinese economy remained strong, despite continued sluggishness in capital investment due to tighter financial regulations and policies to control real estate speculation, supported by such factors as strong

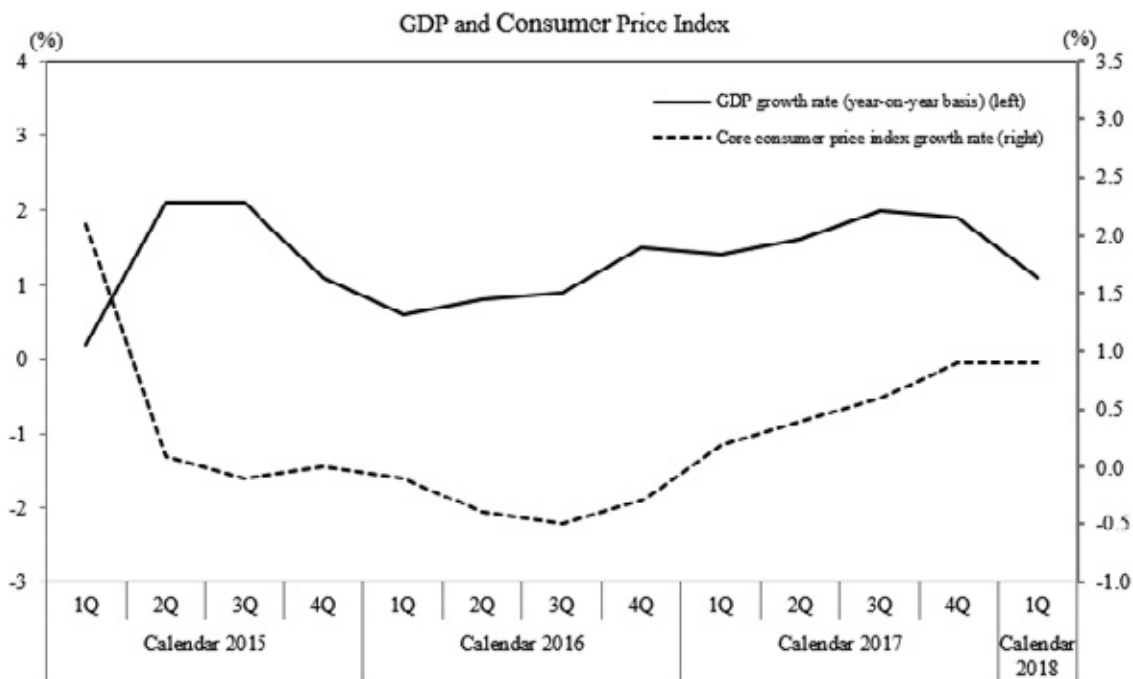
consumer spending and expansion of exports, which were backed by income growth and governmental policies to support the economy adopted in preparation for the National Congress of the Communist Party of China in Fall 2017. The economies in emerging countries continued to recover due to such factors as China’s enduring economy and expansion of exports.

In Japan, the economy continued to recover due to such factors as overseas economic expansion and strong domestic demand. Regarding domestic demand, the improvement of the inventory cycle, the rise of capital investment related to the 2020 Tokyo Olympic Games and productivity improvements, as well as the implementation of public investment in connection with Japan’s economic stimulus measures, served to bolster growth. Consumer spending continued to pick up due to the replacement of durable goods and the effect of wage increases especially in SMEs. Under such circumstances, stock prices trended upward and the exchange rate continued to trend sideways; however, since February 2018, stock prices have entered a correction phase with a stronger yen due to the rise in long-term interest rates in the United States and concerns regarding the protectionist policies of the United States administration. On the other hand, long-term interest rates in Japan continued to remain low at around zero percent under the Bank of Japan’s “quantitative and qualitative monetary easing with yield curve control.”

As for the future outlook of the global economy, the recovery is expected to continue particularly in the United States, but it remains necessary to further monitor downturn risks such as the United States’ policy direction under its presidency, the political concerns in Europe, the economic outlook for China and heightening geopolitical risks. As for the future outlook of the Japanese economy, it is expected to continue on its gradual recovery path, supported by the effects of government economic measures and growth in consumer spending and capital investment. However, the potential impact of increasing uncertainty in overseas economies on Japan requires monitoring.

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 2015 through the first quarter of 2018:

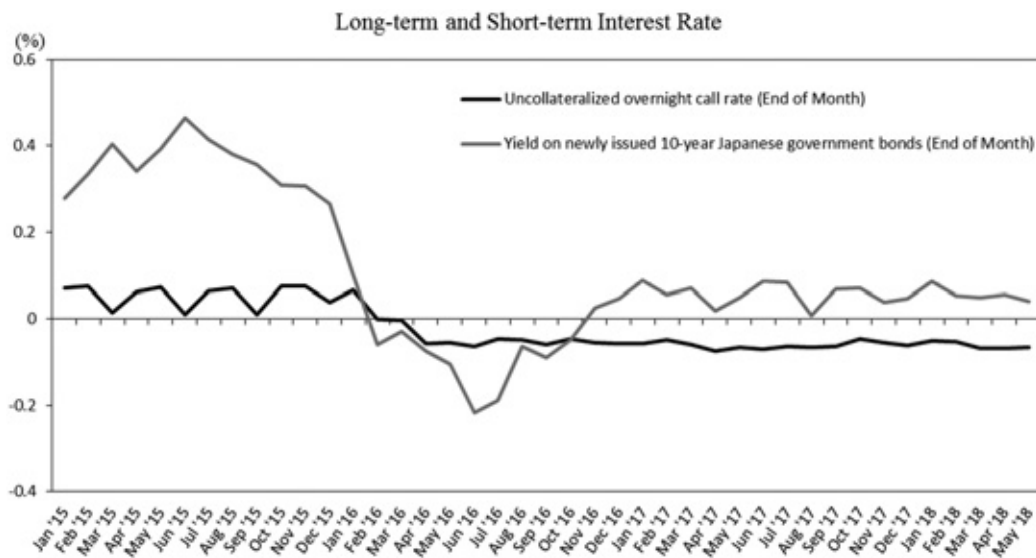




Japan's real gross domestic product on a year-on-year basis increased by 1.4%, 1.2% and 1.6% in the fiscal years ended March 31, 2016, 2017 and 2018, respectively. Japan's real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, increased consecutively from the first quarter of calendar year 2015 through the first quarter of calendar year 2018. Japan's core nationwide consumer price index was unchanged in the fiscal year ended March 31, 2016, decreased by 0.2% in the fiscal year ended March 31, 2017 and increased by 0.7% in the fiscal year ended March 31, 2018.

- 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).

The following chart shows movements in long-term interest rates from January 2015 to May 2018, 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 8,408 corporate bankruptcies in the fiscal year ended March 31, 2016, involving approximately ¥1.9 trillion in total liabilities, 8,153 corporate bankruptcies in the fiscal year ended March 31, 2017, involving approximately ¥1.9 trillion in total liabilities, and 8,285 corporate bankruptcies in the fiscal year ended

March 31, 2018, involving approximately ¥1.7 trillion in total liabilities. The number of corporate bankruptcies showed annual decreases for eight consecutive years until the most recent fiscal year which showed an increase from the previous year, while the amount of total liabilities decreased by approximately ¥0.3 trillion from the previous fiscal year.

- The following chart shows the daily closing price of the Nikkei Stock Average from January 2015 to May 2018:



The Nikkei Stock Average, which is an average of the price of 225 stocks listed on the Tokyo Stock Exchange, decreased by 12.7% to ¥16,758.67 during the fiscal year ended March 31, 2016, followed by a 12.8% increase to ¥18,909.26 during the fiscal year ended March 31, 2017 and a 13.5% increase to ¥21,454.30 during the fiscal year ended March 31, 2018. Thereafter, the Nikkei Stock Average increased to ¥22,201.82 as of May 31, 2018.

- The following chart shows the yen/dollar spot rate of 5 p.m. Tokyo time published by the Bank of Japan from January 2015 to May 2018:



The yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥112.43 to \$1.00 as of March 31, 2016, ¥111.80 to \$1.00 as of March 31, 2017, and ¥106.19 to \$1.00 as of March 30, 2018. Thereafter, the yen weakened to ¥108.77 to \$1.00 as of May 31, 2018.

- According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, housing starts in Japan increased by 4.6% and 5.8% in the fiscal years ended March 31, 2016 and 2017, respectively and decreased by 2.8% in the fiscal year ended March 31, 2018.

- According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, the average published housing land prices in Japan decreased by 0.2% in calendar year 2015, was unchanged in calendar year 2016 and increased by 0.3% in calendar year 2017.

### ***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, 2018, we strengthened our capital base mainly as a result of earning ¥576.5 billion of profit attributable to owners of parent (under Japanese GAAP).

With respect to redemptions of previously issued securities, since April 2017, 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, we redeemed ¥274.5 billion of non-dilutive Tier 1 preferred securities issued by our overseas special purpose company in January 2008. With respect to Tier 2 capital, in April 2017, January 2018 and March 2018, we redeemed ¥50.0 billion, ¥70.0 billion and ¥50.0 billion of dated subordinated bonds issued by our subsidiary bank in April 2007, January 2008 and March 2008, respectively.

With respect to Additional Tier 1 capital new issuances, in July 2017, we issued ¥460.0 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 Tier 2 capital new issuances, in June 2017, we issued ¥114.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to retail investors in Japan. 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.

Our Common Equity Tier 1 capital ratio under Basel III was 11.34% and 12.49% as of March 31, 2017 and 2018, respectively.

#### ***Steady Returns to Shareholders***

Annual cash dividends for the fiscal year ended March 31, 2018 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***

### *Creation of New Business based on Digital Innovation*

In July 2017, Mizuho Bank and WiL, LLC established a joint venture named Blue Lab, Co., Ltd. to drive business generation through innovative technological advances. Blue Lab is focused on the creation and commercialization of next-generation business models through open innovation. In September 2017, J. Score CO., Ltd, which was established as a 50/50 joint company of Mizuho Bank and Softbank Corp. and is a subsidiary of Mizuho Bank, began operations as Japan's first score-based lending business based on big data and artificial intelligence technologies.

### *Merger of Mizuho Bank (USA) and Mizuho Trust & Banking Co. (USA)*

In December 2017, two subsidiaries of Mizuho Americas LLC, namely 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. This merger streamlines Mizuho's corporate operations in the United States, reinforcing its governance structure, while providing enhanced support to clients investing and expanding businesses in the United States.

### *Execution of Agreement Concerning the Integration of Trust Banks Specializing in Asset Administration Services (Joint Share Transfer)*

In March 2018, Trust & Custody Services Bank, Ltd., a subsidiary of ours, executed a management integration agreement with Japan Trustee Services Bank, Ltd. to carry out the management integration through incorporation of a holding company by joint share transfer. 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.

### *Fundamental Structural Reforms*

The business environment surrounding financial institutions continues to be difficult, and we anticipate it will undergo major structural changes over time. Under these circumstances, we will undertake fundamental structural reforms in our business structure, and, based on a ten-year time horizon, we will strive to secure our sustainable growth and continued competitive advantage. We will utilize advanced technologies in accordance with our concept of open innovation to further develop our "One MIZUHO strategy" by, for example, (i) endeavoring to increase profit through actively pursuing collaborative engagement with other companies, not limited to financial activities, in order to create new business opportunities and (ii) endeavoring to strengthen cost competitiveness and enhance productivity while striving to optimize organization and staffing, restructure branch strategies and accomplish other related tasks.

### *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 ¥398.0 billion as of March 31, 2018.

## **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.

### ***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.

## Operating Results

The following table shows certain information as to our income, expenses and net income for the fiscal years ended March 31, 2016, 2017 and 2018:

	<b>Fiscal years ended March 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(in billions of yen)		
Interest and dividend income . . . . .	¥1,500	¥1,509	¥1,762
Interest expense . . . . .	495	602	890
Net interest income . . . . .	1,005	907	872
Provision (credit) for loan losses . . . . .	35	38	(126)
Net interest income after provision (credit) for loan losses . . . . .	970	869	998
Noninterest income . . . . .	1,884	1,368	1,605
Noninterest expenses . . . . .	1,657	1,757	1,764
Income before income tax expense . . . . .	1,197	480	839
Income tax expense . . . . .	347	91	237
Net income . . . . .	850	389	602
Less: Net income (loss) attributable to noncontrolling interests . . . . .	—	27	24
Net income attributable to MHFG shareholders . . . . .	<u>¥ 850</u>	<u>¥ 362</u>	<u>¥ 578</u>



The following is a discussion of major components of our net income attributable to MHFG shareholders for the fiscal years ended March 31, 2016, 2017 and 2018.

### 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, 2016, 2017 and 2018:

	Fiscal years ended March 31,								
	2016			2017			2018		
	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	¥ 29,485	¥ 30	0.10%	¥ 37,389	¥ 27	0.07%	¥ 39,812	¥ 27	0.07%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	4,309	10	0.22	5,079	18	0.35	5,283	23	0.43
Trading account assets	5,262	16	0.31	4,408	27	0.62	4,654	50	1.07
Investments	25,625	88	0.34	20,357	78	0.38	21,267	97	0.46
Loans	52,866	565	1.07	53,930	510	0.95	58,049	511	0.88
Total interest-earning assets	117,547	709	0.60	121,163	660	0.54	129,065	708	0.55
Deposits	81,090	60	0.07	83,293	51	0.06	90,078	60	0.07
Short-term borrowings <sup>(1)</sup>	15,139	22	0.15	14,177	27	0.19	13,678	43	0.31
Trading account liabilities	2,092	13	0.61	1,697	14	0.82	1,454	27	1.87
Long-term debt	14,236	176	1.23	14,523	178	1.22	13,032	197	1.51
Total interest-bearing liabilities	112,557	271	0.24	113,690	270	0.24	118,242	327	0.28
Net	4,990	438	0.36	7,473	390	0.30	10,823	381	0.27
<b>Foreign:</b>									
Interest-bearing deposits in other banks	6,639	38	0.57	7,671	48	0.63	8,363	94	1.13
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	10,465	50	0.48	9,213	79	0.85	9,251	132	1.43
Trading account assets	11,602	135	1.16	10,335	136	1.31	10,821	152	1.41
Investments	3,058	102	3.34	3,915	87	2.24	3,544	77	2.18
Loans	24,279	466	1.92	25,412	499	1.96	24,822	599	2.41
Total interest-earning assets	56,043	791	1.41	56,546	849	1.50	56,801	1,054	1.86
Deposits	20,958	154	0.73	23,173	214	0.92	24,567	323	1.32
Short-term borrowings <sup>(1)</sup>	18,982	58	0.31	17,112	109	0.63	16,385	222	1.35
Trading account liabilities	1,195	8	0.69	1,049	7	0.71	1,235	14	1.16
Long-term debt	1,441	4	0.26	655	2	0.32	732	4	0.49
Total interest-bearing liabilities	42,576	224	0.53	41,989	332	0.79	42,919	563	1.31
Net	13,467	567	0.88	14,557	517	0.71	13,882	491	0.55
<b>Total:</b>									
Total interest-earning assets	173,590	1,500	0.86	177,709	1,509	0.85	185,866	1,762	0.95
Total interest-bearing liabilities	155,133	495	0.32	155,679	602	0.39	161,161	890	0.55
Net	¥ 18,457	¥ 1,005	0.54	¥ 22,030	¥ 907	0.46	¥ 24,705	¥ 872	0.40

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, 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. 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 overall billion 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 an increase in the average rates on foreign deposits and short-term borrowings. 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.

*Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

Interest and dividend income increased by ¥9 billion, or 0.6%, from the previous fiscal year to ¥1,509 billion in the fiscal year ended March 31, 2017. Domestic interest and dividend income accounted for ¥660 billion of the total amount, a decrease of ¥49 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥849 billion, an increase of ¥58 billion from the previous fiscal year.

Due to the monetary policies of the Bank of Japan, such as continuous monetary easing and the negative interest rate policy that began in February 2016, our domestic loan and deposit rate margin has become narrower. Reflecting a decline in short-term interest rate levels of the yen, the average yield on domestic loans decreased by 0.12 percentage points from the previous fiscal year to 0.95% in the fiscal year ended March 31, 2017, and the average rate on domestic interest-bearing deposits decreased by 0.01 percentage points from the previous fiscal year to 0.06% in the fiscal year ended March 31, 2017. Our domestic funding structure is stable, primarily consisting of individual customer deposits. The average yield on foreign loans increased by 0.04 percentage points from the previous fiscal year to 1.96% in the fiscal year ended March 31, 2017, and the average rate on foreign interest-bearing deposits increased by 0.19 percentage points from the previous fiscal year to 0.92% in the fiscal year ended March 31, 2017. We place further emphasis on the importance of profitability in the lending business and look to counter the effects of negative impact of negative interest rates and others.

The decrease in domestic interest and dividend income was due mainly to a decrease in interest income from domestic loans. The decrease in interest income from domestic loans was due mainly to a decrease in the average yield, reflecting a decline in yen interest rate levels. Changes in the average yields on domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥46 billion, and changes in the average balances of domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥3 billion, resulting in the ¥49 billion decrease in domestic interest and dividend income.

The increase in foreign interest and dividend income was due mainly to increases in interest income from foreign loans and in interest 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 was due mainly to an increase in the average balance as well as an increase in the average yields. The increase in interest income from foreign call loans and funds sold, and receivable under resale agreements and securities borrowing transactions was due mainly to an increase in the average yield. Changes in the average yields on foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥31 billion, and changes in the average balance of foreign interest-earning assets contributed to an overall increase of ¥27 billion, resulting in the ¥58 billion increase in foreign interest and dividend income.

Interest expense increased by ¥107 billion, or 21.6%, from the previous fiscal year to ¥602 billion in the fiscal year ended March 31, 2017. Domestic interest expense accounted for ¥270 billion of the total amount, a decrease of ¥1 billion from the previous fiscal year, and foreign interest expense accounted for ¥332 billion of the total amount, an increase of ¥108 billion from the previous fiscal year.

The changes in the average interest rates on domestic interest-bearing liabilities contributed to an overall decrease in interest expense of ¥3 billion, and the changes in the average balance of domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥2 billion, resulting in the ¥1 billion decrease in domestic interest expense.

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

contributed to an overall increase in interest expense of ¥99 billion, and the changes in the average balance of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥9 billion, resulting in the ¥108 billion increase in foreign interest expense.

As a result of the foregoing, net interest income decreased by ¥98 billion, or 9.8%, from the previous fiscal year to ¥907 billion. The average interest rate spread declined by 0.08 percentage points from the previous fiscal year to 0.46% in the fiscal year ended March 31, 2017. 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, 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.

#### *Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

Provision for loan losses increased by ¥3 billion from March 31, 2016 to ¥38 billion at March 31, 2017. Although obligor categories improved as a whole, reflecting the gradual recovery in the economic environment, provision for loan losses increased due mainly to the deterioration of credit status of certain borrowers.

### ***Noninterest Income***

The following table shows a breakdown of noninterest income for the fiscal years ended March 31, 2016, 2017 and 2018:

	<b>Fiscal years ended March 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(in billions of yen)		
Fee and commission . . . . .	¥ 805	¥ 826	¥ 866
Fee and commission from securities-related business . . . . .	176	166	180
Fee and commission from deposits and lending business . . . . .	144	165	156
Fee and commission from remittance business . . . . .	110	108	110
Fee and commission from asset management business . . . . .	62	79	101
Trust fees . . . . .	50	47	52
Fees for other customer services . . . . .	263	261	267
Foreign exchange gains (losses)—net . . . . .	114	69	92
Trading account gains (losses)—net . . . . .	559	(42)	237
Investment gains (losses)—net . . . . .	264	333	297
Investment gains (losses) related to bonds . . . . .	66	61	7
Investment gains (losses) related to equity securities . . . . .	192	272	283
Others . . . . .	6	—	7
Equity in earnings (losses) of equity method investees—net . . . . .	29	27	24
Gains on disposal of premises and equipment . . . . .	10	6	8
Other noninterest income . . . . .	103	149	81
Total noninterest income . . . . .	<u>¥1,884</u>	<u>¥1,368</u>	<u>¥1,605</u>

#### *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 increase in trading account gains (losses)—net was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected. 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.

For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report.

#### *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 ¥54 billion, or 88.5%, from the fiscal year to ¥7 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.

#### *Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

Noninterest income decreased by ¥516 billion, or 27.4%, from the previous fiscal year to ¥1,368 billion in the fiscal year ended March 31, 2017. The decrease was due mainly to trading account losses—net of ¥42 billion compared to trading account gains—net of ¥559 billion in the previous fiscal year, offset in part by an increase in investment gains—net of ¥69 billion.

#### *Fee and commission*

Fee and commission increased by ¥21 billion, or 2.6%, from the previous fiscal year to ¥826 billion in the fiscal year ended March 31, 2017. The increase was due mainly to an increase in fee and commission from deposits and lending business of ¥21 billion, offset in part by a decrease in fee and commission from securities-related business of ¥10 billion.

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

Foreign exchange gains—net decreased by ¥45 billion, or 39.5%, from the previous fiscal year to ¥69 billion in the fiscal year ended March 31, 2017. The change was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2017.

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

Trading account gains (losses)—net was a loss of ¥42 billion in the fiscal year ended March 31, 2017 compared to a gain of ¥559 billion in the previous fiscal year. The change in trading account gains (losses)—net was due mainly to an increase in losses related to a reduction in market value of receive-fixed, pay-variable interest-rate swaps reflecting a rise in long-term interest rates, and an increase in losses related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected, reflecting an increase in losses of foreign currency-denominated bonds due to the effect of a rise in long-term interest rates. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report.

#### *Investment gains (losses)—net*

Investment gains—net increased by ¥69 billion, or 26.1 %, from the previous fiscal year to ¥333 billion in the fiscal year ended March 31, 2017. The increase was due mainly to an increase in investment gains related to equity securities of ¥80 billion, or 41.7%, from the fiscal year to ¥272 billion in the fiscal year ended March 31, 2017. The increase in investment gains related to equity securities was due mainly to an increase in gains on sales of investment account equity securities in the fiscal year ended March 31, 2017, reflecting our continued efforts to decrease our cross-shareholdings. We continue our reallocation of management resources to key strategies while mitigating the risk of stock price fluctuation.

### ***Noninterest Expenses***

The following table shows a breakdown of noninterest expenses for the fiscal years ended March 31, 2016, 2017 and 2018:

	<b>Fiscal years ended March 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>(in billions of yen)</b>		
Salaries and employee benefits . . . . .	¥ 634	¥ 663	¥ 688
General and administrative expenses . . . . .	548	571	586
Impairment of goodwill . . . . .	6	—	—
Occupancy expenses . . . . .	196	195	192
Fee and commission expenses . . . . .	164	177	189
Provision (credit) for losses on off-balance-sheet instruments . . . . .	(16)	19	(30)
Other noninterest expenses . . . . .	125	132	139
Total noninterest expenses . . . . .	<u>¥1,657</u>	<u>¥1,757</u>	<u>¥1,764</u>

#### *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.

#### *Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

Noninterest expenses increased by ¥100 billion, or 6.0%, from the previous fiscal year to ¥1,757 billion in the fiscal year ended March 31, 2017. The increase was due mainly to provision for losses on off-balance-sheet instruments of ¥19 billion compared to credit for losses on off-balance-sheet instruments of ¥16 billion in the previous fiscal year, an increase in salaries and employee benefits of ¥29 billion and an increase in general and administrative expenses of ¥23 billion.

As the result of an increase in expenses associated with strategic investments and an increase in domestic salaries and employee benefits, our costs and expenses exceeded our plan for the fiscal year ended March 31, 2017. Going forward, we aim to promote further structural reform by strengthening cost competitiveness through fundamental structural reform such as reviewing branch strategies, improvements to achieve advanced and efficient operations utilizing technology, streamlining and optimizing the organization, and information systems structural reform.

#### *Salaries and employee benefits*

Salaries and employee benefits increased by ¥29 billion, or 4.6%, from the previous fiscal year to ¥663 billion in the fiscal year ended March 31, 2017 due mainly to an increase in personnel expenses and an increase in employee retirement benefit expenses. The increase in personnel expenses was due mainly to an increase in domestic personnel expenses. The increase in employee retirement benefit expenses was due mainly to an increase in the amortization of net actuarial losses. 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 provision of ¥19 billion in the fiscal year ended March 31, 2017 compared to a credit of ¥16 billion in the previous fiscal year. The change was due mainly to an increase in 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, 2016, 2017 and 2018:

	<u>Fiscal years ended March 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in billions of yen)		
<b>Current:</b>			
Domestic .....	¥163	¥ 130	¥130
Foreign .....	61	68	47
Total current tax expense .....	224	198	177
<b>Deferred:</b>			
Domestic .....	127	(100)	58
Foreign .....	(4)	(7)	2
Total deferred tax expense (benefit) .....	123	(107)	60
Total income tax expense .....	<u>¥347</u>	<u>¥ 91</u>	<u>¥237</u>

### *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.

### *Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

Income tax expense decreased by ¥256 billion, or 73.8%, from the previous fiscal year to ¥91 billion in the fiscal year ended March 31, 2017 due to a decrease in current tax expense of ¥26 billion and deferred tax benefit of ¥107 billion compared to deferred tax expense of ¥123 billion in the previous fiscal year. The decrease in current tax expense was due mainly to a decrease in the taxable income of a principal banking subsidiary. The change in deferred tax expense (benefit) was due mainly to an increase in deferred tax assets in principal banking subsidiaries and an increase in deferred tax assets related to security subsidiary's net operating loss carryforwards resulting mainly from organizational restructuring of certain foreign security subsidiaries in the fiscal year ended March 31, 2017.

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 increased from at immaterial levels to approximately one-third of overall deferred tax assets during the fiscal year ended March 31, 2017.



The following table shows components of deferred tax assets (liabilities) as of March 31, 2016, 2017 and 2018:

	As of March 31,		
	2016	2017	2018
	(in billions of yen)		
Deferred tax assets:			
Investments . . . . .	¥ 522	¥ 498	¥ 454
Allowance for loan losses . . . . .	179	184	127
Derivative financial instruments . . . . .	—	14	53
Premises and equipment . . . . .	—	4	5
Trading securities . . . . .	—	31	2
Net operating loss carryforwards . . . . .	342	452	178
Other . . . . .	170	190	204
Gross deferred tax assets . . . . .	<u>1,213</u>	<u>1,373</u>	<u>1,023</u>
Valuation allowance . . . . .	<u>(340)</u>	<u>(438)</u>	<u>(163)</u>
Deferred tax assets, net of valuation allowance . . . . .	873	935	860
Deferred tax liabilities:			
Available-for-sale securities . . . . .	711	724	764
Prepaid pension cost and accrued pension liabilities . . . . .	175	195	255
Undistributed earnings of subsidiaries . . . . .	12	17	15
Derivative financial instruments . . . . .	57	—	—
Trading securities . . . . .	23	—	—
Premises and equipment . . . . .	1	—	—
Other . . . . .	39	75	75
Gross deferred tax liabilities . . . . .	<u>1,018</u>	<u>1,011</u>	<u>1,109</u>
Net deferred tax assets (liabilities) . . . . .	<u>¥ (145)</u>	<u>¥ (76)</u>	<u>¥ (249)</u>

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

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

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

*Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

Net income (loss) attributable to noncontrolling interests increased by ¥27 billion from the previous fiscal year to ¥27 billion in the fiscal year ended March 31, 2017.

**Net Income Attributable to MHFG Shareholders**

*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.

*Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

As a result of the foregoing, net income attributable to MHFG shareholders decreased by ¥488 billion, or 57.4%, from the previous fiscal year to ¥362 billion in the fiscal year ended March 31, 2017.

## Business Segments Analysis

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

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.

In line with the aforementioned system, we changed the reportable segments from those based on the relevant principal consolidated subsidiaries to the five in-house companies.

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 for the fiscal year ended March 31, 2018 were ¥1,915.4 billion, a decrease of ¥177.3 billion compared to the fiscal year ended March 31, 2017. Consolidated general and administrative expenses for the fiscal year ended March 31, 2018 were ¥1,458.1 billion, an increase of ¥37.6 billion compared to the fiscal year ended March 31, 2017. Consolidated net business profits for the fiscal year ended March 31, 2018 were ¥457.8 billion, a decrease of ¥205.6 billion compared to the fiscal year ended March 31, 2017.

Mizuho Financial Group (Consolidated)							
Fiscal year ended March 31, 2016 <sup>(3)</sup> :	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others <sup>(2)(4)</sup>	Total
(in billions of yen)							
Gross profits	¥754.8	¥425.0	¥400.6	¥577.7	¥51.0	¥ 12.5	¥2,221.6
General and administrative expenses	702.4	187.0	236.2	170.4	28.1	20.9	1,345.0
Equity in earnings (losses) of equity							
method investees—net	20.9	1.2	0.2	—	1.1	0.8	24.2
Others	—	—	—	—	—	(48.0)	(48.0)
Net business profits (losses) <sup>(1)</sup>	¥ 73.3	¥239.2	¥164.6	¥407.3	¥24.0	¥(55.6)	¥ 852.8

Mizuho Financial Group (Consolidated)							
Fiscal year ended March 31, 2017:	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others <sup>(2)(4)</sup>	Total
(in billions of yen)							
Gross profits	¥717.2	¥434.1	¥358.3	¥539.9	¥48.9	¥ (5.7)	¥2,092.7
General and administrative expenses	719.7	194.0	244.3	193.8	29.3	39.4	1,420.5
Equity in earnings (losses) of equity							
method investees—net	14.9	1.0	1.0	—	0.4	1.6	18.9
Others	—	—	—	—	—	(27.7)	(27.7)
Net business profits (losses) <sup>(1)</sup>	¥ 12.4	¥241.1	¥115.0	¥346.1	¥20.0	¥(71.2)	¥ 663.4

**Mizuho Financial Group (Consolidated)**

Fiscal year ended March 31, 2018:	<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>	<u>Others<sup>(2)</sup></u>	<u>Total</u>
	(in billions of yen)						
Gross profits . . . . .	¥726.2	¥433.0	¥352.6	¥381.7	¥50.2	¥ (28.3)	¥1,915.4
General and administrative expenses . . . . .	723.3	197.7	254.8	200.9	27.6	53.8	1,458.1
Equity in earnings (losses) of equity method investees—net . . . . .	12.7	1.0	2.4	—	3.1	2.3	21.5
Others . . . . .	—	—	—	—	—	(21.0)	(21.0)
Net business profits (losses) <sup>(1)</sup> . . . . .	<u>¥ 15.6</u>	<u>¥236.3</u>	<u>¥100.2</u>	<u>¥180.8</u>	<u>¥25.7</u>	<u>¥(100.8)</u>	<u>¥ 457.8</u>

Notes:

- (1) Net business profits is used in Japan as a measure of the profitability of core banking operations, and is defined as gross profits (or the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income) less general and administrative expenses 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.
- (2) “Others” includes items which should be eliminated as internal transactions between each segment on a consolidated basis.
- (3) Following the introduction of an in-house company system based on customer segments in April 2016, segment information for the fiscal year ended March 31, 2016 was restated to reflect the relevant changes.
- (4) Beginning on April 1, 2017, new allocation methods for transactions between each segment and “Others” have been applied. Figures for the fiscal years ended March 31, 2016 and 2017 have been restated for the new allocation methods and “Equity in earnings (losses) of equity method investees—net” has been presented as a new item in connection with the use of the new allocation methods.

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

*Retail & Business Banking Company*

Gross profits for the fiscal year ended March 31, 2018 were ¥726.2 billion, an increase of ¥9.0 billion, or 1.3%, 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 ¥3.6 billion, or 0.5%, compared to the fiscal year ended March 31, 2017 to ¥723.3 billion.

As a result, net business profits for the fiscal year ended March 31, 2018 increased by ¥3.2 billion, or 25.8%, compared to the fiscal year ended March 31, 2017 to ¥15.6 billion.

*Corporate & Institutional Company*

Gross profits for the fiscal year ended March 31, 2018 were ¥433.0 billion, a decrease of ¥1.1 billion, or 0.3%, 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 ¥3.7 billion, or 1.9%, compared to the fiscal year ended March 31, 2017 to ¥197.7 billion.

As a result, net business profits for the fiscal year ended March 31, 2018 decreased by ¥4.8 billion, or 2.0%, compared to the fiscal year ended March 31, 2017 to ¥236.3 billion.

### *Global Corporate Company*

Gross profits for the fiscal year ended March 31, 2018 were ¥352.6 billion, a decrease of ¥5.7 billion, or 1.6%, compared to the fiscal year ended March 31, 2017. The decrease was attributable mainly to 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 ¥10.5 billion, or 4.3%, compared to the fiscal year ended March 31, 2017 to ¥254.8 billion.

As a result, net business profits for the fiscal year ended March 31, 2018 decreased by ¥14.8 billion, or 12.9%, compared to the fiscal year ended March 31, 2017 to ¥100.2 billion.

### *Global Markets Company*

Gross profits for the fiscal year ended March 31, 2018 were ¥381.7 billion, a decrease of ¥158.2 billion, or 29.3%, 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 ¥7.1 billion, or 3.7%, compared to the fiscal year ended March 31, 2017 to ¥200.9 billion.

As a result, net business profits for the fiscal year ended March 31, 2018 decreased by ¥165.3 billion, or 47.8%, compared to the fiscal year ended March 31, 2017 to ¥180.8 billion.

### *Asset Management Company*

Gross profits for the fiscal year ended March 31, 2018 were ¥50.2 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 for the fiscal year ended March 31, 2018 increased by ¥5.7 billion, or 28.5%, compared to the fiscal year ended March 31, 2017 to ¥25.7 billion.

### *Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

#### *Retail & Business Banking Company*

Gross profits for the fiscal year ended March 31, 2017 were ¥717.2 billion, a decrease of ¥37.6 billion, or 5.0%, compared to the fiscal year ended March 31, 2016. The decrease was attributable mainly to a decrease of net interest income as a result of the effects of the negative interest rate policy in Japan and a decrease in income related to investment products.

General and administrative expenses for the fiscal year ended March 31, 2017 increased by ¥17.3 billion, or 2.5%, compared to the fiscal year ended March 31, 2016 to ¥719.7 billion. The increase was attributable mainly to an increase in personnel expenses, including employee retirement benefit expenses.

As a result, net business profits for the fiscal year ended March 31, 2017 decreased by ¥60.9 billion, or 83.1%, compared to the fiscal year ended March 31, 2016 to ¥12.4 billion.

### *Corporate & Institutional Company*

Gross profits for the fiscal year ended March 31, 2017 were ¥434.1 billion, an increase of ¥9.1 billion, or 2.1%, compared to the fiscal year ended March 31, 2016. The increase was attributable mainly to an increase in non-interest income, reflecting an improvement in our solution-related business.

General and administrative expenses for the fiscal year ended March 31, 2017 increased by ¥7.0 billion, or 3.7%, compared to the fiscal year ended March 31, 2016 to ¥194.0 billion.

As a result, net business profits for the fiscal year ended March 31, 2017 increased by ¥1.9 billion, or 0.8%, compared to the fiscal year ended March 31, 2016 to ¥241.1 billion.

### *Global Corporate Company*

Gross profits for the fiscal year ended March 31, 2017 were ¥358.3 billion, a decrease of ¥42.3 billion, or 10.6%, compared to the fiscal year ended March 31, 2016. The decrease was attributable mainly to the appreciation of the yen against the dollar and other major currencies and the slowdown in business related to non-Japanese customers in Asia, which reflected regional economic trends.

General and administrative expenses for the fiscal year ended March 31, 2017 increased by ¥8.1 billion, or 3.4%, compared to the fiscal year ended March 31, 2016 to ¥244.3 billion. The increase was attributable mainly to an increase in premiums for deposit insurance of foreign branches of Mizuho Bank.

As a result, net business profits for the fiscal year ended March 31, 2017 decreased by ¥49.6 billion, or 30.1%, compared to the fiscal year ended March 31, 2016 to ¥115.0 billion.

### *Global Markets Company*

Gross profits for the fiscal year ended March 31, 2017 were ¥539.9 billion, a decrease of ¥37.8 billion, or 6.5%, compared to the fiscal year ended March 31, 2016. The decrease was attributable mainly to the decrease in income related to the selling of foreign bonds under a volatile market environment.

General and administrative expenses for the fiscal year ended March 31, 2017 increased by ¥23.4 billion, or 13.7%, compared to the fiscal year ended March 31, 2016 to ¥193.8 billion.

As a result, net business profits for the fiscal year ended March 31, 2017 decreased by ¥61.2 billion, or 15.0%, compared to the fiscal year ended March 31, 2016 to ¥346.1 billion.

### *Asset Management Company*

Gross profits for the fiscal year ended March 31, 2017 were ¥48.9 billion, a decrease of ¥2.1 billion, or 4.1%, compared to the fiscal year ended March 31, 2016. The decrease was attributable mainly to the sluggish growth of assets under management, reflecting weakness in market conditions.

General and administrative expenses for the fiscal year ended March 31, 2017 increased by ¥1.2 billion, or 4.3%, compared to the fiscal year ended March 31, 2016 to ¥29.3 billion.

As a result, net business profits for the fiscal year ended March 31, 2017 decreased by ¥4.0 billion, or 16.7%, compared to the fiscal year ended March 31, 2016 to ¥20.0 billion.

## Geographical Segment Analysis

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

	Americas				Asia/Oceania excluding Japan, and others	Total
	Japan	United States	Others	Europe		
	(in billions of yen)					
<b>Fiscal year ended March 31, 2016:</b>						
Total revenue <sup>(1)</sup>	¥ 2,288	¥ 434	¥ 46	¥ 188	¥ 428	¥ 3,384
Total expenses <sup>(2)</sup>	1,534	282	29	126	216	2,187
Income before income tax expense	754	152	17	62	212	1,197
Net income	¥ 465	¥ 137	¥ 15	¥ 51	¥ 182	¥ 850
Total assets at end of fiscal year	¥133,156	¥28,985	¥4,228	¥11,617	¥15,824	¥193,810
<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

### 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, 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 an increase in trading account gains—net. The increase in trading account gains—net was due mainly to an increase in gains

related to changes in the fair value of foreign currency-denominated securities for which the fair value option was elected. 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 resale agreements and securities lending transactions, interest-bearing deposits and loans. The increase in interest income from resale agreements and securities lending 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 resale 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.

#### *Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016*

In the fiscal year ended March 31, 2017, 1.6% of our net income was derived from Japan, 43.2% from the United States, 10.0% from the Americas excluding the United States, 10.0% from Europe and 35.2% from Asia/Oceania excluding Japan, and others. At March 31, 2017, 69.3% of total assets were allocated to Japan, 15.1% to the United States, 2.1% to the Americas excluding the United States, 5.3% to Europe and 8.2% to Asia/Oceania excluding Japan, and others.

In Japan, total revenue decreased by ¥540 billion from the previous fiscal year due primarily to a decrease in trading account gains—net. The decrease in trading account gains—net was due mainly to a decrease in gains related to changes in the fair value of derivative financial instruments with interest rate swap received/fixed and paid/floating, which resulted from increases in market interest rates. Total expenses increased by ¥178 billion from the previous fiscal year due mainly to an increase in provision for loan losses. In addition, income tax expense decreased by ¥259 billion from the previous fiscal year to ¥30 billion in the fiscal year ended March 31, 2017, reflecting the decline in taxable income. As a result, net income in Japan decreased by ¥459 billion. Total assets in Japan increased by ¥5,676 billion due primarily to increases in interest-bearing deposits in other banks and domestic loans, offset in part by a decrease in investment securities.

In the United States, total revenue increased by ¥66 billion due primarily to increases in interest income from loans, resale agreements and securities lending transactions. The increase in interest income from loans and resale agreements was due mainly to an increase in market interest rates. Total expenses increased by ¥21 billion due mainly to increases in expenses on payables under resale agreements and securities lending transactions and deposits, offset in part by a decrease in provision for loan losses. As a result, net income in the United States increased by ¥31 billion. Total assets in the United States increased by ¥1,277 billion due primarily to an increase in interest-bearing deposits.

In the Americas excluding the United States, total revenue increased by ¥24 billion due primarily to an increase in other noninterest income, including foreign exchange gains (losses)—net while total expenses were flat. As a result, net income in the Americas excluding the United States increased by ¥24 billion. Total assets in the Americas excluding the United States decreased by ¥25 billion due primarily to a decrease in loans.

In Europe, total revenue increased by ¥3 billion due primarily to increases in interest from loans and trading account assets, offset in part by a decrease in other noninterest income including foreign exchange gains (losses)—net. Total expenses increased by ¥10 billion due mainly to an increase in expenses on deposits. As a result, net income in Europe decreased by ¥12 billion. Total assets in Europe decreased by ¥988 billion due primarily to a decrease in trading account assets, offset in part by an increase in interest-bearing deposits in other banks.

In Asia/Oceania excluding Japan, and others, total revenue decreased by ¥60 billion due primarily to a decrease in other noninterest income, including foreign exchange gains (losses)—net while total expenses were flat. As a result, net income in Asia/Oceania excluding Japan, and others decreased by ¥45 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥706 billion due primarily to an increase in interest-bearing deposits in other banks.



## Financial Condition

### Assets

Our assets as of March 31, 2017 and 2018 were as follows:

	As of March 31,		Increase (decrease)
	2017	2018	
	(in billions of yen)		
Cash and due from banks . . . . .	¥ 1,592	¥ 1,686	¥ 94
Interest-bearing deposits in other banks . . . . .	45,995	46,485	490
Call loans and funds sold . . . . .	1,038	720	(318)
Receivables under resale agreements . . . . .	8,968	8,081	(887)
Receivables under securities borrowing transactions . . . . .	3,350	4,409	1,059
Trading account assets . . . . .	24,998	24,303	(695)
Investments . . . . .	24,969	26,770	1,801
Loans . . . . .	82,284	83,515	1,231
Allowance for loan losses . . . . .	(480)	(310)	170
Loans, net of allowance . . . . .	81,804	83,205	1,401
Premises and equipment—net . . . . .	2,041	2,116	75
Due from customers on acceptances . . . . .	184	213	29
Accrued income . . . . .	271	301	30
Goodwill . . . . .	95	95	—
Intangible assets . . . . .	94	84	(10)
Deferred tax assets . . . . .	64	57	(7)
Other assets . . . . .	4,993	5,731	738
Total assets . . . . .	<u>¥200,456</u>	<u>¥204,256</u>	<u>¥3,800</u>

Total assets increased by ¥3,800 billion from March 31, 2017 to ¥204,256 billion as of March 31, 2018. This increase was due mainly to an increase of ¥1,801 billion in investments and an increase of ¥1,401 billion in loans, net of allowance.

## Loans

### Loans outstanding

The following table shows our loans outstanding as of March 31, 2017 and 2018 based on classifications by domicile and industry segment:

	As of March 31,				Increase	
	2017		2018		(decrease)	
	(in billions of yen, except percentages)					
<b>Domestic<sup>(1)</sup>:</b>						
Manufacturing . . . . .	¥ 8,740	10.6%	¥ 8,156	9.7%	¥ (584)	(0.9)%
Construction and real estate . . . . .	7,772	9.4	8,102	9.7	330	0.3
Services . . . . .	4,749	5.8	5,024	6.0	275	0.2
Wholesale and retail . . . . .	5,140	6.2	5,113	6.1	(27)	(0.1)
Transportation and communications . . . . .	3,491	4.2	3,565	4.3	74	0.1
Banks and other financial institutions . . . . .	4,006	4.9	4,471	5.3	465	0.4
Government and public institutions . . . . .	8,532	10.3	8,882	10.6	350	0.3
Other industries <sup>(2)</sup> . . . . .	4,427	5.4	5,018	6.0	591	0.6
Individuals . . . . .	10,800	13.1	10,329	12.4	(471)	(0.7)
Mortgage loans . . . . .	9,960	12.1	9,445	11.3	(515)	(0.8)
Other . . . . .	840	1.0	884	1.1	44	0.1
Total domestic . . . . .	57,657	69.9	58,660	70.1	1,003	0.2
<b>Foreign:</b>						
Commercial and industrial . . . . .	16,872	20.5	17,095	20.4	223	(0.1)
Banks and other financial institutions . . . . .	6,760	8.2	6,740	8.1	(20)	(0.1)
Government and public institutions . . . . .	960	1.2	1,128	1.3	168	0.1
Other . . . . .	191	0.2	38	0.1	(153)	(0.1)
Total foreign . . . . .	24,783	30.1	25,001	29.9	218	(0.2)
Subtotal . . . . .	82,440	100.0%	83,661	100.0%	1,221	—
Less: Unearned income and deferred loan fees—net . . . . .	(156)		(146)		10	
Total loans before allowance for loan losses . . . . .	¥82,284		¥83,515		¥1,231	

### Notes:

- (1) Certain loans were reclassified primarily from Other of Individuals to Construction and real estate to align with current period presentation.
- (2) Other industries of Domestic includes trade receivables and lease receivables of consolidated variable interest entities.

Total loans before allowance for loan losses increased by ¥1,231 billion from March 31, 2017 to ¥83,515 billion as of March 31, 2018. Loans to domestic borrowers increased by ¥1,003 billion to ¥58,660 billion due mainly to increases in loans to other industries, bank and other financial institutions and government and public institutions, offset in part by decreases in manufacturing and mortgage loans of individuals.

Loans to foreign borrowers increased by ¥218 billion from March 31, 2017 to ¥25,001 billion as of March 31, 2018. The increase in loans to foreign borrowers was due mainly to increases in loans to commercial and industrial and government and public institutions, offset in part by a decrease in other industries.

Within our loan portfolio, the proportion of loans to domestic borrowers against gross total loans increased from 69.9% to 70.1% while that of loans to foreign borrowers against gross total loans decreased from 30.1% to 29.9%, and loans to foreign borrowers were regionally diversified.

## Impaired Loans

### General

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

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

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, 2018, the balance of restructurings that are troubled debt restructurings was ¥316 billion, and the balance of restructurings that are not troubled debt restructurings was ¥32 billion. Also, no charge-offs were recorded as a result of troubled debt restructurings that were made during the fiscal year ended March 31, 2018.

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, 2017 and 2018 based on classifications by domicile and industry segment:

	As of March 31,					
	2017		2018		Increase (decrease)	
	Impaired loans	Ratio to gross total loans by industry <sup>(1)</sup>	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 . . . . .	¥379	4.3%	¥142	1.7%	¥(237)	(2.6)%
Construction and real estate . . . . .	57	0.7	41	0.5	(16)	(0.2)
Services . . . . .	66	1.4	58	1.2	(8)	(0.2)
Wholesale and retail . . . . .	147	2.9	131	2.6	(16)	(0.3)
Transportation and communications . . . . .	23	0.6	28	0.8	5	0.2
Banks and other financial institutions . . . . .	6	0.2	12	0.3	6	0.1
Other industries . . . . .	7	0.1	4	0.0	(3)	(0.1)
Individuals . . . . .	105	1.0	90	0.9	(15)	(0.1)
Total domestic . . . . .	790	1.4	506	0.9	(284)	(0.5)
Foreign . . . . .	191	0.8	109	0.4	(82)	(0.4)
Total impaired loans . . . . .	¥981	1.2	¥615	0.7	¥(366)	(0.5)

Note:

- (1) Certain ratio to gross total loans by industry information as of March 31, 2017 was changed due to reclassification of loans to align with current presentation.

Impaired loans decreased by ¥366 billion from March 31, 2017 to ¥615 billion as of March 31, 2018. Impaired loans to domestic borrowers decreased by ¥284 billion due mainly to improvements in the credit condition of some borrowers in the manufacturing industry as well as the gradual recovery in the economic environment. Impaired loans to foreign borrowers decreased by ¥82 billion, and the relative impact of foreign currency fluctuations on the decrease was immaterial.

Reflecting the aforementioned change, the percentage of impaired loans within gross total loans decreased from 1.2% as of March 31, 2017 to 0.7% as of March 31, 2018 due to a decrease in impaired loans. The percentage of impaired loans net of allowance for loan losses to gross total loans net of allowance for loan losses decreased from 0.61% as of March 31, 2017 to 0.37% as of March 31, 2018 due to a decrease in impaired loans net of allowance for loan losses, whereas gross total loans net of allowance for loan losses increased.

### 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, 2017 and 2018:

	<u>As of March 31,</u>		<u>Increase (decrease)</u>
	<u>2017</u>	<u>2018</u>	
	<i>(in billions of yen, except percentages)</i>		
Allowance for loan losses on impaired loans <sup>(1)</sup> (A) . . . . .	¥ 303	¥ 153	¥ (150)
Allowance for loan losses on non-impaired loans (B) . . . . .	177	157	(20)
Total allowance for loan losses (C) . . . . .	<u>¥ 480</u>	<u>¥ 310</u>	<u>¥ (170)</u>
Impaired loans requiring an allowance for loan losses (D) . . . . .	¥ 851	¥ 478	¥ (373)
Impaired loans not requiring an allowance for loan losses (E) . . . . .	130	137	7
Non-impaired loans <sup>(2)</sup> (F) . . . . .	<u>81,459</u>	<u>83,046</u>	<u>1,587</u>
Gross total loans (G) . . . . .	<u>¥82,440</u>	<u>¥83,661</u>	<u>¥1,221</u>
Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D) x100 . . . . .	35.55%	31.87%	(3.68)%
Percentage of allowance for loan losses on non-impaired loans against the balance of non-impaired loans (B)/(F) x100 . . . . .	0.22	0.19	(0.03)
Percentage of total allowance for loan losses against gross total loans (C)/(G) x100 . . . . .	0.58	0.37	(0.21)

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Notes:

- (1) The allowance for loan losses on impaired loans includes the allowance for groups of loans totaling ¥302 billion and ¥246 billion as of March 31, 2017 and 2018 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 ¥170 billion from March 31, 2017 to ¥310 billion as of March 31, 2018 due mainly to a decrease in allowance for loan losses on impaired loans. The percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance decreased by 3.68 percentage points to 31.87%.

In the fiscal year ended March 31, 2018, impaired loans decreased by 37.3% due mainly to a decrease in domestic impaired loans. Allowance for loan losses on impaired loans decreased by 49.6%.

The coverage ratio for impaired loans increased by 1.5% as of March 31, 2018 compared to the previous fiscal year. The increase was due to a larger percentage decrease in impaired loans than the percentage decrease in allowance for loan losses.

*Provision (credit) for loan losses*

The following table summarizes changes in our allowance for loan losses, including a breakdown of charge-offs and recoveries by domicile and industry segment, in the fiscal years ended March 31, 2017 and 2018:

	<b>Fiscal years ended March 31,</b>		<b>Increase (decrease)</b>
	<b>2017</b>	<b>2018</b>	
	(in billions of yen)		
Allowance for loan losses at beginning of fiscal year . . . . .	¥451	¥ 480	¥ 29
Provision (credit) for loan losses . . . . .	38	(126)	(164)
Charge-offs:			
Domestic:			
Manufacturing . . . . .	(2)	(9)	(7)
Construction and real estate . . . . .	(1)	—	1
Services . . . . .	(3)	(5)	(2)
Wholesale and retail . . . . .	(6)	(13)	(7)
Transportation and communications . . . . .	(1)	(1)	—
Individuals . . . . .	(7)	(5)	2
Total domestic charge-offs . . . . .	(20)	(33)	(13)
Foreign . . . . .	(11)	(23)	(12)
Total charge-offs . . . . .	(31)	(56)	(25)
Recoveries:			
Domestic:			
Manufacturing . . . . .	1	1	—
Construction and real estate . . . . .	2	1	(1)
Services . . . . .	1	2	1
Wholesale and retail . . . . .	5	1	(4)
Transportation and communications . . . . .	4	—	(4)
Banks and other financial institutions . . . . .	—	1	1
Individuals . . . . .	3	2	(1)
Total domestic recoveries . . . . .	16	8	(8)
Foreign . . . . .	10	7	(3)
Total recoveries . . . . .	26	15	(11)
Net charge-offs . . . . .	(5)	(41)	(36)
Others <sup>(1)</sup> . . . . .	(4)	(3)	1
Balance at end of fiscal year . . . . .	<u>¥480</u>	<u>¥ 310</u>	<u>¥(170)</u>

Note:

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

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.

Charge-offs increased by ¥25 billion from the previous fiscal year to ¥56 billion for the fiscal year ended March 31, 2018. The increase was due to similar amounts of increases in charge-offs of both domestic loans and foreign loans.



## Investments

The majority of our investments are available-for-sale and held-to-maturity securities, which at March 31, 2017 and 2018 were as follows:

	As of March 31,								
	2017			2018			Increase (decrease)		
	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)
	(in billions of yen)								
<b>Available-for-sale securities:</b>									
Debt securities	¥16,684	¥16,756	¥ 72	¥19,587	¥19,633	¥ 46	¥ 2,903	¥ 2,877	¥(26)
Japanese government bonds	10,257	10,263	6	13,334	13,332	(2)	3,077	3,069	(8)
Other than Japanese government bonds	6,427	6,493	66	6,253	6,301	48	(174)	(192)	(18)
Equity securities (marketable)	1,530	3,801	2,271	1,595	4,033	2,438	65	232	167
Total	<u>¥18,214</u>	<u>¥20,557</u>	<u>¥2,343</u>	<u>¥21,182</u>	<u>¥23,666</u>	<u>¥2,484</u>	<u>¥ 2,968</u>	<u>¥ 3,109</u>	<u>¥141</u>
<b>Held-to-maturity securities:</b>									
Debt securities:									
Japanese government bonds	¥ 3,060	¥ 3,097	¥ 37	¥ 1,960	¥ 1,984	¥ 24	¥(1,100)	¥(1,113)	¥(13)
Agency mortgage-backed securities	757	750	(7)	558	538	(20)	(199)	(212)	(13)
Total	<u>¥ 3,817</u>	<u>¥ 3,847</u>	<u>¥ 30</u>	<u>¥ 2,518</u>	<u>¥ 2,522</u>	<u>¥ 4</u>	<u>¥(1,299)</u>	<u>¥(1,325)</u>	<u>¥(26)</u>

Available-for-sale securities measured at fair value increased by ¥3,109 billion from March 31, 2017 to ¥23,666 billion at March 31, 2018. This increase was due primarily to an increase in Japanese government bonds. Held-to-maturity securities measured at amortized cost decreased by ¥1,299 billion from March 31, 2017 to ¥2,518 billion at March 31, 2018. This decrease was due primarily to a decrease in Japanese government bonds due to their maturity. 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, 2018, we had a total of ¥19,633 billion of available-for-sale debt securities within our investments, of which ¥13,332 billion was Japanese government bonds. We had ¥16,756 billion and ¥19,633 billion of available-for-sale debt securities measured at fair value as of March 31, 2017 and 2018, respectively, and net unrealized gains of ¥72 billion and ¥46 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, 2018 was approximately 2.5 years.

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

## Liabilities

The following table shows our liabilities as of March 31, 2017 and 2018:

	As of March 31,		Increase (decrease)
	2017	2018	
	(in billions of yen)		
Deposits	¥131,185	¥136,884	¥ 5,699
Due to trust accounts	4,123	3,993	(130)
Call money and funds purchased	1,255	2,105	850
Payables under repurchase agreements	17,970	16,657	(1,313)
Payables under securities lending transactions	1,919	1,833	(86)
Other short-term borrowings	1,477	1,688	211
Trading account liabilities	13,592	13,115	(477)
Bank acceptances outstanding	184	213	29
Income taxes payable	74	65	(9)
Deferred tax liabilities	140	306	166
Accrued expenses	209	233	24
Long-term debt	14,529	12,955	(1,574)
Other liabilities	5,027	4,705	(322)
Total liabilities	<u>¥191,684</u>	<u>¥194,752</u>	<u>¥ 3,068</u>

Total liabilities increased by ¥3,068 billion from March 31, 2017 to ¥194,752 billion at March 31, 2018. This increase was due primarily to an increase of ¥5,699 billion in deposits, offset in part by a decrease of ¥1,574 billion in long-term debt, a decrease of ¥477 billion in trading account liabilities and a decrease of ¥468 billion in short-term borrowings. We analyze short-term borrowings, consisting of due to trust accounts, call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions and other short-term borrowings, on a combined basis.

## Deposits

The following table shows a breakdown of our deposits as of March 31, 2017 and 2018:

	As of March 31,		Increase (decrease)
	2017	2018	
	(in billions of yen)		
Domestic:			
Noninterest-bearing deposits	¥ 19,064	¥ 21,069	¥2,005
Interest-bearing deposits	87,359	91,207	3,848
Total domestic deposits	<u>106,423</u>	<u>112,276</u>	<u>5,853</u>
Foreign:			
Noninterest-bearing deposits	1,996	2,257	261
Interest-bearing deposits	22,766	22,351	(415)
Total foreign deposits	<u>24,762</u>	<u>24,608</u>	<u>(154)</u>
Total deposits	<u>¥131,185</u>	<u>¥136,884</u>	<u>¥5,699</u>

Deposits increased by ¥5,699 billion from March 31, 2017 to ¥136,884 billion at March 31, 2018. Domestic deposits increased by ¥5,853 billion from March 31, 2017 to ¥112,276 billion at March 31, 2018. Domestic interest-bearing deposits increased by ¥3,848 billion from March 31, 2017 to ¥91,207 billion at March 31, 2018 due mainly to an increase in ordinary deposits, offset in part by a decrease in time deposits, and domestic noninterest-bearing deposits increased by ¥2,005 billion to ¥21,069 billion at March 31, 2018 due mainly to

increases in current accounts. Foreign deposits decreased by ¥154 billion from March 31, 2017 to ¥24,608 billion at March 31, 2018 due mainly to a decrease in time deposits, offset in part by an increase in certificates of deposit.

### Short-term Borrowings

The following table shows a breakdown of our short-term borrowings as of March 31, 2017 and 2018:

	As of March 31,						Increase (decrease)		
	2017			2018			Domestic	Foreign	Total
	Domestic	Foreign	Total	Domestic	Foreign	Total			
	(in billions of yen)								
Due to trust accounts	¥ 4,123	¥ —	¥ 4,123	¥ 3,993	¥ —	¥ 3,993	¥ (130)	¥ —	¥(130)
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions	5,727	15,417	21,144	6,724	13,871	20,595	997	(1,546)	(549)
Other short-term borrowings	587	890	1,477	827	861	1,688	240	(29)	211
Total short-term borrowings	<u>¥10,437</u>	<u>¥16,307</u>	<u>¥26,744</u>	<u>¥11,544</u>	<u>¥14,732</u>	<u>¥26,276</u>	<u>¥1,107</u>	<u>¥(1,575)</u>	<u>¥(468)</u>

Short-term borrowings decreased by ¥468 billion from March 31, 2017 to ¥26,276 billion at March 31, 2018. Domestic short-term borrowings increased by ¥1,107 billion due mainly to increases in call money and funds purchased, and payables under repurchase agreements. Foreign short-term borrowings decreased by ¥1,575 billion due mainly to a decrease in payables under repurchase agreements.

### Equity

The following table shows a breakdown of equity as of March 31, 2017 and 2018:

	As of March 31,		Increase (decrease)
	2017	2018	
	(in billions of yen)		
MHFG shareholders' equity:			
Common stock	¥5,826	¥5,826	¥—
Retained earnings	919	1,306	387
Accumulated other comprehensive income, net of tax	1,521	1,742	221
Treasury stock, at cost	(5)	(6)	(1)
Total MHFG shareholders' equity	<u>8,261</u>	<u>8,868</u>	<u>607</u>
Noncontrolling interests	<u>511</u>	<u>636</u>	<u>125</u>
Total equity	<u>¥8,772</u>	<u>¥9,504</u>	<u>¥732</u>

Total equity increased by ¥732 billion from March 31, 2017 to ¥9,504 billion due mainly to increases in retained earnings and accumulated other comprehensive income, net of tax.

Retained earnings increased by ¥387 billion from March 31, 2017 to ¥1,306 billion at March 31, 2018. This increase was due to net income attributable to MHFG shareholders for the fiscal year ended March 31, 2018 of ¥578 billion offset in part by dividend payments of ¥190 billion.

Accumulated other comprehensive income, net of tax increased by ¥221 billion from March 31, 2017 to ¥1,742 billion at March 31, 2018 due to an increase in pension liability adjustments of ¥155 billion, an increase in net unrealized gains on available-for-sale securities of ¥95 billion and a decrease in foreign currency translation adjustments of ¥30 billion.

Noncontrolling interests increased by ¥125 billion from March 31, 2017 to ¥636 billion at March 31, 2018. The increase was due mainly to a new consolidation of an investment fund and an increase in the share of noncontrolling shareholders of some investment funds.

## Liquidity

We continuously endeavor to enhance the management of our liquidity profile to meet our customers' loan demand and deposit withdrawals and respond to unforeseen situations such as adverse movements in stock, foreign currencies, interest rates and other markets or changes in general domestic or international conditions. We manage our liquidity profile through the continuous monitoring of our cash flow situation, the enforcement of upper limits on funds raised in financial markets and other means as further set forth in "Item 11. Quantitative and Qualitative Disclosures about 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 ¥5,699 billion, or 4.3%, from the end of the previous fiscal year to ¥136,884 billion as of March 31, 2018. Our average balance of deposits for the fiscal year ended March 31, 2018 of ¥136,532 billion exceeded our average balance of loans for the same period by ¥53,661 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, 2018:

	As of May 31, 2018					
	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, 2018, the balance of Japanese government bonds included within our investments was ¥13.3 trillion (excluding held-to-maturity securities), and a majority of this amount, which has historically not fluctuated significantly over the course of a fiscal year, was classified as the principal component of liquidity reserve assets.

Related to regulatory liquidity requirements, the liquidity coverage ratio (“LCR”) standard has been introduced in Japan. The minimum LCR under the LCR guidelines is 100% on both a consolidated and non-consolidated basis for banks with international operations or on a consolidated basis for bank holding companies with international operations, while it is subject to phase-in arrangements pursuant to which the LCR rises in equal annual steps of 10 percentage points to reach 100% on January 1, 2019, with a minimum requirement of 90% applicable for the period between January 1 and December 31, 2018. The LCR disclosure guidelines of the Financial Service Agency require banks and bank holding companies with international operations to disclose the three-month averages of daily LCR. Set forth below are the 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, 2018. All yen figures in this table are truncated.

	<b>Fourth Quarter of Fiscal Year Ended March 31, 2018</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) .....	¥60,159
Net cash outflows (weighted) .....	50,079
LCR .....	120.1%
<b>Mizuho Bank (Consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥53,720
Net cash outflows (weighted) .....	38,199
LCR .....	140.7%
<b>Mizuho Bank (Non-consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥53,116
Net cash outflows (weighted) .....	37,555
LCR .....	141.5%
<b>Mizuho Trust and Banking (Consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥ 2,538
Net cash outflows (weighted) .....	1,601
LCR .....	160.3%
<b>Mizuho Trust and Banking (Non-consolidated)</b>	
Total HQLA allowed to be included in the calculation (weighted) .....	¥ 2,509
Net cash outflows (weighted) .....	1,576
LCR .....	161.1%

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.

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, 2018 being ¥577.5 billion) and existing subordinated debt issued before March 2013 (the amounts thereof included within Tier 2 capital as of March 31, 2018 being ¥674.8 billion) are subject to the phase-out arrangements.

In November 2011, the Financial Stability Board ("FSB") published policy measures to address the systemic and moral hazard risks associated with systemically important financial institutions. The policy measures include

requirements for G-SIBs to have additional loss absorption capacity tailored to the impact of their default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital, which would be in addition to the 7.0% Common Equity Tier 1 capital requirement (including capital conservation buffer). The requirements began phasing in from January 2016 and will be fully implemented by January 2019. We were included in the list of G-SIBs updated in November 2017 and were allocated to the category that would require 1.0% of additional loss absorbency.

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

In December 2015, the Financial Services Agency published a capital adequacy guideline regarding the designation of G-SIBs and D-SIBs in Japan. We were designated as both a G-SIB and 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 is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%.

The Leverage Ratio framework is critical and complementary to the risk-based capital framework that will help ensure broad and adequate capture of both on- and off-balance sheet sources of banks’ leverage. This simple, non-risk-based measure is intended to restrict the build-up of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy. Implementation of the leverage ratio requirements began with bank-level reporting to national supervisors of the leverage ratio and its components, and public disclosure is required from January 2015. Basel III’s leverage ratio is defined as the “capital measure” (numerator) divided by the “exposure measure” (denominator) and is expressed as a percentage. The capital measure is defined as Tier 1 capital, and the minimum leverage ratio is defined as 3%.

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, and became fully effective in March 2018.

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

	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022
Minimum Common Equity Tier 1 capital	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Phase-in of deductions from capital	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Phase out of recognition of capital instruments that no longer qualify as capital	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%
Capital conservation buffer	1.25%	1.875%	2.5%	2.5%	2.5%	2.5%
Countercyclical capital buffer <sup>(1)</sup>	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%
Additional loss absorbency requirements for G-SIBs and D-SIBs <sup>(2)</sup>	0.50%	0.75%	1.0%	1.0%	1.0%	1.0%

Notes:

- (1) Figures assume that the countercyclical capital buffer will continue to be 0.01% after March 2018.
- (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 of a financial institution falls below the required level, the Financial Services Agency may, depending upon the extent of capital deterioration, take certain corrective action, including requiring the financial institution to submit an improvement plan to strengthen its capital base, reduce its total assets, restrict its business operations or other actions that could have a material effect on its financial condition and results of operations.

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

### ***Consolidated Capital Adequacy Ratios and Leverage Ratios***

Our capital adequacy ratios and leverage ratios as of March 31, 2017 and 2018, calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency, were as set forth in the following table:

	As of March 31,		Increase (decrease)
	2017	2018	
	(in billions of yen, except percentages)		
Common Equity Tier 1 capital	¥ 7,001.6	¥ 7,437.0	¥ 435.3
Additional Tier 1 capital	1,209.8	1,755.1	545.3
Tier 1 capital	8,211.5	9,192.2	980.7
Tier 2 capital	1,839.4	1,668.1	(171.2)
Total capital	¥10,050.9	¥10,860.4	¥ 809.4
Risk-weighted assets	¥61,717.1	¥59,528.9	¥(2,188.1)
Common Equity Tier 1 capital ratio	11.34%	12.49%	1.15%
Required Common Equity Tier 1 capital ratio <sup>(1)</sup>	6.25	7.135	0.885
Tier 1 capital ratio	13.30	15.44	2.14
Required Tier 1 capital ratio <sup>(1)</sup>	7.75	8.635	0.885
Total capital ratio	16.28	18.24	1.96
Required total capital ratio <sup>(1)</sup>	9.75	10.635	0.885
CET1 available after meeting the bank's minimum capital requirements	6.84	7.99	1.15
Leverage ratio	3.95	4.28	0.33



Note:

- (1) The required ratios disclosed above, at March 31, 2017 and 2018, include the transitional capital conservation buffer of 1.25% and 1.875%, respectively, the countercyclical capital buffer of 0% and 0.01%, respectively, and the transitional additional loss absorbency requirements for G-SIBs and D-SIBs of 0.5% and 0.75%, 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, 2018 was 18.24%, an increase of 1.96 percentage points compared to March 31, 2017. Our Tier 1 capital ratio as of March 31, 2018 was 15.44%, an increase of 2.14 percentage points compared to March 31, 2017. Our Common Equity Tier 1 capital ratio as of March 31, 2018 was 12.49%, an increase of 1.15 percentage points compared to March 31, 2017. The increases in each ratio were due mainly to a decrease in risk-weighted assets and to an increase in Common Equity Tier 1 capital and Additional Tier 1 capital. Our Common Equity Tier 1 capital increased due mainly to an increase in retained earnings, and our Additional Tier 1 capital increased due mainly to an increase in directly-issued qualifying Additional Tier 1 instruments. Our risk-weighted assets decreased due mainly to a decrease in credit risk assets. We believe that we were in compliance with all capital adequacy requirements to which we were subject as of March 31, 2018.

### ***Principal Banking Subsidiaries***

Capital adequacy ratios and leverage ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2017 and 2018, calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency, were as set forth in the following table:

	As of March 31,		Increase (decrease)
	2017	2018	
<b>Mizuho Bank</b>			
Common Equity Tier 1 capital ratio .....	11.16%	12.34%	1.18%
Tier 1 capital ratio .....	13.34	15.61	2.27
Total capital ratio .....	16.20	18.52	2.32
Leverage ratio .....	4.16	4.53	0.37
<b>Mizuho Trust &amp; Banking</b>			
Common Equity Tier 1 capital ratio .....	18.73	19.99	1.26
Tier 1 capital ratio .....	18.73	20.05	1.32
Total capital ratio .....	19.47	20.28	0.81
Leverage ratio .....	6.74	7.03	0.29

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, 2018.

Our securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Act. Under this requirement, securities firms must maintain a minimum capital adequacy ratio of 120% calculated as a percentage of capital accounts less certain assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty and basic risks. Specific guidelines are issued as a ministerial ordinance that details the definition of essential components of the capital ratios, including capital, disallowed assets and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a temporary suspension of all or part of the business operations and further, to the cancellation of the license to act as a securities broker and dealer. We believe, as of March 31, 2018, that our securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

## Off-balance-sheet Arrangements

We engage in various types of off-balance-sheet arrangements in the ordinary course of our business to meet the financing needs of our customers. These arrangements include various guarantees and commitments. The following tables show the contractual or notional amounts of our guarantees and undrawn commitments as of March 31, 2017 and 2018:

	<u>As of March 31,</u>		<u>Increase</u>
	<u>2017</u>	<u>2018</u>	<u>(decrease)</u>
	(in billions of yen)		
<b>Guarantees:</b>			
Performance guarantees	¥ 2,243	¥ 2,165	¥ (78)
Guarantees on loans	278	241	(37)
Guarantees on securities	175	164	(11)
Other guarantees	1,823	2,210	387
Guarantees for the repayment of trust principal	730	709	(21)
Liabilities of trust accounts	15,177	13,861	(1,316)
Derivative financial instruments	14,415	11,654	(2,761)
	<u>As of March 31,</u>		<u>Increase</u>
	<u>2017</u>	<u>2018</u>	<u>(decrease)</u>
	(in billions of yen)		
<b>Commitments:</b>			
Commitments to extend credit	¥76,678	¥78,448	¥ 1,770
Commercial letters of credit	522	690	168
Total commitments	<u>¥77,200</u>	<u>¥79,138</u>	<u>¥ 1,938</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, 2018:

	<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 . . . . .	¥35,724	¥1,689	¥1,285	¥ 329	¥ 362	¥ 137	¥39,526
Certificates of deposit . . . .	11,021	297	61	4	—	—	11,383
Long-term debt . . . . .	2,492	1,607	1,314	1,205	1,068	5,269	12,955
Capitalized leases . . . . .	12	10	7	4	2	1	36
Operating leases . . . . .	52	44	38	32	23	57	246
Total <sup>(1)(2)</sup> . . . . .	<u>¥49,289</u>	<u>¥3,637</u>	<u>¥2,698</u>	<u>¥1,570</u>	<u>¥1,453</u>	<u>¥5,463</u>	<u>¥64,110</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, 2019, 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 ¥2.3 billion, of which ¥0.9 billion was interest and penalties, at March 31, 2018. 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.

	As of and for the fiscal year ended March 31, 2018	
	Total MHFG shareholders' equity	Net income attributable to MHFG shareholders
	(in billions of yen)	
U.S. GAAP .....	¥8,868.4	¥ 577.6
Differences arising from different accounting for:		
1. Derivative financial instruments and hedging activities .....	64.0	107.8
2. Investments .....	(97.7)	(101.7)
3. Loans .....	158.2	2.4
4. Allowances for loan losses and off-balance-sheet instruments .....	79.6	(6.8)
5. Premises and equipment .....	(119.6)	(35.4)
6. Land revaluation .....	178.4	(2.9)
7. Business combinations .....	(86.9)	(15.4)
8. Pension liabilities .....	117.1	4.4
9. Consolidation of variable interest entities .....	54.9	13.2
10. Deferred taxes .....	(160.3)	47.2
11. Foreign currency translation .....	—	(10.8)
12. Other .....	10.9	(3.1)
Japanese GAAP .....	<u>¥9,067.0<sup>(1)</sup></u>	<u>¥ 576.5</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:

Certain sales and subsequent repurchases of available-for-sale securities under Japanese GAAP do not meet sales criteria under U.S. GAAP. These sales and subsequent repurchases resulted in realized gains or losses being recognized in earnings under Japanese GAAP. Under U.S. GAAP, these gains or losses are recognized as unrealized gains or losses within accumulated other comprehensive income, net of tax.

Under U.S. GAAP, declines in the fair value of available-for-sale securities below cost that are deemed to be “other-than-temporary” are recorded in earnings. Both quantitative and qualitative factors are considered to determine whether the impairment is “other-than-temporary,” including the duration and extent of the decline, near-term prospects of the issuer, as well as our ability and intent to hold the investments until a forecasted recovery of fair value or maturity. Regarding debt securities, we consider additional factors such as whether we have the intent to sell or more likely than not will be required to sell before recovery to determine whether the impairment is “other-than-temporary.” Under Japanese GAAP, significant declines in the fair value of securities below cost that are deemed to be “other-than-temporary” are recorded in earnings unless short term recovery is reasonably expected. A decline in the fair value of a security of 50% or more of its cost is a strong indicator of an other-than-temporary decline, which requires compelling evidence to prove otherwise. A decline in the fair value of 30% or more but less than 50% of its cost is an indicator of an other-than-temporary decline, in which case the probability of recovery must be evaluated to determine whether an other-than-temporary decline has occurred. Generally, if the decline in the fair value is less than 30%, it is not considered to be an other-than-temporary decline.

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

## 3. Loans

Under U.S. GAAP, loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the contractual life of the relevant loan using the interest method, while certain fees and costs are recognized in earnings at the time the loan is originated under Japanese GAAP.

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

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

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

effective interest rate or, as a practical expedient, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. For certain impaired loans that are aggregated for the purpose of measuring impairment, pools of smaller balance homogeneous loans and other non-homogeneous loans that have not been identified as impaired, the allowance for loan losses is determined based on a formula allowance utilizing historical loss factors, as adjusted, considering recent trends.

The differences between Japanese GAAP and U.S. GAAP arise from the difference in the scope of the loans that are subject to the individual and portfolio impairment analysis. In addition to these effects based on differences between Japanese GAAP and U.S. GAAP, provision (credit) for loan losses may differ between Japanese GAAP and U.S. GAAP due to the difference in the timing of accounting closings between our consolidated financial statements under U.S. GAAP and those under Japanese GAAP.

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

#### 5. Premises and equipment

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

With regard to internal-use software, under U.S. GAAP, the costs to develop or obtain software that allow for access to or conversion of old data by new systems are capitalized, while they are expensed when it occurs under Japanese GAAP. On the other hand, the general and administrative costs and the overhead costs are expensed as the costs of internal-use software under U.S. GAAP, but 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 year ended March 31, 2018, 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. 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, 2018:

Name	Age	Director Type	Chair / Deputy Chair of the Board	Committee Membership			
				Nominating	Compensation	Audit	Risk <sup>(4)</sup>
Tatsufumi Sakai . . . . .	58	Executive <sup>(1)</sup>	—	—	—	—	—
Takanori Nishiyama . . . . .	56	Executive <sup>(1)</sup>	—	—	—	—	—
Makoto Umemiya . . . . .	53	Executive <sup>(1)</sup>	—	—	—	—	—
Yasuyuki Shibata . . . . .	55	Executive <sup>(1)</sup>	—	—	—	—	—
Hisashi Kikuchi . . . . .	52	Executive <sup>(1)</sup>	—	—	—	—	—
Yasuhiro Sato . . . . .	66	Non-executive <sup>(2)</sup>	—	—	—	—	—
Ryusuke Aya . . . . .	58	Non-executive <sup>(2)</sup>	Deputy Chair	—	—	Member	<b>Chair</b>
Nobukatsu Funaki . . . . .	59	Non-executive <sup>(2)</sup>	—	—	—	Member	—
Tetsuo Seki . . . . .	79	Independent <sup>(3)</sup>	—	Member	Member	<b>Chair</b>	—
Takashi Kawamura . . . . .	78	Independent <sup>(3)</sup>	—	<b>Chair</b>	Member	—	—
Tatsuo Kainaka . . . . .	78	Independent <sup>(3)</sup>	—	Member	<b>Chair</b>	Member	—
Hirotake Abe . . . . .	73	Independent <sup>(3)</sup>	—	—	Member	Member	—
Hiroko Ota . . . . .	64	Independent <sup>(3)</sup>	<b>Chair</b>	Member	—	—	—
Izumi Kobayashi . . . . .	59	Independent <sup>(3)</sup>	—	Member	—	—	Member

Notes:

- (1) Directors concurrently serving as executive officers.
- (2) Directors not concurrently serving as executive officers, specialist 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. Takanori Nishiyama** has been Member of the Board of Directors and Managing Executive Officer / Head of Compliance Group (Group CCO) since June 2017. Previously, he had been in charge of business promotion from April 2015 to April 2017; and General Manager of Omiya Branch from April 2014 to April 2015. He concurrently serves as Executive Managing Director 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 from April 2012 to April 2014. He concurrently serves as Executive Managing Director of Mizuho Bank.



**Mr. Yasuyuki Shibata** has been Member of the Board of Directors and Managing Executive Officer / Head of Risk Management Group (Group CRO) since June 2017. Previously, he had been General Manager of Risk Management Department from July 2016 to June 2017; and General Manager of Americas Treasury Division from April 2014 to July 2016. He concurrently serves as Executive Managing Director of Mizuho Bank.

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

**Mr. Yasuhiro Sato** has been 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. Ryusuke Aya** has been a non-executive Member of the Board of Directors since June 2017. Previously, he had been a non-executive Member of the Board of Directors (Audit & Supervisory Committee Member) of Mizuho Bank from June 2017 to April 2018; and Head of Risk Management Group (Group CRO) from November 2013 to June 2017.

**Mr. Nobukatsu Funaki** has been Member of the Board of Directors since June 2014. Previously, he had been Audit & Supervisory Board Member at each of Mizuho Financial Group (from June 2013 to June 2014), Mizuho Securities (April 2013 to June 2014) and the former Mizuho Corporate Bank (from March 2010 to June 2013)

**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. Takashi Kawamura** has been Member of the Board of Directors since June 2014. Previously, he had been Representative Executive Officer, Chairman, President and Chief Executive Officer and Director of Hitachi, Ltd. He concurrently serves as Outside Audit & Supervisory Board Member of Nikkei Inc.; and Chairman of the Board of Directors (Outside Director) of Tokyo Electric Power Company Holdings, Inc.

**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.

**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.; and Member of the Board of Governors of Japan Broadcasting Corporation.

## Executive Officers

Shown below are information regarding the executive officers of Mizuho Financial Group as of June 30, 2018:

Name	Age	Title	Area of Oversight
Tatsufumi Sakai <sup>(1)</sup>	58	President & Group CEO <sup>(2)</sup>	
Toshitsugu Okabe	62	Deputy President & Executive Officer <sup>(2)</sup>	Head of Retail & Business Banking Company
Daisaku Abe	61	Deputy President & Executive Officer	Head of IT & Systems Group (Group CIO) and Head of Operations Group (Group COO)
Junichi Kato	60	Senior Managing Executive Officer	Head of Global Markets Company
Katsunobu Motohashi	60	Senior Managing Executive Officer	Head of Asset Management Company
Akira Nakamura	57	Senior Managing Executive Officer	Head of Corporate & Institutional Company
Seiji Imai	56	Senior Managing Executive Officer	Head of Global Corporate Company
Tsutomu Nomura	59	Managing Executive Officer	Head of Internal Audit Group (Group CA)
Takanori Nishiyama <sup>(1)</sup>	56	Managing Executive Officer	Head of Compliance Group (Group CCO)
Motonori Wakabayashi	53	Managing Executive Officer	Head of Research & Consulting Unit
Goji Fujishiro	53	Managing Executive Officer	Head of Global Products Unit
Shuji Kojima	53	Managing Executive Officer	Head of Human Resources Group (Group CHRO)
Makoto Umemiya <sup>(1)</sup>	53	Managing Executive Officer	Head of Financial Control & Accounting Group (Group CFO)
Yasuyuki Shibata <sup>(1)</sup>	55	Managing Executive Officer	Head of Risk Management Group (Group CRO)
Hisashi Kikuchi <sup>(1)</sup>	52	Managing Executive Officer	Head of Strategic Planning Group (Group CSO)

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, Takanori Nishiyama, Makoto Umemiya, Yasuyuki Shibata and Hisashi Kikuchi**, see "—Directors."

**Mr. Toshitsugu Okabe** has been Deputy President & Executive Officer / Head of Retail & Business Banking Company since April 2016. Previously, he had been Head of Retail Banking Unit or in charge of similar responsibilities from April 2009 to April 2016.

**Mr. Daisaku Abe** has been Deputy President & Executive Officer / Head of IT & Systems Group (Group CIO) and Head of Operations Group (Group COO) since April 2013. Previously, he had been in charge of similar responsibilities from April 2009 to April 2013; and Head of Strategic Planning Group from April 2009 to April 2012. He concurrently serves as Deputy President & Executive Officer of Mizuho Bank.

**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. Katsunobu Motohashi** has been Senior Managing Executive Officer / Head of Asset Management Company since April 2016. Previously, he had been in charge of similar responsibilities from April 2010 to April 2016; and General Manager of Treasury Department of Mizuho Trust & Banking from April 2007 to April 2010. He concurrently serves as Senior Managing Executive Officer of Mizuho Bank.

**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 Senior Managing 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 from April 2014 to April 2016. He concurrently serves as Senior Managing Executive Officer of Mizuho Bank.

**Mr. Tsutomu Nomura** has been Managing Executive Officer / Head of Internal Audit Group (Group CA) since April 2017. Previously, he had been Co-head of Credit Group or in charge of similar responsibilities from April 2014 to April 2017.

**Mr. Motonori Wakabayashi** has been Managing Executive Officer / Head of Research & Consulting Unit since April 2018. Previously, he had been in charge of similar responsibilities and business promotion from April 2016 to April 2018; and General Manager of Industry Research Division from April 2013 to April 2016. He concurrently serves as Managing Executive Officer of Mizuho Bank.

**Mr. Goji Fujishiro** has been Managing Executive Officer / Head of Global Products Unit since April 2018. Previously, he had been in charge of business promotion 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. Shuji Kojima** has been Managing Executive Officer / Head of Human Resources Group (Group CHRO) since April 2017. Previously, he had been 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.

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, 2018 (basic salaries and others) and March 31, 2017 (performance payments and stock compensation paid or determined during the following fiscal year) are shown on the following table:

Classification	Number of Persons (Note 2)	Aggregate Amount of Compensation (in millions of yen) (Note 3)	Aggregate Amounts of Compensation by Type (in millions of yen)							
			For the fiscal year ended March 31, 2018				For the fiscal year ended March 31, 2017			
			Basic Salaries		Other		Performance Payments		Stock Compensation	
			Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount
Directors . . . . .	10	289	10	270	8	0	1	9	1	9
Executive officers as defined in the Companies Act . . .	19	1,299	19	827	19	1	19	236	19	234

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, 2017 and 2018 are stated.
- (3) With respect to the amounts, the aggregate amounts for the fiscal years ended March 31, 2017 and 2018 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) Five executive officers who resigned as of April 1, 2017, two directors who retired as of June 23, 2017 and one executive officer who resigned as of June 23, 2017 are included in the above.
- (6) With respect to the performance payments for the executive officers, the amounts decided by the Compensation Committee of Mizuho Financial Group in July 2017 as the performance payments for the fiscal year ended March 31, 2017 are stated. The portions that exceed a certain amount are expected to be paid as deferred payments over three years from the fiscal year ending March 31, 2019.
- (7) With respect to the stock compensation for the directors (excluding the outside 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 2017 as the stock ownership points granted for the fiscal year ended March 31, 2017 (one (1) point translates into one (1) share of common stock of Mizuho Financial

Group) by the book value of Mizuho Financial Group stock (196.9447 per share) are stated. The stock compensation for the fiscal year ended March 31, 2017 is expected to be paid as deferred payments over three years from the fiscal year ending March 31, 2019.

- (8) Because the amount of the performance payments and stock compensation to be paid with respect to the fiscal year ended March 31, 2018 has not yet been determined at present, the aggregate compensation above does not include the amount of the performance payments and stock compensation; however, the necessary reserve is recorded for accounting purposes.
- (9) The condolence money premiums and life insurance premiums subsidies concerning the fiscal year ended March 31, 2018 are included in the above table as “Other”, both of which are based on the decision by the Compensation Committee.

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). The following table sets forth the relevant information that Mizuho Financial Group has disclosed pursuant to such regulations:

Name (Classification)	Aggregate Amount of Compensation (in millions of yen)	Company	Aggregate Amounts of Compensation by Type (in millions of yen)			
			For the fiscal year ended March 31, 2018		For the fiscal year ended March 31, 2017	
			Basic Salary	Other	Performance Payments	Stock Compensation
Yasuhiro Sato (Executive officer as defined in the Companies Act)	126	Mizuho Financial Group Mizuho Bank Mizuho Trust & Banking Mizuho Securities	69 3 1 2	0 — — —	22 1 0 0	22 1 0 0

Note:

- (1) Fractions are rounded down.

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, 2018.

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, 2018.

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, 2018.

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, 2018.

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, 2018.

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, 2018.

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, 2018.

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. The company believes that, under the current legal system, a Company with Three Committees is the most effective as a system to realize the basic policy regarding our corporate governance system for the following reasons:

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

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

### **Board of Directors**

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

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

The main roles of the Board of Directors are making decisions on business execution such as basic management policies, which are legally matters to be determined solely by the Board of Directors, and supervising the execution of duties by directors and executive officers. 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 and maintains the following structure in order to manage the Board of Directors in an effective and stable manner. In light of the role of the Board of Directors to supervise management, (i) outside directors and internal directors who do not concurrently serve as persons performing executive roles (“Internal Non-Executive Directors,” and together with outside directors, “Non-Executive Directors”) comprise a majority of the directors in the Board of Directors and (ii) at least a third of the members of the Board of Directors are outside directors. Currently, the Board of Directors consists of a total of 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.

### **Nominating Committee**

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

The main roles of the Nominating Committee of Mizuho Financial Group are determining the contents of proposals regarding the appointment and dismissal of directors of Mizuho Financial Group to be submitted to the general meetings of shareholders, exercising the approval rights held by Mizuho Financial Group with respect to the appointment and dismissal of directors of each of Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities (the “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. For your reference, succession planning is also deliberated by the Nominating Committee.

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 22, 2018, the members of the Nominating Committee are Mr. Takashi Kawamura (Chairman), Mr. Tetsuo Seki, Mr. Tatsuo Kainaka, Ms. Hiroko Ota and Ms. Izumi Kobayashi.

### **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 22, 2018, the members of the Compensation Committee are Mr. Tatsuo Kainaka (Chairman), Mr. Tetsuo Seki, Mr. Takashi Kawamura and Mr. Hirotake Abe.

### **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 accounting auditors to be submitted to the general meetings of shareholders, and adopting resolutions regarding the approval of basic internal audit plans and the commission of the Group Chief Auditor.

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 22, 2018, the members of the Audit Committee are Mr. Tetsuo Seki (Chairman), Mr. Tatsuo Kainaka, Mr. Hirotake Abe, Mr. Ryusuke Aya and Mr. Nobukatsu Funaki.

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

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

- 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 and evaluate the consistency among our basic policy concerning management, basic policy concerning risk strategy and the execution of that strategy, and the adequacy of our risk profile and other status of risk management, and the Risk Committee shall report to the Board of Directors thereon.

- 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.

- **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 shall meet at least twice each year, shall discuss matters such as issues facing management, the operation of the Board of Directors and the governance systems, and shall provide opinions as appropriate to the Group CEO.

## **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, 2016, 2017 and 2018, we had 56,375, 59,179 and 60,051 employees, respectively, on a consolidated basis, including overseas local staff but excluding advisers and temporary employees. We also had an average of approximately 20,076 temporary employees during the fiscal year ended March 31, 2018.

The following tables show our full-time employees as of March 31, 2018 and the average number of temporary employees for the fiscal year ended March 31, 2018, 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 . . . . .	24,526	12,417
Corporate & Institutional Company . . . . .	2,145	354
Global Corporate Company . . . . .	8,645	67
Global Markets Company . . . . .	1,591	115
Asset Management Company . . . . .	1,669	147
Others . . . . .	21,475	6,976
Total . . . . .	<u>60,051</u>	<u>20,076</u>

<u>Location</u>	<u>Percentage of full-time employees</u>	<u>Average percentage of temporary employees</u>
Japan . . . . .	91.5%	99.8%
Americas . . . . .	2.3	0.0
Europe . . . . .	1.4	0.1
Asia/Oceania (excluding Japan) and others . . . . .	4.8	0.1
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, 2018: 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 is 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 . . . . .	308,538	120,388
Takanori Nishiyama . . . . .	130,925	73,857
Makoto Umemiya . . . . .	34,755	74,124
Yasuyuki Shibata . . . . .	49,500	69,070
Hisashi Kikuchi . . . . .	48,200	37,868
Yasuhiro Sato . . . . .	890,412	677,640
Ryusuke Aya . . . . .	218,192	123,454
Nobukatsu Funaki . . . . .	77,115	198,422
Tetsuo Seki . . . . .	33,400	—
Takashi Kawamura . . . . .	130,000	—
Tatsuo Kainaka . . . . .	22,400	—
Hirotake Abe . . . . .	33,400	—
Hiroko Ota . . . . .	5,000	—
Izumi Kobayashi . . . . .	4,500	—
	<u>Actual number of shares held</u>	<u>Potential number of additional shares to be held</u>
<u>Executive Officers</u>		
Tatsufumi Sakai . . . . .	See above	See above
Toshitsugu Okabe . . . . .	688,495	262,923
Daisaku Abe . . . . .	308,457	458,450
Junichi Kato . . . . .	611,011	127,745
Katsunobu Motohashi . . . . .	249,365	199,015
Akira Nakamura . . . . .	191,062	99,651
Seiji Imai . . . . .	52,600	134,497
Tsutomu Nomura . . . . .	305,794	91,940
Takanori Nishiyama . . . . .	See above	See above
Motonori Wakabayashi . . . . .	14,040	81,381
Goji Fujishiro . . . . .	31,692	79,879
Shuji Kojima . . . . .	65,796	81,544
Makoto Umemiya . . . . .	See above	See above
Yasuyuki Shibata . . . . .	See above	See above
Hisashi Kikuchi . . . . .	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, see "Item 6.B Compensation."

We maintain an employee stock ownership plan under which participating employees of the companies listed below are able to purchase our shares with funds deducted from their salary and bonus payments. The plan administrator makes open-market purchases of our shares for the account of the plan on a monthly basis. The companies contribute matching funds equivalent to 5% of the amounts contributed. The following table shows the numbers of shares that this plan held as of March 31, 2018:

<u>Plan</u>	<u>As of March 31, 2018</u>	
	<u>Employer companies</u>	<u>Number of shares owned</u>
Mizuho Employee Stock Ownership Plan . . . . .	Mizuho Financial Group Mizuho Bank Mizuho Trust & Banking Mizuho Asset Management Mizuho Research Institute Mizuho Information & Research Institute	
Total . . . . .		<u>111,318,229</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, 2018:

<u>Name</u>	<u>As of March 31, 2018</u>	
	<u>Number of shares owned</u>	<u>Percentage of outstanding shares</u>
The Master Trust Bank of Japan, Ltd. (trustee account) . . . . .	1,070,043,700	4.22%
Japan Trustee Services Bank, Ltd. (trustee account) . . . . .	1,054,777,400	4.16
Japan Trustee Services Bank, Ltd. (trustee account 5) . . . . .	512,108,700	2.02
Japan Trustee Services Bank, Ltd. (trustee account 9) . . . . .	479,711,500	1.89
State Street Bank West Client – Treaty 505234 . . . . .	453,273,840	1.79
Japan Trustee Services Bank, Ltd. (trustee account 1) . . . . .	381,129,200	1.50
Japan Trustee Services Bank, Ltd. (trustee account 2) . . . . .	374,905,000	1.48
JP Morgan Chase Bank 385151 . . . . .	341,932,527	1.35
Japan Trustee Services Bank, Ltd. (trustee account 7) . . . . .	325,656,600	1.28
Japan Trustee Services Bank, Ltd. (trustee account 4) . . . . .	308,675,100	1.22
Total . . . . .	<u>5,302,213,567</u>	<u>20.89%</u>

As of March 31, 2018, there were 220 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, 2018, 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, 2018, 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, 2018.

During the fiscal year ended March 31, 2018, 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, 2018 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, 2017.

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

#### Market Price Information for Our American Depositary Shares

Our ADSs are listed on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the high and low trading prices and average daily trading volume on the New York Stock Exchange for our ADSs:

<u>Fiscal years ended March 31,</u>	<u>Price per ADS</u>		<u>Average daily trading volume</u> (shares)
	<u>High</u>	<u>Low</u>	
2014 .....	4.55	3.62	556,105
2015 .....	4.17	3.22	352,911
2016 .....	4.51	2.72	608,446
2017 .....	3.87	2.69	426,812
2018 .....	4.00	3.37	285,536
2017:			
First quarter .....	3.30	2.69	814,598
Second quarter .....	3.71	2.76	293,004
Third quarter .....	3.87	3.17	334,969
Fourth quarter .....	3.85	3.56	257,964
2018:			
First quarter .....	3.76	3.47	349,014
Second quarter .....	3.72	3.37	251,729
Third quarter .....	3.76	3.46	181,256
Fourth quarter .....	4.00	3.54	362,590
Most recent six months:			
December .....	3.76	3.57	200,194
January .....	4.00	3.62	433,467
February .....	3.87	3.54	383,575
March .....	3.77	3.59	272,728
April .....	3.69	3.53	333,099
May .....	3.70	3.46	253,515

## Market Prices Information for Our Shares

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

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

<u>Fiscal years ended March 31,</u>	<u>Price per share<sup>(1)</sup></u>		<u>Average daily trading volume</u> (shares)
	<u>High</u>	<u>Low</u>	
2014 .....	240	180	186,546,095
2015 .....	226.6	178.1	132,018,080
2016 .....	280.4	149.3	200,523,432
2017 .....	225.3	142.0	162,921,802
2018 .....	220.7	185.4	127,920,473
2017:			
First quarter .....	185.7	142.6	160,817,541
Second quarter .....	186.4	142.0	160,435,263
Third quarter .....	225.3	163.5	201,903,957
Fourth quarter .....	217.3	204.0	128,571,211
2018:			
First quarter .....	210.7	186.7	115,420,966
Second quarter .....	208.9	185.4	108,518,360
Third quarter .....	210.0	194.7	141,275,285
Fourth quarter .....	220.7	189.1	147,410,341
Most recent six months:			
December .....	208.6	199.8	129,917,095
January .....	220.7	205.2	147,543,079
February .....	211.5	193.8	157,500,153
March .....	198.3	189.1	138,161,367
April .....	200.6	188.0	102,114,325
May .....	203.3	189.1	97,854,567

Note:

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

### 9.B. Plan of Distribution

Not applicable.

### 9.C. Markets

The principal trading market for our shares of common stock is the First Section of the Tokyo Stock Exchange. Our shares have been listed on the First Section of the Tokyo Stock Exchange, under the code “8411,” since our establishment as the holding company of the Mizuho group on March 12, 2003, as the successor to Mizuho Holdings.

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

**9.D. Selling Shareholders**

Not applicable.

**9.E. Dilution**

Not applicable.

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

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **10.A. Share Capital**

Not applicable.

### **10.B. Memorandum and Articles of Association**

#### **Objects and Purposes in our Articles of Incorporation**

Our corporate purpose, as specified in article 2 of our articles of incorporation, which is included in this annual report as Exhibit 1.1, is to engage in the following businesses as a bank holding company:

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

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

Under the Companies Act (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, 2018, 25,389,644,945 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. Under our articles of incorporation, we are not obligated to pay any distribution of Surplus to be made in cash which has not been received after the lapse of five years from the commencement date of such distribution.

### *Restriction on Distribution of Surplus*

Payment of annual dividends on shares of common stock is subject to the prior payment of 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, 2018.

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, 2018, 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 depositary, including shares deposited with Mizuho Bank as custodian for the depositary, or the holder surrendering the ADR, as the case may be, would be 10% or more of the total outstanding shares, a report will be required, and in specified circumstances, a prior notification may be required, as noted above.

## **10.E. Taxation**

### **Japanese Taxation**

The following is a general summary of major Japanese tax consequences (limited to national tax) to holders of shares of our common stock or ADSs representing shares of our common stock who are non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan, which we refer to as “non-resident holders” in this section. The statements regarding Japanese tax laws set forth below are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as at the date of this Annual Report and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements, or interpretations thereof, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

For the purpose of Japanese tax law and the tax treaty between the United States and Japan, a U.S. holder of ADSs will generally be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares of our common stock or ADSs is subject to Japanese income tax collected by way of withholding on dividends paid by us, and such tax will be withheld prior to payment of dividends. Stock splits are, in general, not a taxable event.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident holders is generally 20.42% under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares of our common stock or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned 20.42% withholding tax rate is reduced to 15.315% for dividends due and payable on or before December 31, 2037. Due to the imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original

withholding tax rate of 15% and 20%, as applicable, has been effectively increased, respectively, to 15.315% and 20.42%, during the period beginning on January 1, 2013 and ending on December 31, 2037.

Under the income tax treaty between the United States and Japan, the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a qualified United States resident eligible to enjoy treaty benefits that is either a corporation owning, directly or indirectly, less than 10% of the voting stock of a Japanese corporation or an individual is generally reduced to 10% of the gross amount actually distributed, except where such United States resident conducts business in Japan through a permanent establishment situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. Dividends paid to pension funds which are qualified United States residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the preceding paragraph with respect to the dividends to be paid by us on shares of our common stock or ADSs. A non-resident holder of shares of our common stock who is entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax, or exemption therefrom, as the case may be, is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance, through the withholding agent, to the relevant tax authority before payment of dividends. A standing proxy for a non-resident holder may provide such application service. In addition, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption will be applicable to non-resident holders of ADSs if the depository or its Agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends), together with certain other documents. To claim this reduced rate or exemption, non-resident holders of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depository. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure.

We do not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale or other disposition of shares of our common stock or ADSs outside Japan by a non-resident holder, who is a portfolio investor, are not, in general, subject to Japanese income tax or corporation tax.

Any deposits or withdrawals of shares of our common stock by a non-resident holder in exchange for ADSs are, in general, not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired our shares of our common stock or ADSs from an individual, as a legatee, heir or donee, even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

## **U.S. Taxation**

The following sets forth the material United States federal income tax consequences of the ownership of shares and ADSs as of the date hereof. The discussion set forth below is applicable to U.S. holders (as defined below) (i) who are residents of the United States for purposes of the current income tax treaty between Japan and the United States (the “Treaty”), (ii) whose shares or ADSs are, for purposes of the Treaty, neither effectively connected with nor attributable to a permanent establishment in Japan and (iii) who otherwise qualify for the full benefits of the Treaty.

The following summary is not a complete analysis or description of all potential U.S. federal income tax consequences to a particular U.S. holder. It does not address all U.S. federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, insurance companies, dealers in securities or currencies, tax-exempt entities, non-U.S. persons, persons holding a share or an ADS as part of a “straddle,” “hedge,” conversion or integrated transaction, partnerships or other pass-through entities for U.S. federal income tax purposes, traders in securities who have elected the mark-to-market method of accounting for their securities, regulated investment companies, real estate investment trusts, holders whose “functional currency” is not the U.S. dollar, holders liable for alternative minimum tax, 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 depositary 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 main and risk 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 an obligor’s credit standing changes. This enables our principal banking subsidiaries to monitor both individual obligors and the status of the overall portfolio in a timely fashion. Because we consider obligor ratings to be an initial phase of the self-assessment process regarding the quality of our loans and off-balance-sheet instruments, such obligor ratings are closely linked to the obligor classifications and are an integral part of the process for determining the provision for loan losses and charge-offs in our self-assessment of loans and off-balance-sheet instruments.

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

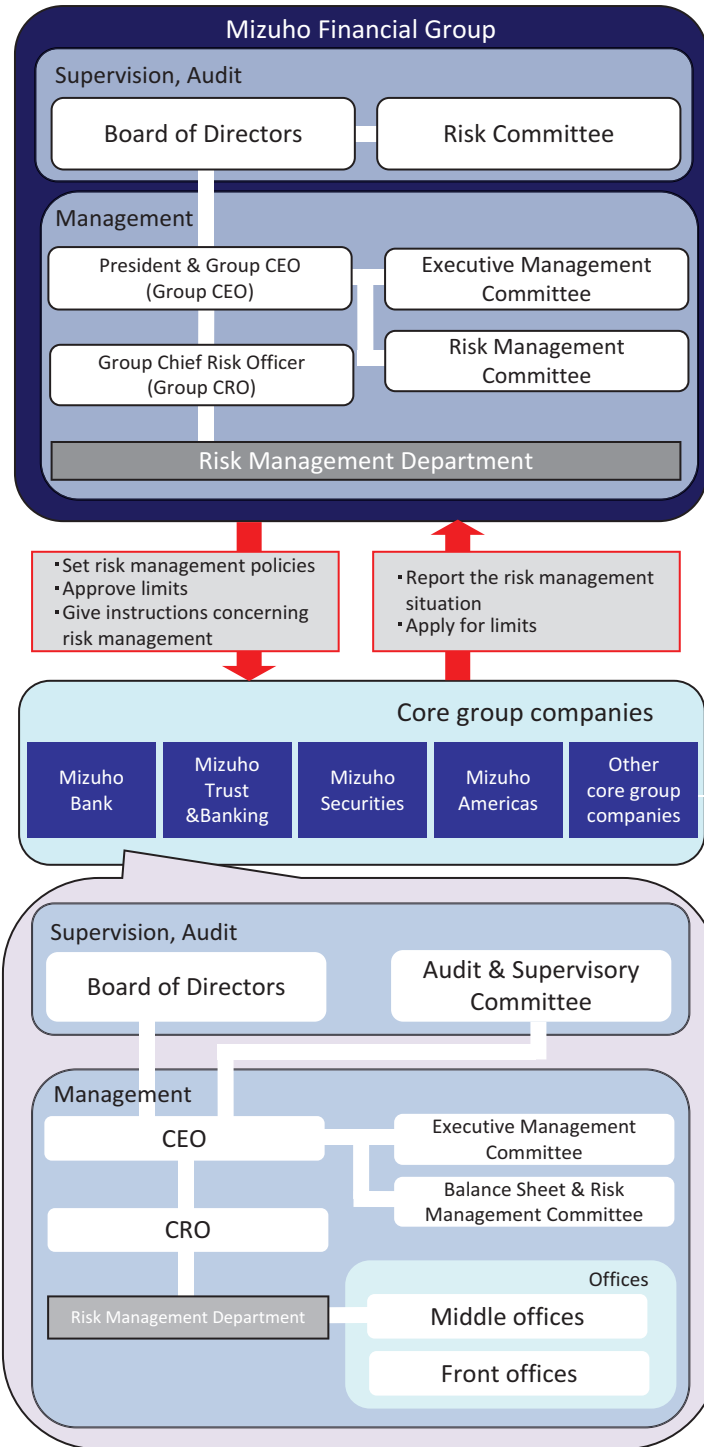
average loss for a one-year risk horizon (“Expected Loss”) and the maximum loss within a certain confidence interval (“credit VAR”). The difference between expected loss and credit VAR is measured as the credit risk amount (“Unexpected Loss”). The risk measurement system covers the following account 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 two types of risk arising from allowing unexpected loss to become too large. One type is “credit concentration risk,” which stems from granting excessive credit to certain individual counterparties or corporate groups. The other type is “chain-reaction default risk,” which arises from granting excessive credit to certain areas, industrial sectors and other groupings. Our principal banking subsidiaries manage these risks in line with our specific guidelines for each. 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 company, corporate group, geography, country 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, 2016, 2017 and 2018 and as of March 31, 2016, 2017 and 2018:

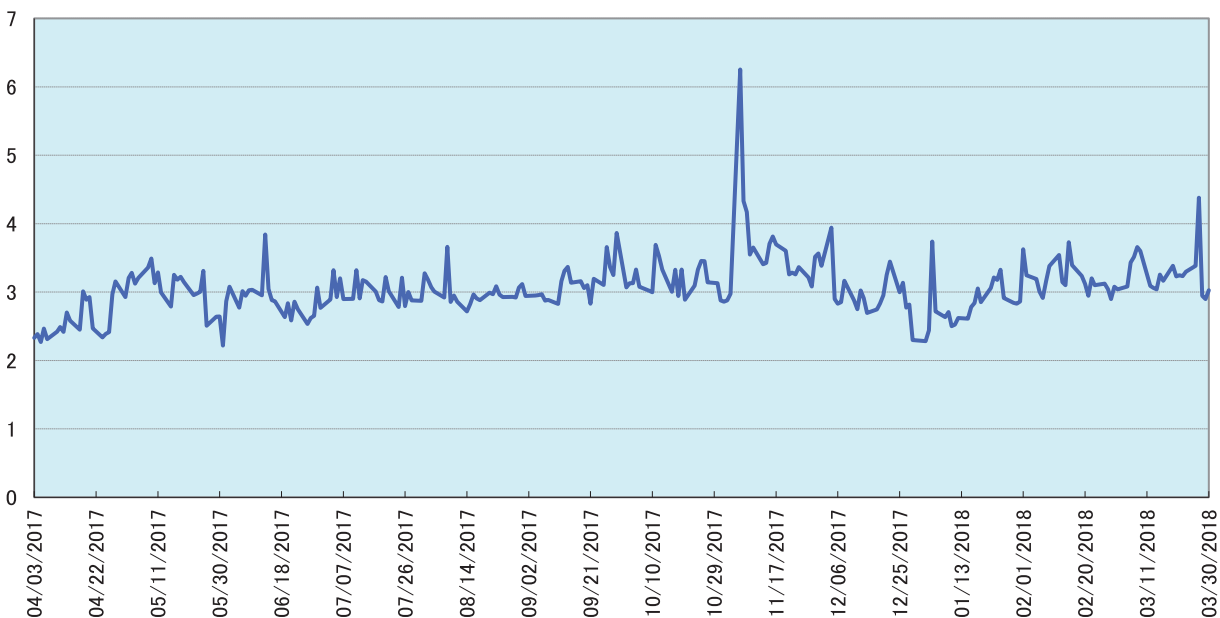
<b>Risk category</b>	<b>Fiscal year ended March 31, 2016</b>			<b>As of March 31, 2016</b>
	<b>Daily average</b>	<b>Maximum</b>	<b>Minimum</b>	
	(in billions of yen)			
Interest rate . . . . .	¥1.8	¥3.7	¥0.6	¥1.1
Foreign exchange . . . . .	0.9	2.3	0.2	0.3
Equities . . . . .	0.6	2.5	0.1	0.3
Commodities . . . . .	0.0	0.0	0.0	0.0
Total . . . . .	¥2.9	¥4.5	¥1.8	¥2.0

<b>Risk category</b>	<b>Fiscal year ended March 31, 2017</b>			<b>As of March 31, 2017</b>
	<b>Daily average</b>	<b>Maximum</b>	<b>Minimum</b>	
	(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

<b>Risk category</b>	<b>Fiscal year ended March 31, 2018</b>			<b>As of March 31, 2018</b>
	<b>Daily average</b>	<b>Maximum</b>	<b>Minimum</b>	
	(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

The following graph shows VAR figures of our trading activities for the fiscal year ended March 31, 2018:

(VAR : billions of yen)



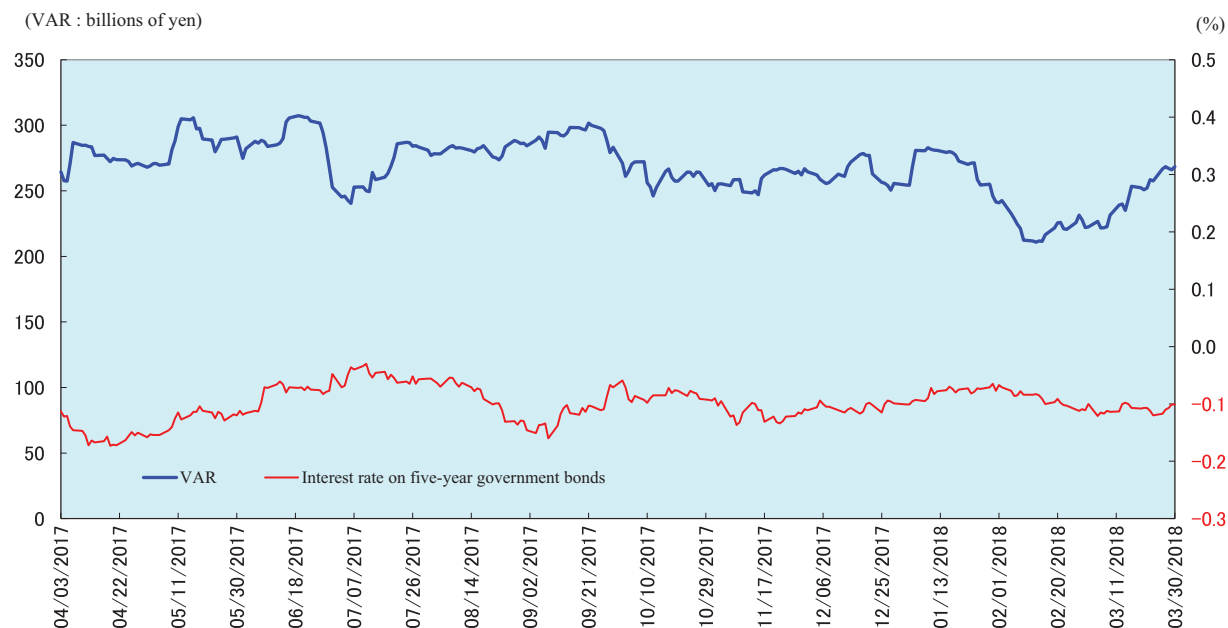
The following table shows VAR figures of our trading activities for the fiscal years indicated:

	Fiscal years ended March 31,			
	2016	2017	2018	Change
As of fiscal year end	¥2.0	¥2.6	¥3.0	¥ 0.4
Maximum	4.5	5.8	6.2	0.3
Minimum	1.8	2.3	2.2	(0.1)
Average	2.9	3.3	3.0	(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, 2018:



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

	Fiscal years ended March 31,			
	2016	2017	2018	Change
	(in billions of yen)			
As of fiscal year end	¥321.5	¥292.7	¥268.4	¥(24.3)
Maximum	360.6	397.5	307.2	(90.2)
Minimum	190.0	247.4	210.8	(36.6)
Average	284.9	331.0	267.8	(63.2)

VAR is a commonly used market risk management technique. However, VAR models have the following shortcomings:

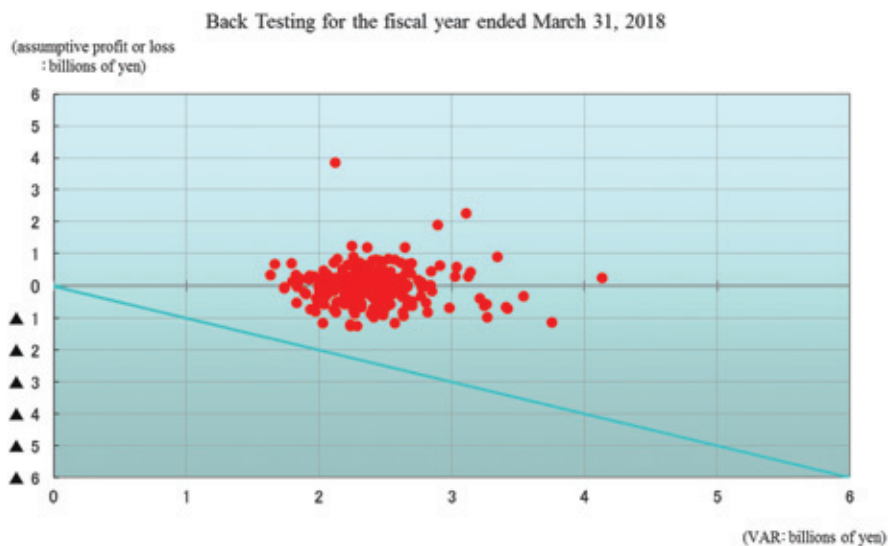
- By its nature as a statistical approach, VAR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, particularly potential future events that are extreme in 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, 2018 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.

	<u>Definition</u>	<u>Principal Risk Management Methods</u>
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>

	<b>Definition</b>	<b>Principal Risk Management Methods</b>
Operations Risk	Risk that customers may suffer service disruptions, as well as the risk that customers or the group may incur losses because senior executives or employees fail to fulfill their tasks properly, cause accidents or otherwise act improperly.	<ul style="list-style-type: none"> <li>• Establish clearly defined procedures for handling operations.</li> <li>• Periodically check the status of operational processes.</li> <li>• Conduct training and development programs by headquarters.</li> <li>• Introduce information technology, office automation and centralization for operations.</li> <li>• Improve the effectiveness of emergency responses by holding drills.</li> </ul>
Legal Risk	Risk that the group may incur losses due to violation of laws and regulations, breach of contract, entering into improper contracts or other legal factors.	<ul style="list-style-type: none"> <li>• Review and confirm legal issues, including the legality of material decisions, agreements and external documents, etc.</li> <li>• Collect and distribute legal information and conduct internal training programs.</li> <li>• Analyze and manage issues related to lawsuits.</li> </ul>
Human Resources Risk	Risk that the group may incur losses due to drain or loss of personnel, deterioration of morale, inadequate development of human resources, inappropriate working schedule, inappropriate working and safety environment, inequality or inequity in human resource management or discriminatory conduct.	<ul style="list-style-type: none"> <li>• Conduct employee satisfaction surveys.</li> <li>• Understand the status of 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>

	<b>Definition</b>	<b>Principal Risk Management Methods</b>
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. Entities within our group that use the AMA include the following: Mizuho Financial Group; Mizuho Bank, Ltd., Mizuho Trust & Banking Co., Ltd.; Mizuho Securities; Mizuho Information & Research Institute Corporation Inc.; Trust & Custody Services Bank Ltd.; Mizuho Operation Service, Ltd.; Mizuho Credit Guarantee Co., Ltd.; Mizuho Business Service Co., Ltd.; Mizuho Trust Operations Co., Ltd.; Mizuho Trust Systems Co., Ltd.; Mizuho Trust Business Operations Co., Ltd.; Mizuho Trust Retail Support Co., Ltd.; Mizuho Bank Europe N.V.; and Mizuho International plc.

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, 2018, 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, 2018, 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.” In the measurement process, we assume that final decisions will be made on all litigation within one year.

- Verification

We confirm the appropriateness of the measurement model by verifying it, in principle, semi-annually.

#### *Scenario Analysis*

- Outline of scenario analysis

In the process of scenario analysis, scenario data is created as numerical values of occurrence frequency and loss severity reflecting external loss data and BEICFs, in order to estimate unexperienced potential future operational risk events (of low frequency and high severity).

As for external loss data, we refer to data publicly reported by domestic and overseas media, and such data are reflected in the estimation of occurrence frequency and loss severity distribution in the process of scenario analysis. In addition, BEICFs are utilized as indices to adjust occurrence frequency and loss severity distribution in the process of scenario analysis.

We categorize scenario analysis into four approaches in accordance with the characteristics of each loss event type and risk management structures.

<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 audits are designed as an integrated process, independent from other business operations, for evaluating the extent to which internal control achieves its objectives in key areas, including appropriate risk management, efficient and effective business operations, reliable financial reporting and compliance with laws, regulations and internal rules. We conduct internal audits from an objective and comprehensive standpoint, independent of operational reporting lines, and offer advice and remedial recommendations in connection with any problems that may be identified. Through this process, internal audits assist the boards of directors of each of our group companies to fulfill their managerial duties efficiently and effectively.

In line with the Basic Policy for Internal Audit established by Mizuho Financial Group, our principal banking subsidiaries and other core group companies conduct internal audits, which include the 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.

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.

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 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, 2018, the depositary reimbursed us \$75,000 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, 2018. 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, 2018 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, 2018 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, 2018.

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, 2018, which appears on page F-3.

#### **Attestation Report of the Registered Public Accounting Firm**

See the attestation report of our independent registered public accounting firm, Ernst & Young ShinNihon LLC, which appears on page F-3.

#### **Changes in Internal Control over Financial Reporting**

During the period covered by this annual report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Since June 11, 2018, Mizuho Bank and Mizuho Trust & Banking have been engaging in the multi-stage process of migration to and the implementation of our next-generation IT systems, including accounting system.

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

Our board of directors has determined that Messrs. Tetsuo Seki, Hirotake Abe and Nobukatsu Funaki 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, all three are determined to be independent as defined under the New York Stock Exchange (“NYSE”) Corporate Governance Standards.

#### **ITEM 16B. CODE OF ETHICS**

Mizuho Financial Group has adopted a code of ethics, which is applicable to all directors and executive officers, as well as all managers and other employees of Mizuho Financial Group who engage in financial reporting, accounting or disclosure. The code of ethics is included in this annual report as Exhibit 11.

#### **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

##### **Fees for Services provided by Ernst & Young ShinNihon LLC**

The aggregate fees billed by Ernst & Young ShinNihon LLC, our independent registered public accounting firm, and its affiliates, for the fiscal years ended March 31, 2017 and 2018 are presented in the following table:

	<b>Fiscal years ended March 31,</b>	
	<b>2017</b>	<b>2018</b>
	<b>(in millions of yen)</b>	
Audit fees <sup>(1)</sup> . . . . .	¥4,800	¥4,951
Audit-related fees <sup>(2)</sup> . . . . .	406	306
Tax fees <sup>(3)</sup> . . . . .	117	213
All other fees <sup>(4)</sup> . . . . .	42	13
Total . . . . .	<u>¥5,365</u>	<u>¥5,483</u>

Notes:

- (1) Audit fees include fees related to the audit of U.S. GAAP financial statements as well as Japanese GAAP financial statements used for home-country reporting purposes.
- (2) Audit-related fees include fees for services relating to agreed-upon procedures on internal controls, due diligence services related to our securitization business and services related to the implementation of Section 404 of the Sarbanes-Oxley Act.



- (3) Tax fees include fees for services relating to the preparation of tax returns and tax advice.
- (4) All other fees include fees for services relating to education to improve the financial business knowledge of our employees.

**Pre-Approval Policies and Procedures**

We established the pre-approval policies and procedures required by the Sarbanes-Oxley Act on April 1, 2006. Under the procedures, Mizuho Financial Group and its subsidiaries must apply to our audit committee members for pre-approval before entering into an agreement regarding audit and permitted non-audit services with Ernst & Young ShinNihon LLC.

We follow two types of pre-approval policies and procedures:

- General pre-approval . . . . . General pre-approval is required for services which are expected to be performed during a given fiscal year. Our audit committee reviews the specific maximum fee amount for new services and the maximum amount of increase/decrease from previous fee amounts for the same type of services as those performed in the past and authorizes pre-approval at the beginning of each fiscal year.
- Specific pre-approval . . . . . For those services which have not been approved pursuant to the general pre-approval procedure, specific pre-approval by our audit committee members is required prior to each engagement. With respect to such services, two full-time audit committee members must provide pre-approval and report such pre-approval at the monthly meeting of the audit committee.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable

**ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets forth purchases of our common stock by us and our affiliated purchasers during the fiscal year ended March 31, 2018:

	<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, 2017 .....	2,478	¥195.5	—	—
May 1 to May 31, 2017 .....	3,681	204.8	—	—
June 1 to June 30, 2017 .....	3,265	198.3	—	—
July 1 to July 31, 2017 .....	4,639	202.4	—	—
August 1 to August 31, 2017 .....	2,468	192.0	—	—
September 1 to September 30, 2017 .....	2,122	189.8	—	—
October 1 to October 31, 2017 .....	2,573	198.8	—	—
November 1 to November 30, 2017 .....	3,189	203.0	—	—
December 1 to December 31, 2017 .....	10,012	204.7	—	—
January 1 to January 31, 2018 .....	7,645	212.6	—	—
February 1 to February 28, 2018 .....	4,207	203.9	—	—
March 1 to March 31, 2018 .....	2,783	196.0	—	—
Total .....	49,062	¥202.5	—	—

Note:

- (1) A total of 49,062 shares were purchased other than through publicly announced plans or programs during the fiscal year ended March 31, 2018, 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 three 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 1, 2018 (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 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 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, 2016, 2017 and 2018. 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.

	2016			2017			2018		
	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	29,485	30	0.10%	37,389	27	0.07%	39,812	27	0.07%
Foreign	6,639	38	0.57%	7,671	48	0.63%	8,363	94	1.13%
Total	36,124	68	0.19%	45,060	75	0.17%	48,175	121	0.25%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic	4,309	10	0.22%	5,079	18	0.35%	5,283	23	0.43%
Foreign	10,465	50	0.48%	9,213	79	0.85%	9,251	132	1.43%
Total	14,774	60	0.41%	14,292	97	0.68%	14,534	155	1.07%
Trading account assets:									
Domestic	5,262	16	0.31%	4,408	27	0.62%	4,654	50	1.07%
Foreign	11,602	135	1.16%	10,335	136	1.31%	10,821	152	1.41%
Total	16,864	151	0.90%	14,743	163	1.11%	15,475	202	1.31%
Investments:									
Domestic	25,625	88	0.34%	20,357	78	0.38%	21,267	97	0.46%
Foreign	3,058	102	3.34%	3,915	87	2.24%	3,544	77	2.18%
Total	28,683	190	0.66%	24,272	165	0.68%	24,811	174	0.70%
Loans <sup>(1)</sup> :									
Domestic	52,866	565	1.07%	53,930	510	0.95%	58,049	511	0.88%
Foreign	24,279	466	1.92%	25,412	499	1.96%	24,822	599	2.41%
Total	77,145	1,031	1.34%	79,342	1,009	1.27%	82,871	1,110	1.34%
Total interest-earning assets:									
Domestic	117,547	709	0.60%	121,163	660	0.54%	129,065	708	0.55%
Foreign	56,043	791	1.41%	56,546	849	1.50%	56,801	1,054	1.86%
Total	173,590	1,500	0.86%	177,709	1,509	0.85%	185,866	1,762	0.95%
Noninterest-earning assets:									
Cash and due from banks	2,285			3,312			3,076		
Other noninterest-earning assets <sup>(2)</sup>	21,443			23,320			19,896		
Allowance for loan losses	(478)			(456)			(380)		
Total noninterest-earning assets	23,250			26,176			22,592		
Total average assets	196,840			203,885			208,458		

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 33.2%, 32.7% and 31.2%, respectively, for the fiscal years ended March 31, 2016, 2017 and 2018.

	2016			2017			2018		
	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	81,090	60	0.07%	83,293	51	0.06%	90,078	60	0.07%
Foreign	20,958	154	0.73%	23,173	214	0.92%	24,567	323	1.32%
Total	102,048	214	0.21%	106,466	265	0.25%	114,645	383	0.33%
Short-term borrowings <sup>(1)</sup> :									
Domestic	15,139	22	0.15%	14,177	27	0.19%	13,678	43	0.31%
Foreign	18,982	58	0.31%	17,112	109	0.63%	16,385	222	1.35%
Total	34,121	80	0.24%	31,289	136	0.43%	30,063	265	0.88%
Trading account liabilities:									
Domestic	2,092	13	0.61%	1,697	14	0.82%	1,454	27	1.87%
Foreign	1,195	8	0.69%	1,049	7	0.71%	1,235	14	1.16%
Total	3,287	21	0.64%	2,746	21	0.78%	2,689	41	1.54%
Long-term debt:									
Domestic	14,236	176	1.23%	14,523	178	1.22%	13,032	197	1.51%
Foreign	1,441	4	0.26%	655	2	0.32%	732	4	0.49%
Total	15,677	180	1.15%	15,178	180	1.18%	13,764	201	1.46%
Total interest-bearing liabilities:									
Domestic	112,557	271	0.24%	113,690	270	0.24%	118,242	327	0.28%
Foreign	42,576	224	0.53%	41,989	332	0.79%	42,919	563	1.31%
Total	155,133	495	0.32%	155,679	602	0.39%	161,161	890	0.55%
Noninterest-bearing liabilities <sup>(2)</sup>	35,176			40,992			39,758		
Equity	6,531			7,214			7,539		
Total average liabilities and equity	196,840			203,885			208,458		
Net interest income and average interest rate spread		1,005	0.54%		907	0.46%		872	0.40%
Net interest income as a percentage of average total interest-earning assets			0.58%			0.51%			0.47%

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 28.2%, 28.4% and 26.9%, respectively, for the fiscal years ended March 31, 2016, 2017 and 2018.



*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, 2017 compared to the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2018 compared to the fiscal year ended March 31, 2017. 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, 2017 versus fiscal year ended March 31, 2016			Fiscal year ended March 31, 2018 versus fiscal year ended March 31, 2017		
	Increase (decrease) due to changes in		Net change	Increase (decrease) due to changes in		Net change
	Volume	Yield		Volume	Yield	
(in billions of yen)						
Interest and dividend income:						
Interest-bearing deposits in other banks:						
Domestic .....	6	(9)	(3)	1	(1)	—
Foreign .....	6	4	10	5	41	46
Total .....	<u>12</u>	<u>(5)</u>	<u>7</u>	<u>6</u>	<u>40</u>	<u>46</u>
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic .....	2	6	8	1	4	5
Foreign .....	(6)	35	29	—	53	53
Total .....	<u>(4)</u>	<u>41</u>	<u>37</u>	<u>1</u>	<u>57</u>	<u>58</u>
Trading account assets:						
Domestic .....	(3)	14	11	2	21	23
Foreign .....	(14)	15	1	6	10	16
Total .....	<u>(17)</u>	<u>29</u>	<u>12</u>	<u>8</u>	<u>31</u>	<u>39</u>
Investments:						
Domestic .....	(18)	8	(10)	4	15	19
Foreign .....	19	(34)	(15)	(8)	(2)	(10)
Total .....	<u>1</u>	<u>(26)</u>	<u>(25)</u>	<u>(4)</u>	<u>13</u>	<u>9</u>
Loans:						
Domestic .....	10	(65)	(55)	36	(35)	1
Foreign .....	22	11	33	(11)	111	100
Total .....	<u>32</u>	<u>(54)</u>	<u>(22)</u>	<u>25</u>	<u>76</u>	<u>101</u>
Total interest and dividend income:						
Domestic .....	(3)	(46)	(49)	44	4	48
Foreign .....	27	31	58	(8)	213	205
Total .....	<u>24</u>	<u>(15)</u>	<u>9</u>	<u>36</u>	<u>217</u>	<u>253</u>

	Fiscal year ended March 31, 2017 versus fiscal year ended March 31, 2016			Fiscal year ended March 31, 2018 versus fiscal year ended March 31, 2017		
	Increase (decrease) due to changes in		Net change	Increase (decrease) due to changes in		Net change
	Volume	Rate		Volume	Rate	
(in billions of yen)						
Interest expense:						
Deposits:						
Domestic .....	1	(10)	(9)	4	5	9
Foreign .....	18	42	60	14	95	109
Total .....	19	32	51	18	100	118
Short-term borrowings:						
Domestic .....	(1)	6	5	(1)	17	16
Foreign .....	(6)	57	51	(5)	118	113
Total .....	(7)	63	56	(6)	135	129
Trading account liabilities:						
Domestic .....	(2)	3	1	(2)	15	13
Foreign .....	(1)	—	(1)	1	6	7
Total .....	(3)	3	—	(1)	21	20
Long-term debt:						
Domestic .....	4	(2)	2	(18)	37	19
Foreign .....	(2)	—	(2)	—	2	2
Total .....	2	(2)	—	(18)	39	21
Total interest expense:						
Domestic .....	2	(3)	(1)	(17)	74	57
Foreign .....	9	99	108	10	221	231
Total .....	11	96	107	(7)	295	288
Net interest income:						
Domestic .....	(5)	(43)	(48)	61	(70)	(9)
Foreign .....	18	(68)	(50)	(18)	(8)	(26)
Total .....	13	(111)	(98)	43	(78)	(35)

## 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, 2016, 2017 and 2018:

	2016			2017			2018		
	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	15,672	15,763	91	10,257	10,263	6	13,334	13,332	(2)
Agency mortgage-backed securities <sup>(1)</sup>	751	780	29	694	709	15	730	743	13
Corporate bonds and other debt securities	2,696	2,721	25	2,597	2,654	57	2,743	2,789	46
Equity securities (marketable)	1,610	3,726	2,116	1,452	3,722	2,270	1,478	3,915	2,437
Total domestic	<u>20,729</u>	<u>22,990</u>	<u>2,261</u>	<u>15,000</u>	<u>17,348</u>	<u>2,348</u>	<u>18,285</u>	<u>20,779</u>	<u>2,494</u>
Foreign:									
U.S. Treasury bonds and federal agency securities	436	438	2	1,148	1,144	(4)	689	686	(3)
Other foreign government bonds	940	942	2	934	935	1	1,058	1,058	—
Agency mortgage-backed securities <sup>(2)</sup>	169	169	—	139	134	(5)	153	146	(7)
Corporate bonds and other debt securities	852	859	7	915	917	2	880	879	(1)
Equity securities (marketable)	54	55	1	78	79	1	117	118	1
Total foreign	<u>2,451</u>	<u>2,463</u>	<u>12</u>	<u>3,214</u>	<u>3,209</u>	<u>(5)</u>	<u>2,897</u>	<u>2,887</u>	<u>(10)</u>
Total	<u>23,180</u>	<u>25,453</u>	<u>2,273</u>	<u>18,214</u>	<u>20,557</u>	<u>2,343</u>	<u>21,182</u>	<u>23,666</u>	<u>2,484</u>
Held-to-maturity securities:									
Domestic:									
Japanese government bonds	3,760	3,817	57	3,060	3,097	37	1,960	1,984	24
Total domestic	<u>3,760</u>	<u>3,817</u>	<u>57</u>	<u>3,060</u>	<u>3,097</u>	<u>37</u>	<u>1,960</u>	<u>1,984</u>	<u>24</u>
Foreign:									
Agency mortgage-backed securities <sup>(3)</sup>	1,059	1,056	(3)	757	750	(7)	558	538	(20)
Total foreign	<u>1,059</u>	<u>1,056</u>	<u>(3)</u>	<u>757</u>	<u>750</u>	<u>(7)</u>	<u>558</u>	<u>538</u>	<u>(20)</u>
Total	<u>4,819</u>	<u>4,873</u>	<u>54</u>	<u>3,817</u>	<u>3,847</u>	<u>30</u>	<u>2,518</u>	<u>2,522</u>	<u>4</u>

### Notes:

- (1) All domestic agency mortgage-backed securities are issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) Foreign agency mortgage-backed securities primarily consist of Government National Mortgage Association (“Ginnie Mae”) securities, which are guaranteed by the United States government.
- (3) All foreign agency mortgage-backed securities presented in 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, 2018. 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 . . . . .	6,286	(0.22)%	5,026	(0.11)%	1,921	(0.02)%	99	0.52%	13,332	(0.15)%
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	743	0.93%	743	0.93%
Corporate bonds and other debt securities . . . . .	345	0.21%	1,359	2.82%	722	0.39%	363	0.52%	2,789	1.56%
Total domestic . . . . .	<u>6,631</u>	(0.20)%	<u>6,385</u>	0.50%	<u>2,643</u>	0.10%	<u>1,205</u>	0.77%	<u>16,864</u>	0.18%
Foreign:										
U.S. Treasury bonds and federal agency securities . . . . .	611	1.61%	—	—	75	2.16%	—	—	686	1.67%
Other foreign government bonds . . . . .	842	1.83%	208	2.14%	8	0.35%	—	—	1,058	1.88%
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	146	2.89%	146	2.89%
Corporate bonds and other debt securities . . . . .	503	1.29%	312	1.33%	61	1.22%	3	0.15%	879	1.29%
Total foreign . . . . .	<u>1,956</u>	1.62%	<u>520</u>	1.66%	<u>144</u>	1.67%	<u>149</u>	2.84%	<u>2,769</u>	1.70%
Total . . . . .	<u>8,587</u>	0.21%	<u>6,905</u>	0.59%	<u>2,787</u>	0.18%	<u>1,354</u>	1.01%	<u>19,633</u>	0.39%
Held-to-maturity securities:										
Domestic:										
Japanese government bonds . . . . .	840	0.22%	740	0.21%	380	0.69%	—	—	1,960	0.31%
Total domestic . . . . .	<u>840</u>	0.22%	<u>740</u>	0.21%	<u>380</u>	0.69%	—	—	<u>1,960</u>	0.31%
Foreign:										
Agency mortgage-backed securities . . . . .	—	—	—	—	—	—	558	3.72%	558	3.72%
Total foreign . . . . .	—	—	—	—	—	—	<u>558</u>	3.72%	<u>558</u>	3.72%
Total . . . . .	<u>840</u>	0.22%	<u>740</u>	0.21%	<u>380</u>	0.69%	<u>558</u>	3.72%	<u>2,518</u>	1.06%

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, 2018.

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

### III. Loan portfolio

#### Types of loans

The following table shows loans outstanding by domicile and industry of borrower at March 31, 2014, 2015, 2016, 2017 and 2018:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in billions of yen)				
Domestic <sup>(2)</sup> :					
Manufacturing . . . . .	8,026	8,224	8,345	8,740	8,156
Construction and real estate . . . . .	7,238	7,416	7,822	7,772	8,102
Services . . . . .	3,953	4,267	4,648	4,749	5,024
Wholesale and retail . . . . .	5,350	5,586	5,407	5,140	5,113
Transportation and communications . . . . .	3,247	3,157	3,268	3,491	3,565
Banks and other financial institutions . . . . .	3,460	3,853	3,632	4,006	4,471
Government and public institutions . . . . .	6,734	4,612	3,395	8,532	8,882
Other industries <sup>(1)</sup> . . . . .	4,983	5,079	4,618	4,427	5,018
Individuals:					
Mortgage loans . . . . .	11,184	11,018	10,585	9,960	9,445
Other . . . . .	763	798	852	840	884
Total domestic . . . . .	<u>54,938</u>	<u>54,010</u>	<u>52,572</u>	<u>57,657</u>	<u>58,660</u>
Foreign:					
Commercial and industrial . . . . .	12,938	16,688	17,320	16,872	17,095
Banks and other financial institutions . . . . .	4,610	6,077	6,382	6,760	6,740
Government and public institutions . . . . .	883	1,011	1,175	960	1,128
Other . . . . .	255	426	274	191	38
Total foreign . . . . .	<u>18,686</u>	<u>24,202</u>	<u>25,151</u>	<u>24,783</u>	<u>25,001</u>
Total . . . . .	<u>73,624</u>	<u>78,212</u>	<u>77,723</u>	<u>82,440</u>	<u>83,661</u>
Less: Unearned income and deferred loan fees—net . . . . .	139	164	168	156	146
Total loans before allowance for loan losses . . . . .	<u><u>73,485</u></u>	<u><u>78,048</u></u>	<u><u>77,555</u></u>	<u><u>82,284</u></u>	<u><u>83,515</u></u>

Notes:

(1) Other industries of Domestic includes trade receivables and lease receivables of consolidated variable interest entities.

(2) Certain loans were reclassified primarily from Other of Individuals to Construction and real estate to align with current period 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, 2018:

	<b>Maturity</b>			<b>Total</b>
	<b>One year or less</b>	<b>After one year through five years</b>	<b>After five years</b>	
	(in billions of yen)			
Domestic:				
Manufacturing . . . . .	3,837	3,177	1,142	8,156
Construction and real estate . . . . .	1,604	3,239	3,259	8,102
Services . . . . .	2,116	2,173	735	5,024
Wholesale and retail . . . . .	2,964	1,664	485	5,113
Transportation and communications . . . . .	1,018	1,623	924	3,565
Banks and other financial institutions . . . . .	1,844	1,884	743	4,471
Government and public institutions . . . . .	8,155	422	305	8,882
Other industries . . . . .	3,143	1,159	716	5,018
Individuals . . . . .	<u>1,328</u>	<u>2,134</u>	<u>6,867</u>	<u>10,329</u>
Total domestic . . . . .	26,009	17,475	15,176	58,660
Foreign:				
Total foreign . . . . .	<u>12,460</u>	<u>10,315</u>	<u>2,226</u>	<u>25,001</u>
Total . . . . .	<u><u>38,469</u></u>	<u><u>27,790</u></u>	<u><u>17,402</u></u>	<u><u>83,661</u></u>

Of the above loans due after one year, loans which had floating rates and fixed rates at March 31, 2018 were as follows:

	(in billions of yen)
Floating rates . . . . .	34,299
Fixed rates . . . . .	<u>10,893</u>
Total . . . . .	<u><u>45,192</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, 2014, 2015, 2016, 2017 and 2018 by domicile and industry of borrower:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in billions of yen)				
Domestic:					
Manufacturing . . . . .	229	480	374	379	142
Construction and real estate . . . . .	138	101	77	57	41
Services . . . . .	79	71	66	66	58
Wholesale and retail . . . . .	156	150	147	147	131
Transportation and communications . . . . .	48	36	29	23	28
Banks and other financial institutions . . . . .	11	5	3	6	12
Other industries . . . . .	1	1	4	7	4
Individuals . . . . .	<u>195</u>	<u>143</u>	<u>123</u>	<u>105</u>	<u>90</u>
Total domestic . . . . .	857	987	823	790	506
Foreign:					
Total foreign . . . . .	<u>288</u>	<u>188</u>	<u>167</u>	<u>191</u>	<u>109</u>
Total impaired loans . . . . .	<u>1,145</u>	<u>1,175</u>	<u>990</u>	<u>981</u>	<u>615</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, 2018 would have been ¥8 billion and ¥2 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, 2018.

*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, 2016, 2017 and 2018:

	<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>2016</b>						
United States .....	3,928	261	4,352	8,541	4.41%	8,531
Germany .....	1,392	224	266	1,882	0.97%	338
France .....	1,276	304	214	1,794	0.93%	540
United Kingdom .....	15	264	1,258	1,537	0.79%	954
Korea .....	212	340	932	1,484	0.77%	92
<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



#### 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, 2014, 2015, 2016, 2017 and 2018:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in billions of yen, except percentages)				
Allowance for loan losses at beginning of fiscal year . . . . .	773	626	520	451	480
Provision (credit) for loan losses . . . . .	<u>(126)</u>	<u>(60)</u>	<u>35</u>	<u>38</u>	<u>(126)</u>
Charge-offs:					
Domestic:					
Manufacturing . . . . .	20	8	37	2	6
Construction and real estate . . . . .	1	3	2	1	—
Services . . . . .	3	2	4	3	5
Wholesale and retail . . . . .	13	15	14	6	12
Transportation and communications . . . . .	7	1	5	1	1
Individuals . . . . .	<u>13</u>	<u>10</u>	<u>8</u>	<u>7</u>	<u>5</u>
Total domestic . . . . .	57	39	70	20	29
Total foreign . . . . .	<u>8</u>	<u>40</u>	<u>42</u>	<u>11</u>	<u>27</u>
Total charge-offs . . . . .	<u>65</u>	<u>79</u>	<u>112</u>	<u>31</u>	<u>56</u>
Recoveries:					
Domestic:					
Manufacturing . . . . .	6	2	2	1	1
Construction and real estate . . . . .	5	4	1	2	1
Services . . . . .	3	2	2	1	2
Wholesale and retail . . . . .	3	3	8	5	1
Transportation and communications . . . . .	3	1	1	4	—
Banks and other financial institutions . . . . .	—	—	—	—	1
Other industries . . . . .	1	1	—	—	—
Individuals . . . . .	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>
Total domestic . . . . .	24	16	16	16	8
Total foreign . . . . .	<u>2</u>	<u>7</u>	<u>5</u>	<u>10</u>	<u>7</u>
Total recoveries . . . . .	<u>26</u>	<u>23</u>	<u>21</u>	<u>26</u>	<u>15</u>
Net charge-offs . . . . .	<u>39</u>	<u>56</u>	<u>91</u>	<u>5</u>	<u>41</u>
Others <sup>(Note)</sup> . . . . .	18	10	(13)	(4)	(3)
Balance at end of fiscal year . . . . .	<u>626</u>	<u>520</u>	<u>451</u>	<u>480</u>	<u>310</u>
Ratio of net charge-offs to average loans outstanding . . . . .	<u>0.05%</u>	<u>0.07%</u>	<u>0.12%</u>	<u>0.01%</u>	<u>0.05%</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, 2014, 2015, 2016, 2017 and 2018:

	2014		2015		2016		2017		2018	
	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 . . . . .	177	10.90%	187	10.52%	154	10.74%	201	10.60%	85	9.75%
Construction and real estate . . .	51	9.79%	33	9.40%	25	9.95%	20	9.28%	17	9.68%
Services . . . . .	30	5.37%	26	5.46%	26	5.99%	28	5.77%	20	6.01%
Wholesale and retail . . . . .	65	7.27%	66	7.14%	58	6.96%	63	6.24%	52	6.11%
Transportation and communications . . . . .	22	4.41%	14	4.04%	9	4.20%	10	4.23%	10	4.26%
Banks and other financial institutions . . . . .	21	4.70%	18	4.93%	14	4.67%	13	4.86%	20	5.34%
Other industries <sup>(Note)</sup> . . . . .	5	15.92%	5	12.39%	5	10.31%	6	15.72%	7	16.62%
Individuals . . . . .	95	16.26%	59	15.18%	42	14.82%	34	13.24%	25	12.35%
Mortgage loans . . . . .	74	15.19%	51	14.09%	35	13.63%	27	12.10%	19	11.29%
Other . . . . .	21	1.07%	8	1.09%	7	1.19%	7	1.14%	6	1.06%
Total domestic . . . . .	466	74.62%	408	69.06%	333	67.64%	375	69.94%	236	70.12%
Total foreign . . . . .	160	25.38%	112	30.94%	118	32.36%	105	30.06%	74	29.88%
Total allowance for loan losses . . . . .	626	100.00%	520	100.00%	451	100.00%	480	100.00%	310	100.00%

Note: Other industries includes government and public institutions.

## V. Deposits

The following table shows the average amount of, and the average rate on, the following deposit categories for the fiscal years ended March 31, 2016, 2017 and 2018:

	2016		2017		2018	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(in billions of yen, except percentages)					
Domestic offices:						
Noninterest-bearing demand deposits . . . . .	13,268	— %	17,310	— %	19,643	— %
Interest-bearing demand deposits . . . . .	38,928	0.02%	48,986	0.01%	56,478	0.01%
Time deposits . . . . .	30,658	0.14%	27,929	0.16%	27,035	0.19%
Certificates of deposit . . . . .	11,504	0.08%	6,378	0.01%	6,565	0.01%
Foreign offices:						
Noninterest-bearing demand deposits . . . . .	1,429	— %	2,321	— %	2,244	— %
Interest-bearing deposits, principally time deposits . . . . .	16,276	0.77%	18,313	0.93%	19,161	1.33%
Certificates of deposit . . . . .	4,682	0.60%	4,860	0.91%	5,406	1.25%
Total . . . . .	<u>116,745</u>	0.18%	<u>126,097</u>	0.21%	<u>136,532</u>	0.28%

The total amounts of deposits by foreign depositors in domestic offices at March 31, 2016, 2017 and 2018 were ¥719 billion, ¥645 billion and ¥779 billion, respectively.

At March 31, 2018, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$94 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2018) or more and the balances of these deposits issued by foreign offices in amounts of US\$100,000 or more are shown in the following table:

	Time deposits	Certificates of deposit	Total
	(in billions of yen)		
Domestic offices:			
Due in three months or less . . . . .	9,046	5,025	14,071
Due after three months through six months . . . . .	3,576	238	3,814
Due after six months through twelve months . . . . .	3,412	395	3,807
Due after twelve months . . . . .	1,161	120	1,281
Total . . . . .	17,195	5,778	22,973
Foreign offices . . . . .	13,427	5,604	19,031
Total . . . . .	<u>30,622</u>	<u>11,382</u>	<u>42,004</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, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in billions of yen, except percentages)		
Due to trust accounts:			
Average balance outstanding during the fiscal year . . . . .	1,239	3,941	4,016
Maximum balance outstanding at any month-end during the fiscal year . . . . .	4,467	4,123	4,094
Balance at end of fiscal year . . . . .	4,467	4,123	3,993
Weighted average interest rate during the fiscal year . . . . .	0.09%	0.02%	0.02%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.02%	0.02%	0.02%
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the fiscal year . . . . .	31,009	25,629	24,692
Maximum balance outstanding at any month-end during the fiscal year . . . . .	35,541	25,968	25,470
Balance at end of fiscal year . . . . .	22,199	21,144	20,595
Weighted average interest rate during the fiscal year . . . . .	0.24%	0.48%	1.01%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.35%	0.58%	1.07%
Other short-term borrowings:			
Average balance outstanding during the fiscal year . . . . .	1,873	1,719	1,355
Maximum balance outstanding at any month-end during the fiscal year . . . . .	2,391	2,135	1,736
Balance at end of fiscal year . . . . .	2,080	1,477	1,688
Weighted average interest rate during the fiscal year . . . . .	0.31%	0.66%	1.13%
Weighted average interest rate on balance at end of fiscal year . . . . .	0.43%	0.91%	1.35%

**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, 2018 and 2017, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended March 31, 2018, 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, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2018, 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, 2018, 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 3, 2018 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 3, 2018

## **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, 2018, 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, 2018, 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, 2018 and 2017, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended March 31, 2018, and the related notes and our report dated July 3, 2018 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 3, 2018



**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2017 AND 2018**

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
<b>Assets:</b>		
Cash and due from banks .....	1,592,191	1,685,835
Interest-bearing deposits in other banks .....	45,994,780	46,485,086
Call loans and funds sold .....	1,037,986	720,461
Receivables under resale agreements .....	8,967,712	8,080,927
Receivables under securities borrowing transactions .....	3,350,052	4,408,508
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥5,861,942 million in 2017 and ¥4,897,190 million in 2018) .....	24,998,493	24,302,543
Investments (Note 4):		
Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥442,775 million in 2017 and ¥932,302 million in 2018) .....	20,557,118	23,665,628
Held-to-maturity securities (including assets pledged that secured parties are permitted to sell or repledge of ¥1,050,714 million in 2017 and ¥677,046 million in 2018) .....	3,817,360	2,517,551
Other investments .....	595,069	585,896
Loans (Notes 5 and 6) .....	82,283,906	83,514,644
Allowance for loan losses .....	(479,673)	(309,902)
Loans, net of allowance .....	81,804,233	83,204,742
Premises and equipment—net (Note 7) .....	2,041,273	2,116,184
Due from customers on acceptances .....	184,171	212,596
Accrued income .....	270,694	301,332
Goodwill (Note 8) .....	95,176	95,184
Intangible assets (Note 8) .....	94,147	84,447
Deferred tax assets .....	63,520	57,088
Other assets (Note 13) .....	4,992,329	5,731,634
Total assets .....	<u>200,456,304</u>	<u>204,255,642</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>2017</u>	<u>2018</u>
	(in millions of yen)	
<b>Assets of consolidated VIEs:</b>		
Cash and due from banks .....	96,077	31,435
Interest-bearing deposits in other banks .....	81,807	95,048
Trading account assets .....	2,099,890	2,558,186
Investments .....	46,180	48,565
Loans, net of allowance .....	2,149,321	2,323,081
All other assets .....	772,290	811,453
Total assets .....	<u>5,245,565</u>	<u>5,867,768</u>

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**  
**MARCH 31, 2017 AND 2018**

	<b>2017</b>	<b>2018</b>
	<b>(in millions of yen)</b>	
<b>Liabilities and equity:</b>		
Deposits :		
Domestic:		
Noninterest-bearing deposits . . . . .	19,063,774	21,068,569
Interest-bearing deposits . . . . .	87,358,504	91,206,963
Foreign:		
Noninterest-bearing deposits . . . . .	1,996,450	2,257,350
Interest-bearing deposits . . . . .	22,766,225	22,351,124
Due to trust accounts . . . . .	4,123,088	3,992,544
Call money and funds purchased . . . . .	1,255,172	2,105,294
Payables under repurchase agreements (Note 30) . . . . .	17,969,941	16,656,930
Payables under securities lending transactions (Note 30) . . . . .	1,919,249	1,832,870
Other short-term borrowings (Note 12) . . . . .	1,476,612	1,688,018
Trading account liabilities . . . . .	13,591,740	13,115,270
Bank acceptances outstanding . . . . .	184,171	212,596
Income taxes payable . . . . .	73,598	64,501
Deferred tax liabilities . . . . .	140,475	306,203
Accrued expenses . . . . .	209,309	232,885
Long-term debt (including liabilities accounted for at fair value of ¥1,496,488 million in 2017, and ¥1,955,636million in 2018) (Notes 12 and 28) . . . . .	14,529,414	12,955,230
Other liabilities (Note 13) . . . . .	5,026,525	4,705,595
<b>Total liabilities . . . . .</b>	<b>191,684,247</b>	<b>194,751,942</b>
Commitments and contingencies (Note 24)		
<b>Equity:</b>		
MHFG shareholders' equity:		
Common stock (Note 15)—no par value, authorized 48,000,000,000 shares in 2017 and 2018, and issued 25,386,307,945 shares in 2017, and 25,389,644,945 shares in 2018 . . . . .	5,826,149	5,826,383
Retained earnings . . . . .	918,894	1,306,141
Accumulated other comprehensive income, net of tax (Note 17) . . . . .	1,521,163	1,741,894
Less: Treasury stock, at cost—Common stock 19,992,754 shares in 2017, and 24,829,446 shares in 2018 . . . . .	(4,849)	(5,997)
<b>Total MHFG shareholders' equity . . . . .</b>	<b>8,261,357</b>	<b>8,868,421</b>
Noncontrolling interests . . . . .	510,700	635,279
<b>Total equity . . . . .</b>	<b>8,772,057</b>	<b>9,503,700</b>
<b>Total liabilities and equity . . . . .</b>	<b>200,456,304</b>	<b>204,255,642</b>

The following table presents the liabilities of consolidated VIEs, which are included in the consolidated balance sheets above. The creditors or investors of the consolidated VIEs have no recourse to the MHFG Group, except where the Group provides credit enhancement through guarantees or other means.

	<b>2017</b>	<b>2018</b>
	<b>(in millions of yen)</b>	
<b>Liabilities of consolidated VIEs:</b>		
Other short-term borrowings . . . . .	60,575	31,392
Trading account liabilities . . . . .	7,723	22
Long-term debt . . . . .	431,190	419,649
All other liabilities . . . . .	1,147,895	1,305,640
<b>Total liabilities . . . . .</b>	<b>1,647,383</b>	<b>1,756,703</b>

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2016, 2017 AND 2018**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(in millions of yen)		
<b>Interest and dividend income:</b>			
Loans, including fees	1,030,802	1,009,094	1,109,776
Investments:			
Interest	110,411	88,311	88,319
Dividends	79,600	77,343	86,066
Trading account assets	151,278	163,114	202,125
Call loans and funds sold	6,983	5,068	5,699
Receivables under resale agreements and securities borrowing transactions	53,007	91,453	149,197
Deposits	68,090	74,647	120,704
Total interest and dividend income	1,500,171	1,509,030	1,761,886
<b>Interest expense:</b>			
Deposits	213,601	264,748	382,706
Trading account liabilities	21,031	21,399	41,514
Call money and funds purchased	7,830	3,173	5,031
Payables under repurchase agreements and securities lending transactions	66,579	120,578	243,569
Other short-term borrowings	6,791	12,175	16,166
Long-term debt	179,575	179,639	200,950
Total interest expense	495,407	601,712	889,936
Net interest income	1,004,764	907,318	871,950
Provision (credit) for loan losses (Note 6)	34,560	37,668	(126,362)
Net interest income after provision (credit) for loan losses	970,204	869,650	998,312
<b>Noninterest income:</b>			
Fee and commission income (Note 26)	804,756	825,963	865,711
Foreign exchange gains (losses)—net (Note 27)	113,553	69,453	91,793
Trading account gains (losses)—net (Note 27)	559,139	(42,481)	236,982
Investment gains (losses)—net	263,793	333,270	297,157
Equity in earnings (losses) of equity method investees—net	28,969	26,785	24,342
Gains on disposal of premises and equipment	10,223	5,638	8,225
Other noninterest income	103,461	149,404	80,453
Total noninterest income	1,883,894	1,368,032	1,604,663
<b>Noninterest expenses:</b>			
Salaries and employee benefits	633,557	663,166	688,481
General and administrative expenses	548,027	570,897	585,992
Impairment of goodwill (Note 8)	6,222	—	—
Occupancy expenses	195,898	194,955	191,592
Fee and commission expenses	164,039	177,006	189,187
Provision (credit) for losses on off-balance-sheet instruments	(16,447)	19,464	(30,244)
Other noninterest expenses	126,197	131,819	138,669
Total noninterest expenses	1,657,493	1,757,307	1,763,677
Income before income tax expense	1,196,605	480,375	839,298
Income tax expense (Note 20)	346,542	91,244	237,604
Net income	850,063	389,131	601,694
Less: Net income (loss) attributable to noncontrolling interests	(429)	26,691	24,086
Net income attributable to MHFG shareholders	850,492	362,440	577,608
<b>Earnings per common share (Note 19):</b>		<b>(in yen)</b>	
Basic net income per common share	34.19	14.33	22.77
Diluted net income per common share	33.50	14.28	22.76

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, 2016, 2017 AND 2018**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(in millions of yen)		
Net income .....	850,063	389,131	601,694
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on available-for-sale securities, net of tax . . . .	(338,822)	51,957	97,428
Foreign currency translation adjustments, net of tax .....	(123,221)	(12,322)	(29,934)
Pension liability adjustments, net of tax .....	(111,599)	11,922	155,044
Total other comprehensive income (loss), net of tax .....	(573,642)	51,557	222,538
Total comprehensive income .....	276,421	440,688	824,232
Less: Total comprehensive income (loss) attributable to noncontrolling interests .....	(2,373)	26,724	25,893
Total comprehensive income attributable to MHFG shareholders .....	278,794	413,964	798,339

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 EQUITY**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2016, 2017 AND 2018**

	2016	2017	2018
	(in millions of yen)		
<b>Preferred stock:</b>			
Balance at beginning of fiscal year . . . . .	213,121	98,924	—
Conversion to common stock . . . . .	(114,197)	(98,924)	—
Balance at end of fiscal year . . . . .	<u>98,924</u>	<u>—</u>	<u>—</u>
<b>Common stock:</b>			
Balance at beginning of fiscal year . . . . .	5,590,396	5,703,144	5,826,149
Issuance of new shares of common stock due to conversion of preferred stock . . . . .	114,197	98,924	—
Issuance of new shares of common stock due to exercise of stock acquisition rights . . . . .	772	969	546
Gains (losses) on disposal of treasury stock . . . . .	82	(56)	(53)
Stock-based compensation related to stock option . . . . .	(1,058)	(1,009)	(590)
Performance-based stock compensation program . . . . .	—	354	264
Change in ownership interests in consolidated subsidiaries . . . . .	(1,245)	23,824	67
Cancellation of treasury stock . . . . .	—	(1)	—
Balance at end of fiscal year . . . . .	<u>5,703,144</u>	<u>5,826,149</u>	<u>5,826,383</u>
<b>Retained earnings:</b>			
Balance at beginning of fiscal year, previously reported . . . . .	89,432	746,785	918,894
Cumulative effect of change in accounting principles, net of tax . . . . .	—	(329)	—
Balance at beginning of fiscal year, adjusted . . . . .	89,432	746,456	918,894
Net income attributable to MHFG shareholders . . . . .	850,492	362,440	577,608
Dividends declared . . . . .	(195,265)	(190,002)	(190,361)
Other . . . . .	2,126	—	—
Balance at end of fiscal year . . . . .	<u>746,785</u>	<u>918,894</u>	<u>1,306,141</u>
<b>Accumulated other comprehensive income, net of tax (Note 17):</b>			
Balance at beginning of fiscal year, previously reported . . . . .	2,041,005	1,469,308	1,521,163
Cumulative effect of change in accounting principles . . . . .	—	330	—
Balance at beginning of fiscal year, adjusted . . . . .	2,041,005	1,469,638	1,521,163
Change during year . . . . .	(571,697)	51,525	220,731
Balance at end of fiscal year . . . . .	<u>1,469,308</u>	<u>1,521,163</u>	<u>1,741,894</u>
<b>Treasury stock, at cost:</b>			
Balance at beginning of fiscal year . . . . .	(3,616)	(3,610)	(4,849)
Purchases of treasury stock . . . . .	(653)	(1,903)	(2,431)
Disposal of treasury stock . . . . .	659	663	1,283
Cancellation of treasury stock . . . . .	—	1	—
Balance at end of fiscal year . . . . .	<u>(3,610)</u>	<u>(4,849)</u>	<u>(5,997)</u>
Total MHFG shareholders' equity . . . . .	<u>8,014,551</u>	<u>8,261,357</u>	<u>8,868,421</u>

See the accompanying Notes to the Consolidated Financial Statements.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY—(Continued)**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2016, 2017 AND 2018**

	2016	2017	2018
	(in millions of yen)		
<b>Noncontrolling interests:</b>			
Balance at beginning of fiscal year, previously reported . . . . .	259,506	168,640	510,700
Cumulative effect of change in accounting principles . . . . .	—	(10,441)	—
Balance at beginning of fiscal year, adjusted . . . . .	259,506	158,199	510,700
Effect of other increase (decrease) in consolidated subsidiaries . . . . .	(85,809)	328,692	106,740
Dividends paid to noncontrolling interests . . . . .	(2,683)	(2,914)	(8,054)
Net income (loss) attributable to noncontrolling interests . . . . .	(429)	26,691	24,086
Net unrealized gains (losses) on available-for-sale securities attributable to noncontrolling interests . . . . .	(674)	29	2,145
Foreign currency translation adjustments attributable to noncontrolling interests . . . . .	(352)	(62)	(393)
Pension liability adjustments attributable to noncontrolling interests . .	(919)	65	55
Balance at end of fiscal year . . . . .	168,640	510,700	635,279
Total equity . . . . .	8,183,191	8,772,057	9,503,700

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, 2016, 2017 AND 2018**

	2016	2017	2018
	(in millions of yen)		
<b>Cash flows from operating activities:</b>			
Net income	850,063	389,131	601,694
Less: Net income (loss) attributable to noncontrolling interests	(429)	26,691	24,086
Net income attributable to MHFG shareholders	850,492	362,440	577,608
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	167,930	171,202	179,158
Provision (credit) for loan losses	34,560	37,668	(126,362)
Investment losses (gains)—net	(263,793)	(333,270)	(297,157)
Equity in losses (earnings) of equity method investees—net	(28,969)	(26,785)	(24,342)
Foreign exchange losses (gains)—net	(225,130)	22,812	(251,613)
Deferred income tax expense (benefit)	123,125	(107,432)	60,011
Net change in trading account assets	(778,204)	4,867,508	992,084
Net change in trading account liabilities	916,958	(3,267,060)	(518,339)
Net change in loans held for sale	(27,347)	(5,574)	(54,530)
Net change in accrued income	(2,441)	7,087	(31,842)
Net change in accrued expenses	(26,425)	4,485	16,517
Other—net	(499,046)	(519,773)	(678,854)
Net cash provided by (used in) operating activities	241,710	1,213,308	(157,661)
<b>Cash flows from investing activities:</b>			
Proceeds from sales of investments	19,830,288	31,139,716	32,908,551
Proceeds from maturities of investments	8,669,730	8,099,488	15,081,435
Purchases of investments	(25,046,188)	(34,137,270)	(49,725,626)
Proceeds from sales of loans	197,898	291,782	296,260
Net change in loans	(1,923,627)	(5,606,627)	(1,971,210)
Net change in interest-bearing deposits in other banks	(7,750,251)	(10,688,447)	(762,722)
Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	385,134	(1,481,661)	54,786
Proceeds from sales of premises and equipment	47,506	12,059	22,302
Purchases of premises and equipment	(388,565)	(430,913)	(292,201)
Cash and due from banks acquired in business combination	—	301	—
Proceeds from sales of investments in subsidiaries (affecting the scope of consolidation)	—	—	948
Net cash used in investing activities	(5,978,075)	(12,801,572)	(4,387,477)
<b>Cash flows from financing activities:</b>			
Net change in deposits	5,441,731	14,005,565	6,083,800
Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions	(3,900,502)	(771,368)	(67,508)
Net change in due to trust accounts	3,226,204	(344,217)	(130,544)
Net change in other short-term borrowings	571,901	(589,512)	257,774
Proceeds from issuance of long-term debt	2,723,168	4,496,041	1,956,007
Repayment of long-term debt	(2,307,082)	(4,734,010)	(3,310,804)
Proceeds from noncontrolling interests	1,354	3,323	76,894
Payments to noncontrolling interests	(86)	(1,696)	(12,949)
Proceeds from issuance of common stock	5	6	3
Proceeds from sales of treasury stock	3	1	1
Purchases of treasury stock	(13)	(1,435)	(1,611)
Dividends paid	(195,283)	(190,031)	(190,382)
Dividends paid to noncontrolling interests	(2,683)	(2,914)	(8,054)
Net cash provided by financing activities	5,558,717	11,869,753	4,652,627
Effect of exchange rate changes on cash and due from banks	(28,061)	(11,895)	(13,845)
Net increase (decrease) in cash and due from banks	(205,709)	269,594	93,644
Cash and due from banks at beginning of fiscal year	1,528,306	1,322,597	1,592,191
Cash and due from banks at end of fiscal year	1,322,597	1,592,191	1,685,835

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, 2016, 2017 AND 2018**

	2016	2017	2018
	(in millions of yen)		
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid . . . . .	435,584	582,947	818,593
Income taxes paid . . . . .	269,364	246,802	172,891
Noncash investing activities:			
Transfer of loans into other investments . . . . .	63,420	—	—
Investment in capital leases . . . . .	16,123	12,467	6,586
Noncash assets acquired and liabilities assumed at fair value in business combination (Note 3):			
Noncash assets acquired at fair value . . . . .	—	93,049	—
Noncash liabilities assumed at fair value . . . . .	—	25,893	—

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”), Trust & Custody Services Bank, Ltd. (“TCSB”), 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. The necessary adjustments have been made to the consolidated financial statements if significant transactions took place during the three-month period. When determining whether to consolidate investee entities, the MHFG Group performed 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 years ended March 31, 2016 and 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 year’s presentation. Such reclassifications had no effect on net income or shareholder’s equity. In addition, certain other comparative amounts for the prior period have been reclassified in order to conform to the current year’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.

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

*Definition of cash and due from banks*

For purposes of the consolidated statements of cash flows, Cash and due from banks includes cash on hand, cash items in the process of collection and noninterest-bearing deposits with banks.

*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 denominated in foreign currencies are translated into Japanese yen at the fiscal-year-end foreign exchange rates, and gains and losses resulting from such translation are included in Foreign exchange gains (losses)—net. Foreign currency denominated income and expenses are translated using the average exchange rates for the period.

*Call loans and call money*

Call loans and call money represent lending/borrowing, primarily through the Japanese short-term money market, to/from other financial institutions such as banks, insurance companies, and securities brokerage houses.

*Repurchase and resale agreements, securities lending and borrowing and other secured financing transactions*

Securities sold under agreements to repurchase (“repurchase agreements”), securities purchased under agreements to resell (“resale agreements”) and securities lending and borrowing transactions are accounted for as secured financing or lending transactions when control over the underlying securities is not deemed to be surrendered by the transferor. Otherwise, they are recorded as sales of securities with related forward repurchase commitments or purchases of securities with related forward resale commitments in accordance with ASC 860, “Transfers and Servicing” (“ASC 860”).

Under resale agreements, securities borrowing and certain derivatives transactions, the MHFG Group receives collateral in the form of securities. In many cases, the MHFG Group is permitted to sell or repledge the securities obtained as collateral. Disclosures in respect of such collateral are presented in Note 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 daily basis, and additional collateral is obtained from or returned to counterparties, as appropriate.

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

*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 and any marketable equity securities, other than those classified as trading securities, are classified as Available-for-sale securities, and are carried at fair value, with unrealized gains and losses reported in AOCI.

The credit component of an other-than-temporary impairment of a debt security is reported in Investment gains (losses)—net, and the noncredit component is reported in Other comprehensive income (loss). See Note 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, marketable and non-marketable investments held by consolidated investment companies carried at fair value under specialized industry accounting principles for investment companies, and other non-marketable equity securities carried at cost, less other-than-temporary impairment, if any.

*Derivative financial instruments*

Derivative financial instruments are bought and held principally for the purpose of market making for customers, proprietary trading in order to generate trading revenues and fee income, and also to manage the MHFG Group’s exposure to interest rate, credit and market risks related to asset and liability management. Such derivative financial instruments include interest rate, foreign currency, equity, commodity and credit default swap agreements, options, caps and floors, and financial futures and forward contracts.

Derivatives bought and held for trading purposes are recorded in the consolidated balance sheets at fair value in Trading account assets and Trading account liabilities. The fair values of derivatives in a gain position and a loss position are reported as Trading account assets and Trading account liabilities, respectively.

Derivatives used for asset and liability management include contracts that qualify for hedge accounting under ASC 815, “Derivatives and Hedging” (“ASC 815”). To be eligible for hedge accounting, derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows of the hedged items attributable to the particular risk being hedged. All qualifying hedging derivatives are valued at fair value and

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

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 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

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

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 other obligors, the Group separately monitors the credit quality of each obligor without using time-based triggers. Subsequent recoveries of previously charged-off loan balances are recorded as an increase to the allowance for loan losses as the recoveries are received.

The credit quality review process and the credit rating process serve as the basis for determining the allowance for loan losses. Through such processes loans are categorized into groups to reflect the probability of default, whereby the MHFG Group’s management assesses the ability of borrowers to service their debt, taking into consideration current financial information, ability to generate cash, historical payment experience, analysis of relevant industry segments and current trends. In determining the appropriate level of the allowance, the MHFG Group evaluates the probable loss by category of loan based on its risk type and characteristics.

The allowance for loan losses is determined in accordance with ASC 310 and ASC 450, “Contingencies” (“ASC 450”). The MHFG Group measures the impairment of a loan when it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the loan agreement, based on (1) the present value of expected future cash flows, after considering the restructuring effect and subsequent payment default with respect to TDRs, discounted at the loan’s initial effective interest rate, or (2) the loan’s observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. The collateral that the Group obtains for loans consists primarily of real estate. 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.

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

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, in the case of watch obligors; and (2) the loss given default by using the most recently available data for the past six years. As it pertains to TDR loans in the retail portfolio segment, which are subject to collective evaluation for impairment, the restructuring itself, as well as subsequent payment defaults, if any, are considered in determining obligor ratings.

The historical loss rate is adjusted, where appropriate, to reflect current factors, such as general economic and business conditions affecting the key lending areas of the MHFG Group, credit quality trends, specific industry conditions within portfolio segments, and recent loss experience in particular segments of the portfolio. When determining the length of the period to calculate the probability of default, the Group considers the uncertainty in the economic and business conditions. The estimation of the formula allowance is back-tested on a periodic basis by comparing the allowance with the actual results subsequent to the balance sheet date.

*Allowance and provision (credit) for losses on off-balance-sheet instruments*

The MHFG Group maintains an allowance for losses on off-balance-sheet credit instruments, such as guarantees 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.

*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.

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

*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 when triggering events occur.

*Goodwill*

Goodwill represents the excess of the total fair value of the acquired company, which consists of the consideration transferred, the fair value of any interest in the acquiree already held by the acquirer and the fair value of any noncontrolling interest in the acquiree over the fair value of net identifiable assets acquired at the date of acquisition in a business combination. The MHFG Group accounts for goodwill in accordance with ASC 350, "Intangibles—Goodwill and Other" ("ASC 350"). Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. Goodwill is not amortized but is tested for impairment at least annually or more often if events or circumstances indicate there may be impairment. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its estimated fair value.

*Intangible assets*

Intangible assets having definite useful lives are amortized over their estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed. Intangible assets acquired in connection with the merger of MHSC and Shinko Securities Co., Ltd. ("Shinko") 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

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

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*

The compensation cost with regard to the performance-based stock compensation is determined based upon the fair value of the shares of MHFG common stock as of the grant date and is recognized over the three year deferral period on a straight-line basis.

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

*Long-term debt*

Premiums, discounts and issuance costs of long-term debt are amortized based on a method that approximates the interest method over the respective terms of the long-term debt.

*Obligations under guarantees*

The MHFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protection, and liquidity facilities. The MHFG Group recognizes guarantee fee income over the guarantee period. The MHFG Group receives such a guarantee fee at the inception of the guarantee or in installments and, in either case, the present value of the total fees approximates the fair value of the guarantee.

*Fair Value Measurements*

The MHFG Group carries certain of its financial assets and liabilities at fair value on a recurring basis. These financial assets and liabilities are primarily composed of trading account assets, trading account liabilities and available-for-sale securities. In addition, the Group measures certain financial assets and liabilities, at fair value on a non-recurring basis. Those assets and liabilities primarily include items that are measured at the lower of cost or fair value such as loans held for sale, and items that were initially measured at cost and have been written down to fair value due to impairments, such as loans and other investments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASC 820, “Fair Value Measurement” (“ASC 820”), the Group classifies its financial assets and liabilities into the fair value hierarchy (Level 1, 2, and 3). See Note 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



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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*

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. Fees in respect of securities-related business and fees on funds transfer and collection services are generally recognized as revenue when the related services are performed. Fees on credit-related business, excluding loan origination fees which are deferred and recognized over the loan period as a yield adjustment, are generally recognized either at one time when the service is rendered or over the related transaction period. Fee and commission income is presented on a gross basis and exclusive of consumption taxes.

*Income taxes*

Income taxes are accounted for in accordance with ASC 740, “Income Taxes” (“ASC 740”). Deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance is recorded for any portion of the deferred tax assets unless it is more likely than not that the deferred tax assets will be realized. Deferred income tax benefit or expense is recognized for the changes in the net deferred tax asset or liability between periods.

*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 June 2014, the FASB issued ASU No.2014-11, “Transfers and Servicing (Topic 860)—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures” (“ASU No.2014-11”). The ASU changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. For repurchase financing arrangements, the ASU requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The ASU requires disclosures for certain transactions comprising (1) a transfer of a financial asset accounted for as a sale and (2) an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. The ASU also requires an entity to disclose certain information, including risks related to collateral pledged, for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The ASU is effective for the first interim or annual period beginning after December 15, 2014, except for interim disclosure requirements related to secured borrowings, which are

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effective for interim periods beginning after March 15, 2015. The adoption of ASU No.2014-11 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

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 adoption of ASU No.2014-16 did not have a material impact on the MHFG 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 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. On April 1, 2016, the MHFG Group adopted ASU No.2015-02 using a modified retrospective approach. 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 adoption of ASU No.2015-03 did not have a material impact on the MHFG 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 adoption of ASU No.2015-07 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

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*Accounting pronouncements issued but not yet effective*

In May 2014, the FASB issued ASU No.2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU No.2014-09”). The ASU, 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. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The MHFG Group adopted ASU No.2014-09 on April 1, 2018 using the modified retrospective approach. Since there is no material change in timing and amount of revenue or the related cost recognition associated with the adoption, the adoption of ASU No.2014-09 and any subsequent amendments will not have a material impact on the Group’s consolidated results of operations and financial condition. However, beginning prospectively in the fiscal year ending March 31, 2019, the Group’s presentation of certain costs related to securities underwriting will change from a net basis to a gross basis under the new standard. The change in presentation will not have a material impact on the Group’s results of operations. In addition, the Group will expand qualitative and quantitative disclosures pursuant to the new requirements.

In January 2016, the FASB issued ASU No.2016-01, “Financial Instruments—Overall (Subtopic 825-10)—Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU No.2016-01”). The ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The ASU also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and should be applied using a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early application by public business entities is permitted for financial statements of fiscal years or interim periods that have not yet been issued. The MHFG Group adopted ASU No.2016-01 on April 1, 2018. The Group had ¥2,438 billion of pre-tax, net unrealized gains on equity securities at March 31, 2018. This amount, net of tax, was reclassified out of AOCI into Retained earnings on April 1, 2018. Concerning the liabilities for which the fair value option has been elected, the adoption of ASU No.2016-01 will not have a material impact on the Group’s consolidated results of operations or financial condition.

In February 2016, the FASB issued ASU No.2016-02, “Leases (Topic 842)” (“ASU No.2016-02”). The ASU requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. Lessees should recognize liabilities to make lease payments and right-of-use assets representing its right to use the underlying assets for the lease term. This recognition applies to leases classified as operating leases and finance leases, and the update retains a distinction between finance leases and operating leases. However, the ASU has not changed the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee significantly. The ASU also requires qualitative disclosures along with specific quantitative disclosures including the amount, timing, and uncertainty of cash flows arising from leases. In January 2018, the FASB issued an exposure draft proposing an amendment to the ASU that, if approved, would permit companies the option to apply the provisions of the ASU either prospectively as of the effective date, without adjusting comparative periods presented, or using a modified retrospective transition applicable to all prior periods presented. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal

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years. Early application is permitted. The MHFG Group expects to adopt the ASU and subsequent amendments on April 1, 2019 and is currently evaluating the potential impact that the adoption will have on its consolidated results of operations and financial condition, as well as on its disclosures. The Group expects to gross up its consolidated balance sheets upon recognition of the right-of-use assets and lease liabilities, which will initially be measured using the present value of the remaining lease payments.

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. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and will be applied using a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Early application is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2016-13 will have on its consolidated results of operations and financial condition.

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. Early application is permitted for all entities as of the beginning of a fiscal year for which financial statements (interim or annual) have not been issued or made available for issuance. The MHFG Group adopted ASU No.2016-16 on April 1, 2018. The adoption of ASU No. 2016-16 will not have a material impact on the Group’s consolidated results of operations or financial condition.

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. 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 testing dates after January 1, 2017. The MHFG 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 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

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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. 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.2017-09 on April 1, 2018. The adoption of ASU No. 2017-09 will not have a material impact on the Group’s consolidated results of operations or 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 is currently evaluating the potential impact that the adoption of ASU No.2017-12 will have on its consolidated results of operations and 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 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.

### **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.

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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, 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 . . . . .	28,842
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 . . . . .	67,987
Goodwill . . . . .	76,225
Noncontrolling interest in DIAM . . . . .	43,264
	<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

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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.

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 years ended March 31, 2016 and 2017 if the business combination had occurred as of the beginning of the fiscal year ended March 31, 2016.

**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, 2017 and 2018 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>2017</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds . . . . .	10,256,512	22,782	16,408	10,262,886
Japanese local government bonds . . . . .	279,864	4,841	233	284,472
U.S. Treasury bonds and federal agency securities . . . . .	1,148,389	10	4,578	1,143,821
Other foreign government bonds . . . . .	933,942	1,246	236	934,952
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	832,738	15,500	5,441	842,797
Residential mortgage-backed securities . . . . .	142,879	1,838	558	144,159
Commercial mortgage-backed securities . . . . .	223,105	1,092	282	223,915
Japanese corporate bonds and other debt securities <sup>(2)</sup> . . . . .	1,958,472	52,046	2,286	2,008,232
Foreign corporate bonds and other debt securities <sup>(3)</sup> . . . . .	909,052	3,377	1,643	910,786
Equity securities (marketable) . . . . .	1,528,808	2,273,883	1,593	3,801,098
Total . . . . .	<u>18,213,761</u>	<u>2,376,615</u>	<u>33,258</u>	<u>20,557,118</u>
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds . . . . .	3,059,976	37,168	—	3,097,144
Agency mortgage-backed securities <sup>(4)</sup> . . . . .	757,384	121	7,931	749,574
Total . . . . .	<u>3,817,360</u>	<u>37,289</u>	<u>7,931</u>	<u>3,846,718</u>



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	<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)	1,595,106	2,449,173	11,291	4,032,988
<b>Total</b>	<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>(4)</sup>	557,641	—	20,177	537,464
<b>Total</b>	<u>2,517,551</u>	<u>24,472</u>	<u>20,177</u>	<u>2,521,846</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 ¥708,557 million and ¥134,240 million, respectively, at March 31, 2017, and ¥742,565 million and ¥145,849 million, respectively, at March 31, 2018. 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 certificates of deposit (“CDs”), of which the total fair values were ¥155,138 million at March 31, 2017, and ¥106,101 million at March 31, 2018.
- (3) Other debt securities presented in this line primarily consist of CDs and asset-backed securities (“ABS”), of which the total fair values were ¥258,059 million at March 31, 2017, and ¥313,164 million at March 31, 2018.
- (4) 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 debt securities at March 31, 2018 by contractual maturity are shown in the table below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. All securities, including securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their contractual maturities.

**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 . . . . .	6,288,570	5,024,258	1,922,141	99,650	13,334,619
Japanese local government bonds . . . . .	31,962	118,445	81,541	4,763	236,711
U.S. Treasury bonds and federal agency securities . . . . .	610,995	—	78,302	—	689,297
Other foreign government bonds . . . . .	842,041	207,604	8,207	—	1,057,852
Agency mortgage-backed securities . . . . .	—	—	—	882,686	882,686
Residential mortgage-backed securities . . . . .	—	—	—	117,870	117,870
Commercial mortgage-backed securities . . . . .	858	137,409	224,548	74,300	437,115
Japanese corporate bonds and other debt securities . . . . .	312,046	1,067,186	409,419	162,296	1,950,947
Foreign corporate bonds and other debt securities . . . . .	503,309	312,257	60,998	2,942	879,506
<b>Total . . . . .</b>	<b>8,589,781</b>	<b>6,867,159</b>	<b>2,785,156</b>	<b>1,344,507</b>	<b>19,586,603</b>
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds . . . . .	840,030	740,103	379,777	—	1,959,910
Agency mortgage-backed securities . . . . .	—	—	—	557,641	557,641
<b>Total . . . . .</b>	<b>840,030</b>	<b>740,103</b>	<b>379,777</b>	<b>557,641</b>	<b>2,517,551</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 . . . . .	6,286,075	5,026,020	1,920,660	99,540	13,332,295
Japanese local government bonds . . . . .	32,020	119,496	82,991	4,827	239,334
U.S. Treasury bonds and federal agency securities . . . . .	610,406	—	75,443	—	685,849
Other foreign government bonds . . . . .	842,068	207,593	8,132	—	1,057,793
Agency mortgage-backed securities . . . . .	—	—	—	888,414	888,414
Residential mortgage-backed securities . . . . .	—	—	—	118,853	118,853
Commercial mortgage-backed securities . . . . .	859	137,554	227,413	75,098	440,924
Japanese corporate bonds and other debt securities . . . . .	312,303	1,102,032	411,127	164,365	1,989,827
Foreign corporate bonds and other debt securities . . . . .	503,219	312,047	61,172	2,913	879,351
<b>Total . . . . .</b>	<b>8,586,950</b>	<b>6,904,742</b>	<b>2,786,938</b>	<b>1,354,010</b>	<b>19,632,640</b>
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds . . . . .	841,850	746,088	396,444	—	1,984,382
Agency mortgage-backed securities . . . . .	—	—	—	537,464	537,464
<b>Total . . . . .</b>	<b>841,850</b>	<b>746,088</b>	<b>396,444</b>	<b>537,464</b>	<b>2,521,846</b>

*Other-than-temporary impairment*

The MHFG Group performs periodic reviews to identify impaired securities in accordance with ASC 320, “Investments—Debt and Equity Securities” (“ASC 320”). For debt securities, in the cases where the MHFG Group has the intent to sell a debt security or more likely than not will be required to sell a debt security before the recovery of its amortized cost basis, the full amount of an other-than-temporary impairment loss is

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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recognized immediately through earnings. In other cases, the MHFG Group evaluates expected cash flows to be received and determines if a credit loss exists, and if so, the amount of an other-than-temporary impairment related to the credit loss is recognized in earnings, while the remaining decline in fair value is recognized in other comprehensive income, net of applicable taxes. For equity securities, impairment is evaluated considering the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuers, as well as the MHFG Group's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value. If an equity security is deemed other-than-temporarily impaired, it shall be written down to fair value, with the full decline recognized in earnings.

The following table shows the other-than-temporary impairment losses on available-for-sale securities for the fiscal years ended March 31, 2016, 2017 and 2018. No impairment losses were recognized on held-to-maturity securities for the periods.

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(in millions of yen)		
Available-for-sale securities:			
Debt securities .....	4,020	138	1,015
Equity securities .....	34,041	12,029	3,080
Total .....	38,061	12,167	4,095

For the fiscal year ended March 31, 2018, 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 320-10-35-33A and ASC 320-10-35-34B, 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.

The other-than-temporary impairment losses on equity securities were mainly attributable to the decline in the fair value of certain Japanese equity securities.

**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, 2017 and 2018:

	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>2017</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds . . . . .	5,574,649	15,796	95,612	612	5,670,261	16,408
Japanese local government bonds . . . . .	58,700	233	—	—	58,700	233
U.S. Treasury bonds and federal agency securities . . . . .	1,013,962	4,578	—	—	1,013,962	4,578
Other foreign government bonds . . . . .	334,300	230	8,327	6	342,627	236
Agency mortgage-backed securities <sup>(1)</sup> . . . . .	195,887	3,705	42,501	1,736	238,388	5,441
Residential mortgage-backed securities . . . . .	5,873	3	28,994	555	34,867	558
Commercial mortgage-backed securities . . . . .	8,314	218	17,634	64	25,948	282
Japanese corporate bonds and other debt securities . . . . .	470,602	2,062	158,713	224	629,315	2,286
Foreign corporate bonds and other debt securities . . . . .	202,347	1,353	77,699	290	280,046	1,643
Equity securities (marketable) . . . . .	30,688	383	4,117	1,210	34,805	1,593
Total . . . . .	<u>7,895,322</u>	<u>28,561</u>	<u>433,597</u>	<u>4,697</u>	<u>8,328,919</u>	<u>33,258</u>
Held-to-maturity securities:						
Debt securities:						
Agency mortgage-backed securities <sup>(2)</sup> . . . . .	460,882	3,518	259,466	4,413	720,348	7,931
Total . . . . .	<u>460,882</u>	<u>3,518</u>	<u>259,466</u>	<u>4,413</u>	<u>720,348</u>	<u>7,931</u>
<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) . . . . .	338,243	11,249	366	42	338,609	11,291
Total . . . . .	<u>10,402,277</u>	<u>22,884</u>	<u>3,698,632</u>	<u>14,726</u>	<u>14,100,909</u>	<u>37,610</u>
Held-to-maturity securities:						
Debt securities:						
Agency mortgage-backed securities <sup>(2)</sup> . . . . .	30,589	766	506,875	19,411	537,464	20,177
Total . . . . .	<u>30,589</u>	<u>766</u>	<u>506,875</u>	<u>19,411</u>	<u>537,464</u>	<u>20,177</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 ¥104,270 million and ¥134,118 million, respectively, at March 31, 2017, and ¥88,017 million and ¥145,743 million, respectively, at March 31, 2018. 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.
- (2) All Agency mortgage-backed securities presented in this line are Ginnie Mae securities.

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At March 31, 2018, the MHFG Group did not intend to sell the debt securities in an unrealized loss position and it was not more likely than not that the MHFG Group would be required to sell them before the recovery of their amortized cost bases. For Japanese government bonds, U.S. Treasury bonds and federal agency securities and Agency mortgage-backed securities, their entire amortized cost bases were expected to be recovered since the unrealized losses had not resulted from credit deterioration, but primarily from changes in interest rates. For the debt securities other than those described above, including Japanese corporate bonds with similar credit risks as the other-than-temporarily impaired securities, the MHFG Group determined that their entire amortized cost bases were expected to be recovered, after considering various factors such as the extent to which their fair values were below their amortized cost bases, the external and/or internal ratings and the present values of cash flows expected to be collected. Based on the aforementioned evaluation, the MHFG Group determined that the debt securities in an unrealized loss position were not considered other-than-temporarily impaired.

The equity securities in an unrealized loss position were determined not to be other-than-temporarily impaired based on the evaluation of the following factors: (1) the severity and duration of the impairments, (2) the financial condition and near-term prospects of the issuers, and (3) the MHFG Group's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value.

*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, 2016, 2017 and 2018. See "Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2016, 2017 and 2018" for the proceeds from sales of investments, the vast majority of which consists of the proceeds from sales of available-for-sale securities.

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Gross realized gains	297,344	353,036	314,948
Gross realized losses	(45,376)	(21,163)	(41,044)
Net realized gains (losses) on sales of available-for-sale securities	<u>251,968</u>	<u>331,873</u>	<u>273,904</u>

*Other investments*

The following table summarizes the composition of Other investments at March 31, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Equity method investments	249,679	280,666
Investments held by consolidated investment companies	37,462	37,735
Other equity interests	<u>307,928</u>	<u>267,495</u>
Total	<u>595,069</u>	<u>585,896</u>

*Equity method investments*

Investments in investees over which the MHFG Group has the ability to exert significant influence are accounted for using the equity method of accounting. Such investments included marketable equity securities with carrying values of ¥132,817 million and ¥152,445 million, at March 31, 2017 and 2018, respectively. The aggregate market values of these marketable equity securities were ¥273,249 million and ¥324,239 million, respectively.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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The majority of the aggregate market values of these marketable equity securities are related to Orient Corporation, of which the MHFG Group's proportionate share of the total outstanding common stock was 49.0% as of March 31, 2018.

*Investments held by consolidated investment companies*

The MHFG Group consolidates certain investment companies over which it has control through either ownership or other means. Investment companies are subject to specialized industry accounting which requires investments to be carried at fair value, with changes in fair value recorded in earnings. The MHFG Group maintains this specialized industry accounting for investments held by consolidated investment companies, which consist of marketable and non-marketable investments.

*Other equity interests*

Other equity interests primarily consist of non-marketable equity securities outside the scope of ASC 320, of which the fair values are not readily determinable, nor practicable to estimate. 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.

**5. Loans**

The table below presents loans outstanding by domicile and industry of borrower at March 31, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Domestic:		
Manufacturing . . . . .	8,740,097	8,156,341
Construction and real estate . . . . .	7,772,006	8,101,668
Services . . . . .	4,748,974	5,024,018
Wholesale and retail . . . . .	5,140,202	5,112,673
Transportation and communications . . . . .	3,490,378	3,564,869
Banks and other financial institutions . . . . .	4,006,387	4,471,423
Government and public institutions . . . . .	8,532,246	8,882,125
Other industries <sup>(Note)</sup> . . . . .	4,426,233	5,018,387
Individuals:		
Mortgage loans . . . . .	9,960,176	9,445,286
Other . . . . .	839,841	883,724
Total domestic . . . . .	<u>57,656,540</u>	<u>58,660,514</u>
Foreign:		
Commercial and industrial . . . . .	16,872,448	17,095,604
Banks and other financial institutions . . . . .	6,759,921	6,739,846
Government and public institutions . . . . .	959,948	1,127,740
Other . . . . .	190,724	37,636
Total foreign . . . . .	<u>24,783,041</u>	<u>25,000,826</u>
Total . . . . .	82,439,581	83,661,340
Less: Unearned income and deferred loan fees—net . . . . .	155,675	146,696
Total loans before allowance for loan losses . . . . .	<u>82,283,906</u>	<u>83,514,644</u>

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

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

Net losses on sales of loans were ¥1,752 million, ¥919 million and ¥87 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, 2016, 2017 and 2018, 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 and pool allocations as the basis of its risk management infrastructure. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the ultimate possibility of incurring losses on individual loans by taking into consideration various factors such as collateral or guarantees involved. In principle, obligor ratings are applied to all obligors except those to which pool allocations are applied, and are subject to regular review at least once a year as well as special review which is required whenever the obligor's credit standing changes. Pool allocations are applied to groups of small balance, homogeneous loans. The Group pools loans with similar risk characteristics, and the risk is assessed and managed according to such pools. The Group generally reviews the appropriateness and effectiveness of the approach to obligor ratings and pool allocations once a year in accordance with predetermined policies and procedures.

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

The table below presents the MHFG Group’s definition of obligor ratings used by MHBK and MHTB:

<u>Obligor category <sup>(1)(2)</sup></u>	<u>Obligor rating</u>	<u>Definition</u>
Normal	A	Obligors whose certainty of debt fulfillment is very high, hence their level of credit risk is very low.
	B	Obligors whose certainty of debt fulfillment poses no problems for the foreseeable future, and their level of credit risk is low.
	C	Obligors whose certainty of debt fulfillment and their level of credit risk pose no problems for the foreseeable future.
	D	Obligors whose current certainty of debt fulfillment poses no problems, however, their resistance to future economic environmental changes is low.
Watch	E1	Obligors that require observation going forward because of either minor concerns regarding their financial position, or their somewhat weak or unstable business conditions.
	E2	Obligors that require special observation going forward because of problems with their borrowings such as reduced or suspended interest payments, problems with debt fulfillment such as failure to make principal or interest payments, or problems with their financial position as a result of their weak or unstable business 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.



**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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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, 2017 and 2018:

	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>		
	(in millions of yen)							
<b>2017</b>								
Domestic:								
Manufacturing . . . . .	7,912,872	90,761	67,734	276,771	11,589	1,314	379,056	8,740,097
Construction and real estate . . .	6,926,963	586,984	15,585	168,619	16,062	317	57,476	7,772,006
Services . . . . .	4,381,342	181,525	910	95,434	23,189	204	66,370	4,748,974
Wholesale and retail . . . . .	4,612,668	199,590	22,785	124,846	32,911	501	146,901	5,140,202
Transportation and communications . . . . .	3,324,148	82,506	1,092	50,319	9,698	—	22,615	3,490,378
Banks and other financial institutions . . . . .	3,938,132	1,880	37,907	21,574	353	—	6,541	4,006,387
Government and public institutions . . . . .	4,060,949	—	4,471,297	—	—	—	—	8,532,246
Other industries <sup>(4)</sup> . . . . .	2,463,390	3,275	1,906,756	4,613	410	41,179	6,610	4,426,233
Individuals . . . . .	211,328	10,288,916	80,566	24,044	89,027	1,434	104,702	10,800,017
Total domestic . . . . .	37,831,792	11,435,437	6,604,632	766,220	183,239	44,949	790,271	57,656,540
Foreign:								
Commercial and industrial . . .	14,125,338	173	2,153,757	312,275	—	90,722	190,183	16,872,448
Banks and other financial institutions . . . . .	6,220,767	—	480,806	58,348	—	—	—	6,759,921
Government and public institutions . . . . .	956,036	—	1,082	2,801	—	—	29	959,948
Other . . . . .	6,535	9,439	173,464	124	8	753	401	190,724
Total foreign . . . . .	21,308,676	9,612	2,809,109	373,548	8	91,475	190,613	24,783,041
Total . . . . .	59,140,468	11,445,049	9,413,741	1,139,768	183,247	136,424	980,884	82,439,581
<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 . . .	14,093,375	209	2,432,189	398,231	—	64,950	106,650	17,095,604
Banks and other financial institutions . . . . .	6,223,742	—	487,978	28,126	—	—	—	6,739,846
Government and public institutions . . . . .	1,125,921	—	—	—	—	—	1,819	1,127,740
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

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) Amounts represent small balance, homogeneous loans which are subject to pool allocations.  
(3) Non-impaired loans held by subsidiaries other than MHBK and MHTB constitute Other, since their portfolio segments are not identical to those of MHBK and MHTB.  
(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, 2017 and 2018:

	Recorded investment <sup>(1)</sup>						
	Requiring an allowance for loan losses	Not requiring an allowance for loan losses <sup>(2)</sup>	Total	Unpaid principal balance	Related allowance <sup>(3)</sup>	Average recorded investment	Interest income recognized <sup>(4)</sup>
(in millions of yen)							
<b>2017</b>							
Domestic:							
Manufacturing	372,241	6,815	379,056	383,812	148,777	375,895	2,859
Construction and real estate	46,130	11,346	57,476	66,006	6,367	66,796	877
Services	58,366	8,004	66,370	72,261	20,122	66,050	1,173
Wholesale and retail	133,466	13,435	146,901	155,023	52,341	148,865	2,261
Transportation and communications	19,386	3,229	22,615	23,568	5,968	24,035	371
Banks and other financial institutions	2,601	3,940	6,541	6,873	962	5,305	50
Other industries	6,484	126	6,610	6,740	1,999	6,053	91
Individuals	51,893	52,809	104,702	114,880	4,935	114,104	1,696
Total domestic	<u>690,567</u>	<u>99,704</u>	<u>790,271</u>	<u>829,163</u>	<u>241,471</u>	<u>807,103</u>	<u>9,378</u>
Foreign:							
Total foreign <sup>(5)</sup>	160,563	30,050	190,613	209,129	61,102	169,192	2,040
Total	<u>851,130</u>	<u>129,754</u>	<u>980,884</u>	<u>1,038,292</u>	<u>302,573</u>	<u>976,295</u>	<u>11,418</u>
<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>	63,346	46,283	109,629	125,329	28,333	151,588	1,042
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>

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, 2017 and 2018 was ¥302,251 million and ¥245,809 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, which have been partially charged off, was ¥26,513 million and ¥29,037 million as of March 31, 2017 and 2018, respectively.

*Troubled debt restructurings*

The MHFG Group considers a TDR to be a restructuring in which it, for economic or legal reasons related to the obligor's financial difficulties, grants a concession to the obligor that it would not otherwise consider. The Group considers the relevant obligor to be in financial difficulty 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, 2017 and 2018:

	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>2017</b>			
Domestic:			
Manufacturing .....	—	—	106,697
Construction and real estate .....	—	—	18,818
Services .....	—	—	45,287
Wholesale and retail .....	—	—	159,649
Transportation and communications .....	—	—	17,417
Banks and other financial institutions .....	—	—	7,933
Other industries .....	—	—	2,518
Individuals .....	—	—	17,067
Total domestic .....	—	—	375,386
Foreign:			
Total foreign <sup>(2)</sup> .....	—	—	35,685
Total .....	—	—	411,071
<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

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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, 2017 and 2018 with respect to the loans modified as TDRs within the previous twelve months:

	<b>Recorded investment</b>	
	<b>2017</b>	<b>2018</b>
	<b>(in millions of yen)</b>	
Domestic:		
Manufacturing . . . . .	5,164	4,019
Construction and real estate . . . . .	2,887	80
Services . . . . .	4,471	4,469
Wholesale and retail . . . . .	10,116	25,710
Transportation and communications . . . . .	795	264
Other industries . . . . .	14	130
Individuals . . . . .	<u>2,288</u>	<u>1,819</u>
Total domestic . . . . .	<u>25,735</u>	<u>36,491</u>
Foreign:		
Total foreign . . . . .	<u>3,213</u>	<u>4,588</u>
Total . . . . .	<u>28,948</u>	<u>41,079</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, 2017 and 2018:

	<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>2017</b>						
Domestic:						
Manufacturing .....	1,938	360	7,767	10,065	8,730,032	8,740,097
Construction and real estate .....	3,061	947	32,523	36,531	7,735,475	7,772,006
Services .....	917	217	5,914	7,048	4,741,926	4,748,974
Wholesale and retail .....	1,330	2,834	5,585	9,749	5,130,453	5,140,202
Transportation and communications .....	384	322	1,859	2,565	3,487,813	3,490,378
Banks and other financial institutions .....	—	—	—	—	4,006,387	4,006,387
Government and public institutions .....	—	—	—	—	8,532,246	8,532,246
Other industries .....	—	—	69	69	4,426,164	4,426,233
Individuals .....	<u>32,752</u>	<u>12,291</u>	<u>34,846</u>	<u>79,889</u>	<u>10,720,128</u>	<u>10,800,017</u>
Total domestic .....	<u>40,382</u>	<u>16,971</u>	<u>88,563</u>	<u>145,916</u>	<u>57,510,624</u>	<u>57,656,540</u>
Foreign:						
Total foreign <sup>(Note)</sup> .....	<u>546</u>	<u>216</u>	<u>95,719</u>	<u>96,481</u>	<u>24,686,560</u>	<u>24,783,041</u>
Total .....	<u>40,928</u>	<u>17,187</u>	<u>184,282</u>	<u>242,397</u>	<u>82,197,184</u>	<u>82,439,581</u>
<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>

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 to which pool allocations apply, and loans other than these classified in the retail portfolio segment are classified in the corporate portfolio segment. The corporate portfolio segment consists of loans originated by MHBK and MHTB, and includes mainly business

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loans such as those used for working capital and capital expenditure, as well as loans for which the primary source of repayment of the obligation is income generated by the relevant assets such as project finance, asset finance and real estate finance. The retail portfolio segment consists mainly of residential mortgage loans, 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, 2016, 2017 and 2018 are shown below:

	<u>Corporate</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(in millions of yen)			
<b>2016</b>				
Balance at beginning of fiscal year . . . . .	423,177	60,469	36,613	520,259
Provision (credit) for loan losses . . . . .	33,532	(15,474)	16,502	34,560
Charge-offs . . . . .	(97,536)	(2,173)	(12,610)	(112,319)
Recoveries . . . . .	17,232	1,399	2,034	20,665
Net charge-offs . . . . .	(80,304)	(774)	(10,576)	(91,654)
Others <sup>(Note)</sup> . . . . .	(8,666)	—	(3,252)	(11,918)
Balance at end of fiscal year . . . . .	<u>367,739</u>	<u>44,221</u>	<u>39,287</u>	<u>451,247</u>
<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>

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, 2017 and 2018:

	<u>Corporate</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(in millions of yen)			
<b>2017</b>				
Allowance for loan losses . . . . .	407,327	36,923	35,423	479,673
of which individually evaluated for impairment . . . . .	272,714	2,922	13,306	288,942
of which collectively evaluated for impairment . . . . .	<u>134,613</u>	<u>34,001</u>	<u>22,117</u>	<u>190,731</u>
Loans <sup>(Note)</sup> . . . . .	<u>61,120,654</u>	<u>11,722,726</u>	<u>9,596,201</u>	<u>82,439,581</u>
of which individually evaluated for impairment . . . . .	772,647	23,422	65,075	861,144
of which collectively evaluated for impairment . . . . .	<u>60,348,007</u>	<u>11,699,304</u>	<u>9,531,126</u>	<u>81,578,437</u>
<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 . . . . .	<u>119,283</u>	<u>25,590</u>	<u>25,255</u>	<u>170,128</u>
Loans <sup>(Note)</sup> . . . . .	<u>60,837,559</u>	<u>11,133,862</u>	<u>11,689,919</u>	<u>83,661,340</u>
of which individually evaluated for impairment . . . . .	593,053	21,364	61,023	675,440
of which collectively evaluated for impairment . . . . .	<u>60,244,506</u>	<u>11,112,498</u>	<u>11,628,896</u>	<u>82,985,900</u>

Note: Amounts represent loan balances before deducting unearned income and deferred loan fees.

**7. Premises and equipment**

Premises and equipment at March 31, 2017 and 2018 consist of the following:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Land . . . . .	575,054	566,040
Buildings . . . . .	807,312	811,911
Equipment and furniture . . . . .	485,407	484,102
Leasehold improvements . . . . .	93,967	97,066
Construction in progress . . . . .	23,093	25,849
Software . . . . .	<u>1,308,292</u>	<u>1,463,786</u>
Total . . . . .	3,293,125	3,448,754
Less: Accumulated depreciation and amortization . . . . .	<u>1,251,852</u>	<u>1,332,570</u>
Premises and equipment—net . . . . .	<u>2,041,273</u>	<u>2,116,184</u>

Depreciation and amortization expense for premises and equipment for the fiscal years ended March 31, 2016, 2017 and 2018 was ¥162,676 million, ¥163,769 million and ¥169,346 million, respectively.

Premises and equipment under capital leases, which is primarily comprised of data processing equipment, amounted to ¥80,430 million and ¥83,734 million at March 31, 2017 and 2018, respectively. Accumulated

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depreciation and amortization on such premises and equipment at March 31, 2017 and 2018 amounted to ¥40,155 million and ¥42,158 million, respectively.

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.

**8. Goodwill and intangible assets**

*Goodwill*

The changes in Goodwill during the fiscal years ended March 31, 2016, 2017 and 2018 are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Balance at beginning of fiscal year	11,703	19,097	95,176
Goodwill acquired	16,470 <sup>(1)</sup>	76,225 <sup>(2)</sup>	—
Impairment losses recognized	(6,222)	—	—
Foreign exchange translation	(2,854)	(146)	8
Balance at end of fiscal year	<u>19,097</u>	<u>95,176</u>	<u>95,184</u>
Gross amount of goodwill <sup>(3)</sup>	94,473	171,432	170,926
Accumulated impairment losses	75,376	76,256	75,742

Notes:

- (1) Goodwill acquired is entirely related to the acquisition of Mizuho Real Estate Management Co., Ltd. (formerly Simplex Real Estate Management Inc.) and Mizuho REIT Management Co., Ltd. (formerly Simplex REIT Partners Inc.).
- (2) Goodwill acquired is entirely related to the acquisition of Asset Management One (see Note 3 “Business combination”).
- (3) 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”.

Due to the prolonged severe business environment for Banco Mizuho do Brasil S.A., it was determined that the carrying amount of the Banco Mizuho do Brasil S.A. reporting unit exceeded its fair value, which is based on the market approach. Therefore, a goodwill impairment loss of ¥6,222 million was recognized during the fiscal year ended March 31, 2016.



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*Intangible assets*

The table below presents the gross carrying amount, accumulated amortization and net carrying amount of intangible assets, at March 31, 2017 and 2018:

	<u>2017</u>			<u>2018</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	42,517	84,462	126,979	52,237	74,742
Other . . . . .	2,814	2,190	624	1,847	1,341	506
Total . . . . .	<u>129,793</u>	<u>44,707</u>	<u>85,086</u>	<u>128,826</u>	<u>53,578</u>	<u>75,248</u>
Intangible assets not subject to amortization:						
Total . . . . .	<u>9,061</u>	—	<u>9,061</u>	<u>9,199</u>	—	<u>9,199</u>
Total . . . . .	<u>138,854</u>	<u>44,707</u>	<u>94,147</u>	<u>138,025</u>	<u>53,578</u>	<u>84,447</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 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, 2016, 2017, and 2018, the MHFG Group recognized ¥5,254 million, ¥7,433 million, and ¥9,812 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:	
2019 . . . . .	9,288
2020 . . . . .	8,950
2021 . . . . .	8,230
2022 . . . . .	7,697
2023 . . . . .	7,180

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**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, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	(in billions of yen)	
Interest-bearing deposits in other banks . . . . .	51	37
Trading account assets . . . . .	6,577	5,611
Investments . . . . .	8,213	6,500
Loans . . . . .	7,468	5,229
Other assets . . . . .	<u>1,588</u>	<u>2,099</u>
Total . . . . .	<u>23,897</u>	<u>19,476</u>

The associated liabilities collateralized by the above assets at March 31, 2017 and 2018 are summarized below:

	<u>2017</u>	<u>2018</u>
	(in billions of yen)	
Deposits . . . . .	919	256
Payables under repurchase agreements . . . . .	6,109	5,518
Payables under securities lending transactions . . . . .	1,460	1,193
Other short-term borrowings . . . . .	686	441
Long-term debt . . . . .	<u>4,220</u>	<u>3,179</u>
Total . . . . .	<u>13,394</u>	<u>10,587</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, 2017 and 2018, 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 ¥44,741 billion and ¥45,325 billion, respectively. These balances included the reserve funds required to be maintained by the MHFG Group, which amounted to ¥1,462 billion and ¥1,589 billion at March 31, 2017 and 2018, respectively.

At March 31, 2017 and 2018, the MHFG Group had received collateral that can be sold or repledged, with a fair value of ¥13,395 billion and ¥13,419 billion, respectively, of which ¥12,988 billion and ¥12,655 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**10. Deposits**

The balances of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$94 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2018) or more and the balances of these deposits issued by foreign offices in amounts of US\$100,000 or more at March 31, 2017 and 2018 are as follows:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Domestic offices:		
Time deposits . . . . .	17,763,052	17,194,707
Certificates of deposit . . . . .	5,877,100	5,778,430
Total . . . . .	<u>23,640,152</u>	<u>22,973,137</u>
Foreign offices:		
Time deposits . . . . .	14,862,230	13,426,554
Certificates of deposit . . . . .	4,754,170	5,604,160
Total . . . . .	<u>19,616,400</u>	<u>19,030,714</u>

The aggregate amount of demand deposits in overdraft status that have been reclassified as loan balances at March 31, 2017 and 2018 was ¥718 billion and ¥792 billion, respectively.

The balance and remaining maturities of time deposits and certificates of deposit issued by domestic and foreign offices at March 31, 2018 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 . . . . .	22,363,333	5,658,280	28,021,613
Due after one year through two years . . . . .	1,635,033	120,150	1,755,183
Due after two years through three years . . . . .	1,282,400	—	1,282,400
Due after three years through four years . . . . .	328,518	—	328,518
Due after four years through five years . . . . .	361,730	—	361,730
Due after five years . . . . .	122,211	—	122,211
Total . . . . .	<u>26,093,225</u>	<u>5,778,430</u>	<u>31,871,655</u>
Foreign offices:			
Due in one year or less . . . . .	13,360,155	5,362,543	18,722,698
Due after one year through two years . . . . .	53,837	176,331	230,168
Due after two years through three years . . . . .	2,902	61,224	64,126
Due after three years through four years . . . . .	764	4,062	4,826
Due after four years through five years . . . . .	748	—	748
Due after five years . . . . .	14,620	—	14,620
Total . . . . .	<u>13,433,026</u>	<u>5,604,160</u>	<u>19,037,186</u>
Total . . . . .	<u>39,526,251</u>	<u>11,382,590</u>	<u>50,908,841</u>

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

**11. Due to trust accounts**

MHTB and TCSB, which are MHFG’s trust bank subsidiaries, hold assets on behalf of their customers in an agent, fiduciary or trust capacity. Such trust account assets are not the MHFG Group’s proprietary assets and are managed and accounted for separately. However, the cash in individual trust accounts is often placed with MHTB and TCSB for the customers’ short-term investment needs. These amounts which MHTB and TCSB owe to the trust accounts are recorded as Due to trust accounts.

The MHFG Group consolidates certain guaranteed principal money trusts. See Note 25 “Variable interest entities and securitizations” for further discussion of the guaranteed principal money trusts.

**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, 2017 and 2018 are as follows:

	2017	2018
	(in millions of yen)	
Commercial paper and short-term notes issued by consolidated VIEs of asset-backed commercial paper programs <sup>(1)(2)</sup> .....	59,607	27,985
Commercial paper and short-term notes issued by MHFG and its subsidiaries <sup>(1)(3)</sup> .....	956,447	1,044,591
Borrowings from the Bank of Japan .....	355,255	432,328
Other .....	105,303	183,114
Total .....	1,476,612	1,688,018

Notes:

- (1) Short-term notes are issued under the laws of Japan in the form of dematerialized commercial paper, whose characteristics are economically the same as commercial paper.
- (2) Commercial paper and short-term notes issued by consolidated VIEs of asset-backed commercial paper programs in the above table consist of commercial paper and short-term notes, of which the amounts were ¥24,559 million and ¥35,048 million, respectively, at March 31, 2017. At March 31, 2018, all the amounts represent the outstanding balances of short-term notes.
- (3) Commercial paper and short-term notes issued by MHFG and its subsidiaries in the above table consist of commercial paper and short-term notes, of which the amounts were ¥765,147 million and ¥191,300 million, respectively, at March 31, 2017, and ¥710,391 million and ¥334,200 million, respectively, at March 31, 2018.

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

*Long-term debt*

Long-term debt with original maturities of more than one year at March 31, 2017 and 2018 is comprised of the following:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Obligations under capital leases . . . . .	40,947	36,010
Loan participation borrowings . . . . .	90,639	89,353
Senior borrowings and bonds . . . . .	11,119,136	9,184,075
Subordinated borrowings and bonds . . . . .	<u>3,278,692</u>	<u>3,645,792</u>
Total . . . . .	<u>14,529,414</u>	<u>12,955,230</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>2017</u>	<u>2018</u>
	(%)		(in millions of yen)	
Senior borrowings and bonds:				
fixed rate denominated in Japanese yen . . . . .	0.00-5.00	Apr. 2018-Dec. 2046	6,011,939	4,146,989
fixed rate denominated in U.S. dollars . . . . .	0.00-7.49	Apr. 2018-Mar. 2048	2,533,715	2,519,845
fixed rate denominated in other currencies . . . . .	0.01-9.29	Apr. 2018-May. 2037	172,370	233,842
floating rate denominated in Japanese yen . . . . .	0.00-19.00	Apr. 2018-Mar. 2048	717,056	662,751
floating rate denominated in U.S. dollars . . . . .	0.00-5.70	Apr. 2018-Jul. 2033	1,557,288	1,469,248
floating rate denominated in other currencies . . . . .	0.00-9.40	Jun. 2018-Sep. 2035	<u>126,768</u>	<u>151,400</u>
Total . . . . .			<u>11,119,136</u>	<u>9,184,075</u>
Subordinated borrowings and bonds:				
fixed rate denominated in Japanese yen . . . . .	0.47-4.26	Apr. 2018- Perpetual	2,858,445	3,247,639
fixed rate denominated in U.S. dollars . . . . .	4.30-4.70	Jul. 2022-Oct. 2025	<u>420,247</u>	<u>398,153</u>
Total . . . . .			<u>3,278,692</u>	<u>3,645,792</u>
Total . . . . .			<u>14,397,828</u>	<u>12,829,867</u>

Notes:

- (1) The interest rates disclosed reflect the range of contractual rates in effect at March 31, 2018.
- (2) Maturity information disclosed is the range of maturities at March 31, 2018.
- (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.

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

The following is a summary of contractual maturities of long-term debt subsequent to March 31, 2018:

	<u>(in millions of yen)</u>
Fiscal year ending March 31:	
2019 .....	2,492,058
2020 .....	1,606,863
2021 .....	1,314,403
2022 .....	1,204,785
2023 .....	1,068,077
2024 and thereafter .....	<u>5,269,044</u>
Total .....	<u><u>12,955,230</u></u>

**13. Other assets and liabilities**

The following table sets forth the details of other assets and liabilities at March 31, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	<u>(in millions of yen)</u>	
Other assets:		
Accounts receivable:		
Receivables from brokers, dealers and customers for securities transactions <sup>(1)</sup> . . .	1,564,295	1,578,952
Other .....	324,135	368,030
Collateral pledged:		
Collateral pledged for derivative transactions .....	973,404	981,390
Margins provided for futures contracts .....	276,398	142,156
Other .....	336,538	965,137
Prepaid pension cost .....	682,592	874,191
Security deposits .....	122,858	126,001
Loans held for sale .....	26,689	86,153
Other .....	<u>685,420</u>	<u>609,624</u>
Total .....	<u><u>4,992,329</u></u>	<u><u>5,731,634</u></u>
Other liabilities:		
Accounts payable:		
Payables to brokers, dealers and customers for securities transactions <sup>(1)</sup> . . . . .	1,400,141	1,410,785
Other .....	481,809	455,789
Guaranteed trust principal <sup>(2)</sup> .....	683,324	761,685
Collateral accepted:		
Collateral accepted for derivative transactions .....	671,691	598,524
Margins accepted for futures contracts .....	307,066	325,038
Unearned income <sup>(3)</sup> .....	134,666	130,916
Factoring amounts owed to customers .....	53,488	—
Other .....	<u>1,294,340</u>	<u>1,022,858</u>
Total .....	<u><u>5,026,525</u></u>	<u><u>4,705,595</u></u>

Notes:

- (1) Receivables from brokers, dealers and customers for securities transactions include ¥315,870 million and ¥372,395 million of such receivables of consolidated VIEs at March 31, 2017 and 2018, respectively.

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

- Payables to brokers, dealers and customers for securities transactions include ¥325,090 million and ¥422,060 million of such payables of consolidated VIEs at March 31, 2017 and 2018, 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 refundable 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, 2016, 2017 and 2018 is as follows:

2016 Class of stock	Aggregate amount (in millions of yen)	Number of shares			Liquidation value per share (in yen)	Convertible or not
		Authorized <sup>(1)</sup>	Issued	In treasury		
Eleventh series class XI preferred stock <sup>(2)</sup> . . . .	914,752	914,752,000	914,752,000	815,828,400	1,000	Yes
First series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
Second series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
Third series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
Fourth series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
First series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
Second series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
Third series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
Fourth series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
First series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Second series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Third series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Fourth series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Total . . . . .	<u>914,752</u>	<u>914,752,000</u>	<u>914,752,000</u>	<u>815,828,400</u>		

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

2017	Class of stock	Aggregate amount (in millions of yen)	Number of shares			Liquidation value per share (in yen)	Convertible or not
			Authorized <sup>(1)</sup>	Issued	In treasury		
	Class XI preferred stock . . . . .	—	914,752,000	—	—	—	—
	First series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	Second series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	Third series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	Fourth series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
	First series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
	Second series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
	Third series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
	Fourth series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
	First series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Second series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Third series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Fourth series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
	Total . . . . .	—		—	—		



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

2018 Class of stock	Aggregate amount (in millions of yen)	Number of shares			Liquidation value per share (in yen)	Convertible or not
		Authorized <sup>(1)</sup>	Issued	In treasury		
First series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
Second series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
Third series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
Fourth series class XIV preferred stock <sup>(3)</sup> . . . .	—	900,000,000	—	—	—	—
First series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
Second series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
Third series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
Fourth series class XV preferred stock <sup>(4)</sup> . . . .	—	900,000,000	—	—	—	—
First series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Second series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Third series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Fourth series class XVI preferred stock <sup>(5)</sup> . . . .	—	1,500,000,000	—	—	—	—
Total . . . . .	—	—	—	—	—	—

Notes:

- (1) The total number of shares authorized to be issued was 4,214,752,000 shares at March 31, 2016 and 2017, and 3,300,000,000 shares at March 31, 2018.
- (2) The aggregate amount and number of issued shares include the preferred stock in treasury which has been converted into common stock but not yet cancelled.
- (3) The total number of authorized shares for each series of class XIV preferred stock cannot exceed 900,000,000.
- (4) The total number of authorized shares for each series of class XV preferred stock cannot exceed 900,000,000.
- (5) The total number of authorized shares for each series of class XVI preferred stock cannot exceed 1,500,000,000.

Holder or registered pledgee 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.

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

In June 2013, MHFG newly authorized class XIV preferred stock, class XV preferred stock and class XVI preferred stock to meet the requirements of Basel III. Under Basel III, in order for preferred stock issued by a bank holding company to be included as its regulatory capital under the capital adequacy requirements, the terms and conditions of the preferred stock are required to include a provision that in the event the bank holding company is considered to be non-viable, (1) a write-off of the relevant preferred stock or (2) a conversion of the relevant preferred stock into common stock shall be effected (loss-absorption clause). In respect of class XI preferred stock, which was authorized before the implementation of Basel III in the articles of incorporation of MHFG, it was not possible to include the foregoing loss-absorption clause in the terms and conditions of that preferred stock under the current provisions of the articles of incorporation. Therefore, class XIV preferred stock, class XV preferred stock and class XVI preferred stock were newly authorized so that the foregoing loss-absorption clause can be included in the terms and conditions of class XIV preferred stock, class XV preferred stock and class XVI preferred stock by a resolution of the board of directors relating to the issuance of the relevant preferred stock. Besides the foregoing loss-absorption clause, provisions regarding the preferred stock dividends, distribution of residual assets, acquisition clause and rights to request acquisition in respect of class XIV preferred stock, class XV preferred stock and class XVI preferred stock were newly established. In addition, each of class XIV preferred stock, class XV preferred stock and class XVI preferred stock was established in multiple series as a separate class of shares in order to enable MHFG to issue that preferred stock in multiple series.

The following table shows the changes in the number of shares and the aggregate amount of preferred stock during the fiscal years ended March 31, 2016, 2017 and 2018:

Class of stock	Issued shares at March 31, 2015	Net change	Issued shares at March 31, 2016	Net change	Issued shares at March 31, 2017	Net change	Issued shares at March 31, 2018
(number of shares)							
Eleventh series class XI preferred stock <sup>(Note)</sup> . . . . .	914,752,000	—	914,752,000	(914,752,000)	—	—	—
Total . . . . .	<u>914,752,000</u>	<u>—</u>	<u>914,752,000</u>	<u>(914,752,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Class of stock	Aggregate amount at March 31, 2015	Net change	Aggregate amount at March 31, 2016	Net change	Aggregate amount at March 31, 2017	Net change	Aggregate amount at March 31, 2018
(in millions of yen)							
Eleventh series class XI preferred stock <sup>(Note)</sup> . . . . .	914,752	—	914,752	(914,752)	—	—	—
Total . . . . .	<u>914,752</u>	<u>—</u>	<u>914,752</u>	<u>(914,752)</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note: In July 2016, all shares of the eleventh series class XI preferred stock were converted into common stock and cancelled.

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

**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, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
		(shares)	
Balance at beginning of fiscal year . . . . .	24,621,897,967	25,030,525,657	25,386,307,945
Issuance of new shares of common stock due to conversion of Eleventh series class XI preferred stock . . . . .	403,667,690	349,677,288	—
Issuance of new shares of common stock due to exercise of stock acquisition rights . . . . .	4,960,000	6,105,000	3,337,000
Balance at end of fiscal year . . . . .	<u>25,030,525,657</u>	<u>25,386,307,945</u>	<u>25,389,644,945</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, 2018, MHFG’s capital stock, capital surplus and retained earnings were ¥2,256,549 million, ¥1,196,478 million and ¥1,906,557 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, 2018 was ¥1,200,791 million, of which ¥1,196,441 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, 2018, was ¥1,897,194 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.

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

The following table shows dividends on preferred stock and common stock during the fiscal years ended March 31, 2016, 2017 and 2018:

<u>2016</u> <u>Class of stock</u>	<u>Cash dividends</u>	
	<u>Per share</u> <u>(in yen)</u>	<u>In aggregate</u> <u>(in millions of yen)</u>
Eleventh series class XI preferred stock .....	20	3,572
Common stock .....	7.75	191,693
Total .....		<u>195,265</u>
<u>2017</u> <u>Class of stock</u>	<u>Cash dividends</u>	
	<u>Per share</u> <u>(in yen)</u>	<u>In aggregate</u> <u>(in millions of yen)</u>
Eleventh series class XI preferred stock <sup>(Note)</sup> .....	10	989
Common stock .....	7.50	189,013
Total .....		<u>190,002</u>
<u>2018</u> <u>Class of stock</u>	<u>Cash dividends</u>	
	<u>Per share</u> <u>(in yen)</u>	<u>In aggregate</u> <u>(in millions of yen)</u>
Common stock .....	7.50	<u>190,361</u>

Note: In July 2016, all shares of the eleventh series class XI preferred stock were converted into common stock and cancelled. Consequently, the amount for the fiscal year does not include interim dividends.

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

**17. Accumulated other comprehensive income**

Changes in each component of AOCI for the fiscal years ended March 31, 2016, 2017 and 2018 are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
AOCI, balance at beginning of fiscal year, previously reported . . . . .	2,041,005	1,469,308	1,521,163
Cumulative effect of change in accounting principles . . . . .	—	330	—
AOCI, balance at beginning of fiscal year, adjusted . . . . .	2,041,005	1,469,638	1,521,163
Net unrealized gains (losses) on available-for-sale securities:			
Balance at beginning of fiscal year, previously reported . . . . .	1,747,607	1,409,459	1,461,302
Cumulative effect of change in accounting principles . . . . .	—	(85)	—
Balance at beginning of fiscal year, adjusted . . . . .	1,747,607	1,409,374	1,461,302
Unrealized holding gains (losses) during year . . . . .	(189,479)	273,844	282,141
Less: reclassification adjustments for losses (gains) included in net income . . . . .	(148,669)	(221,916)	(186,858)
Change during year . . . . .	(338,148)	51,928	95,283
Balance at end of fiscal year . . . . .	1,409,459	1,461,302	1,556,585
Foreign currency translation adjustments:			
Balance at beginning of fiscal year, previously reported . . . . .	129,179	6,310	(5,535)
Cumulative effect of change in accounting principles . . . . .	—	415	—
Balance at beginning of fiscal year, adjusted . . . . .	129,179	6,725	(5,535)
Foreign currency translation adjustments during year . . . . .	(122,081)	(11,920)	(26,936)
Less: reclassification adjustments for losses (gains) included in net income . . . . .	(788)	(340)	(2,605)
Change during year . . . . .	(122,869)	(12,260)	(29,541)
Balance at end of fiscal year . . . . .	6,310	(5,535)	(35,076)
Pension liability adjustments:			
Balance at beginning of fiscal year . . . . .	164,219	53,539	65,396
Unrealized gains (losses) during year . . . . .	(107,497)	11,561	157,737
Less: reclassification adjustments for losses (gains) included in net income . . . . .	(3,183)	296	(2,748)
Change during year . . . . .	(110,680)	11,857	154,989
Balance at end of fiscal year . . . . .	53,539	65,396	220,385
Total other comprehensive income (loss), net of tax attributable to MHFG shareholders . . . . .	(571,697)	51,525	220,731
AOCI, balance at end of fiscal year . . . . .	<u>1,469,308</u>	<u>1,521,163</u>	<u>1,741,894</u>

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The following table shows the amounts reclassified out of AOCI into net income during the fiscal year ended March 31, 2018:

	<u>Before tax</u> <sup>(1)</sup>	<u>Tax effect</u> <sup>(2)</sup>	<u>Net of tax before allocation to noncontrolling interests</u>	<u>Net of tax attributable to noncontrolling interests</u> <sup>(2)</sup>	<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 . . .	269,808	(82,828)	186,980	(122)	186,858	Investment gains (losses)—net
Foreign currency translation adjustments . . . . .	2,605	—	2,605	—	2,605	Investment gains (losses)—net
Pension liability adjustments . . . . .	2,560	190	2,750	(2)	2,748	Salaries and employee benefits
Total . . . . .	<u>274,973</u>	<u>(82,638)</u>	<u>192,335</u>	<u>(124)</u>	<u>192,211</u>	

Notes:

- (1) The amounts in the Before tax column are recorded in each account presented under the heading “Affected line items in the consolidated statements of income”.
- (2) The amounts in the Tax effect column and Net of tax attributable to noncontrolling interests column are recorded in Income tax expense and Net income attributable to noncontrolling interests in the consolidated statements of income, respectively.

**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. Failure to meet minimum capital requirements may initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on the MHFG Group’s consolidated financial condition and results of operations.

The capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the Financial Services Agency closely follow the risk-adjusted approach proposed by the Basel Committee on Banking Supervision (“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

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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 MHBK and MHTB, or on a consolidated basis for bank holding companies with international operations, such as MHFG.

Risk-based capital, calculated from financial statements prepared under Japanese GAAP, is classified into the following two tiers: Tier 1 capital; and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital generally consists of common stock, capital surplus, retained earnings, accumulated other comprehensive income and other disclosed reserves and others less any regulatory adjustments. Additional Tier 1 capital generally consists of instruments issued by a bank or its holding company that meet the criteria for inclusion in Additional Tier 1 capital and others less any regulatory adjustments. Tier 2 capital generally consists of instruments issued by a bank or its holding company such as subordinated debt that meet the criteria for inclusion in Tier 2 capital, general reserve for possible losses on loans (equaling the sum of (i) the excess of the amount of qualified reserves over the amount of expected losses and (ii) the amount of general reserves calculated based on the standardized approach) and others less any regulatory adjustments.

Under Basel III, capital instruments that no longer qualify as Additional Tier 1 capital or Tier 2 capital are being phased out beginning March 2013 by increments of 10% until becoming fully effective in March 2022. The MHFG Group's existing preferred securities (the amounts thereof included within Additional Tier 1 capital as of March 31, 2018 being ¥577.5 billion) and existing subordinated debt issued before March 2013 (the amounts thereof included within Tier 2 capital as of March 31, 2018 being ¥674.8 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). The requirements began phasing in from January 2016 and will be fully implemented by January 2019. The Group was included in the list of G-SIBs updated in November 2017 and was allocated to the category that would require 1.0% of additional loss absorbency.

In November 2015, the Financial Service Agency published the revised capital adequacy guidelines to introduce the Basel III rules text regarding the capital conservation buffer, the countercyclical capital buffer and the additional loss absorption capacity requirement for G-SIBs and domestic systemically important banks

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

In December 2015, the Financial Service Agency published a capital adequacy guideline regarding the designation of G-SIBs and D-SIBs in Japan. The Group was designated as both a G-SIB and a D-SIB, and the additional loss absorption capacity requirement applicable to the Group was 1.0% on a fully effective basis. The additional loss absorption capacity requirement was the same as that imposed by the FSB, which is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%.

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 the deductions, and became fully effective in March 2018.

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

	<b>March 2017</b>	<b>March 2018</b>	<b>March 2019</b>	<b>March 2020</b>	<b>March 2021</b>	<b>March 2022</b>
Minimum Common Equity Tier 1 capital .....	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital .....	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital .....	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Phase-in of deductions from capital .....	<i>80.0%</i>	100.0%	100.0%	100.0%	100.0%	100.0%
Phase out of recognition of capital instruments that no longer qualify as capital .....	<i>50.0%</i>	<i>40.0%</i>	<i>30.0%</i>	<i>20.0%</i>	<i>10.0%</i>	0.0%
Capital conservation buffer .....	<i>1.25%</i>	<i>1.875%</i>	2.5%	2.5%	2.5%	2.5%
Countercyclical capital buffer <sup>(1)</sup> .....	<i>0.00%</i>	0.01%	0.01%	0.01%	0.01%	0.01%
Additional loss absorbency requirements for G-SIBs and D-SIBs <sup>(2)</sup> .....	<i>0.50%</i>	<i>0.75%</i>	1.0%	1.0%	1.0%	1.0%

Notes:

- (1) Figures assume that the countercyclical capital buffer will continue to be 0.01% after March 2018.
- (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.

If the capital adequacy ratio of a financial institution falls below the required level, the Financial Services Agency may, depending upon the extent of capital deterioration, take certain corrective action, including requiring the financial institution to submit an improvement plan to strengthen its capital base, reduce its total assets, restrict its business operations or other actions that could have a material effect on its financial condition and results of operations.



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Capital adequacy ratios of MHFG, MHBK, and MHTB as of March 31, 2017 and 2018 calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency are set forth in the following table:

	<u>2017</u>		<u>2018</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
(in billions of yen, except percentages)				
Consolidated:				
MHFG:				
Common Equity Tier 1 capital:				
Required <sup>(Note)</sup> .....	3,857	6.25	4,247	7.135
Actual .....	7,002	11.34	7,437	12.49
Tier 1 capital:				
Required <sup>(Note)</sup> .....	4,783	7.75	5,140	8.635
Actual .....	8,212	13.30	9,192	15.44
Total risk-based capital:				
Required <sup>(Note)</sup> .....	6,017	9.75	6,331	10.635
Actual .....	10,051	16.28	10,860	18.24
MHBK:				
Common Equity Tier 1 capital:				
Required .....	2,541	4.50	2,400	4.50
Actual .....	6,304	11.16	6,584	12.34
Tier 1 capital:				
Required .....	3,388	6.00	3,200	6.00
Actual .....	7,536	13.34	8,330	15.61
Total risk-based capital:				
Required .....	4,517	8.00	4,267	8.00
Actual .....	9,149	16.20	9,881	18.52
MHTB:				
Common Equity Tier 1 capital:				
Required .....	112	4.50	112	4.50
Actual .....	466	18.73	498	19.99
Tier 1 capital:				
Required .....	149	6.00	149	6.00
Actual .....	466	18.73	499	20.05
Total risk-based capital:				
Required .....	199	8.00	199	8.00
Actual .....	485	19.47	505	20.28
Non-consolidated:				
MHBK:				
Common Equity Tier 1 capital:				
Required .....	2,432	4.50	2,312	4.50
Actual .....	6,057	11.20	6,330	12.32
Tier 1 capital:				
Required .....	3,243	6.00	3,082	6.00
Actual .....	7,316	13.53	8,081	15.73
Total risk-based capital:				
Required .....	4,324	8.00	4,109	8.00
Actual .....	8,938	16.53	9,619	18.72
MHTB:				
Common Equity Tier 1 capital:				
Required .....	113	4.50	112	4.50
Actual .....	475	18.98	504	20.28
Tier 1 capital:				
Required .....	150	6.00	149	6.00
Actual .....	475	18.98	504	20.28
Total risk-based capital:				
Required .....	200	8.00	199	8.00
Actual .....	493	19.70	509	20.50

Note: The required ratios disclosed above, at March 31, 2017 and 2018, include the transitional capital conservation buffer of 1.25% and 1.875%, respectively, the countercyclical capital buffer of 0% and 0.01%, respectively, and the transitional additional loss absorbency requirements for G-SIBs and D-SIBs of 0.5% and 0.75%, respectively, which are all both 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.

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MHFG's securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Act. Under this requirement, securities firms must maintain a minimum capital adequacy ratio of 120% calculated as a percentage of capital accounts less certain assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty, and basic risks. Specific guidelines are issued as a ministerial ordinance that details the definition of essential components of the capital ratios, including capital, disallowed assets and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a temporary suspension of all or part of the business operations and further, to the cancellation of the license to act as a securities broker and dealer.

Management believes, as of March 31, 2018, that MHFG, MHBK, MHTB, and their securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

**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, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Net income:			
Net income attributable to MHFG shareholders . . . . .	850,492	362,440	577,608
Less: Net income attributable to preferred shareholders . . . . .	2,430	—	—
Net income attributable to common shareholders . . . . .	<u>848,062</u>	<u>362,440</u>	<u>577,608</u>
Effect of dilutive securities:			
Convertible preferred stock . . . . .	2,430	—	—
Net income attributable to common shareholders after assumed conversions . . . . .	<u>850,492</u>	<u>362,440</u>	<u>577,608</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(thousands of shares)		
Shares:			
Weighted average common shares outstanding . . . . .	<u>24,806,161</u>	<u>25,285,899</u>	<u>25,366,345</u>
Effect of dilutive securities:			
Convertible preferred stock <sup>(Note)</sup> . . . . .	563,044	82,993	—
Stock options . . . . .	17,828	11,410	7,586
Weighted average common shares after assumed conversions . . . . .	<u>25,387,033</u>	<u>25,380,302</u>	<u>25,373,931</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in yen)		
Amounts per common share:			
Basic net income per common share . . . . .	<u>34.19</u>	<u>14.33</u>	<u>22.77</u>
Diluted net income per common share . . . . .	<u>33.50</u>	<u>14.28</u>	<u>22.76</u>

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, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Current:			
Domestic .....	162,408	130,164	130,573
Foreign .....	<u>61,009</u>	<u>68,512</u>	<u>47,020</u>
Total current tax expense .....	<u>223,417</u>	<u>198,676</u>	<u>177,593</u>
Deferred:			
Domestic .....	127,185	(99,831)	58,078
Foreign .....	<u>(4,060)</u>	<u>(7,601)</u>	<u>1,933</u>
Total deferred tax expense (benefit) .....	<u>123,125</u>	<u>(107,432)</u>	<u>60,011</u>
Total income tax expense .....	<u><u>346,542</u></u>	<u><u>91,244</u></u>	<u><u>237,604</u></u>

The preceding table does not reflect the tax effects of items recorded directly in Equity for the fiscal years ended March 31, 2016, 2017 and 2018. The detailed amounts recorded directly in Equity are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Net unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) .....	(97,339)	112,467	123,186
Less: reclassification adjustments .....	<u>(65,207)</u>	<u>(97,729)</u>	<u>(82,828)</u>
Total .....	<u>(162,546)</u>	<u>14,738</u>	<u>40,358</u>
Foreign currency translation adjustments:			
Unrealized gains (losses) .....	126	—	—
Less: reclassification adjustments .....	<u>—</u>	<u>—</u>	<u>—</u>
Total .....	<u>126</u>	<u>—</u>	<u>—</u>
Pension liability adjustments:			
Unrealized gains (losses) .....	(51,661)	4,785	66,331
Less: reclassification adjustments .....	<u>(1,317)</u>	<u>178</u>	<u>190</u>
Total .....	<u>(52,978)</u>	<u>4,963</u>	<u>66,521</u>
Total tax effect before allocation to noncontrolling interests .....	<u><u>(215,398)</u></u>	<u><u>19,701</u></u>	<u><u>106,879</u></u>

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*Reconciliation of Income tax expense*

The following table shows a reconciliation of Income tax expense at the effective statutory tax rate to the actual income tax expense for the fiscal years ended March 31, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen, except tax rates)		
Income before income tax expense . . . . .	1,196,605	480,375	839,298
Effective statutory tax rate . . . . .	33.06%	30.86%	30.86%
Income tax calculated at the statutory tax rate . . . . .	395,598	148,244	259,007
Income not subject to tax . . . . .	(12,888)	(7,521)	(9,312)
Expenses not deductible for tax purposes . . . . .	1,521	1,483	1,421
Tax rate differentials of subsidiaries . . . . .	(2,208)	(2,165)	(2,696)
Change in valuation allowance . . . . .	(1,897)	112,781 <sup>(2)</sup>	(9,102)
Change in undistributed earnings of subsidiaries . . . . .	(16,112)	5,217	(1,972)
Change in net operating loss carryforwards resulting from intercompany capital transactions . . . . .	(1,446)	647	—
Effect of enacted change in tax rates . . . . .	(7,976) <sup>(1)</sup>	—	6,863 <sup>(3)</sup>
Reversal of outside basis differences . . . . .	—	(159,119) <sup>(2)</sup>	—
Other . . . . .	(8,050)	(8,323)	(6,605)
Income tax expense . . . . .	<u>346,542</u>	<u>91,244</u>	<u>237,604</u>

Notes:

- (1) On March 29, 2016, the National Diet of Japan approved a bill affecting the statutory tax rates of MHFG and its domestic subsidiaries. As a result, the statutory tax rate in respect of MHFG's tax returns for the fiscal year ended March 31, 2017 was reduced to 30.86% from the previous rate of 32.26%, and the statutory tax rate for the fiscal year ended March 31, 2018 was the same rate. In addition, the tax rate for the fiscal years ending March 31, 2019 and thereafter will be 30.62%. The decrease in the Group's balance of net deferred tax liabilities, reflecting such tax rate reductions, was recognized as a reduction to Income tax expense in the fiscal year ended March 31, 2016.
- (2) 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.
- (3) 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. On the same day, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 118, which specifies, among other things, that reasonable estimates of the income tax effects of tax legislation should be used, if determinable, and provides for a measurement period not to exceed 12 months for those estimates to be finalized. Modifications to the Group's estimates may occur.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*Deferred tax assets and liabilities*

The components of net deferred tax assets (liabilities) at March 31, 2017 and 2018 are as follows:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Deferred tax assets:		
Investments . . . . .	497,629	453,880
Allowance for loan losses . . . . .	184,366	126,977
Derivative financial instruments . . . . .	14,537	53,336
Premises and equipment . . . . .	3,594	4,896
Trading securities . . . . .	30,841	1,988
Net operating loss carryforwards <sup>(1)(2)</sup> . . . . .	452,166	178,256
Other . . . . .	<u>190,083</u>	<u>204,005</u>
	1,373,216	1,023,338
Valuation allowance <sup>(1)(2)</sup> . . . . .	<u>(438,344)</u>	<u>(163,358)</u>
Deferred tax assets, net of valuation allowance . . . . .	<u>934,872</u>	<u>859,980</u>
Deferred tax liabilities:		
Available-for-sale securities . . . . .	724,160	764,497
Prepaid pension cost and accrued pension liabilities . . . . .	195,620	255,239
Undistributed earnings of subsidiaries . . . . .	17,161	15,189
Other . . . . .	<u>74,886</u>	<u>74,170</u>
Deferred tax liabilities . . . . .	<u>1,011,827</u>	<u>1,109,095</u>
Net deferred tax assets (liabilities) . . . . .	<u>(76,955)</u>	<u>(249,115)</u>

Notes:

- (1) The amount includes ¥271,266 million related to MHFG's net operating loss carryforwards resulting mainly from intercompany capital transactions as of March 31, 2017. The tax effect of the net operating loss carryforwards is offset by a full valuation allowance because MHFG experienced a significant expiration of net operating loss carryforwards of ¥1,262 billion in March 2013, which is negative evidence outweighing any positive evidence. Furthermore, MHFG is a holding company whose primary sources of future taxable income are management fees from subsidiaries that are not sufficient to realize deferred tax assets related to the net operating loss carryforwards. A portion of the net operating loss carryforwards of ¥264,234 million that expired as of March 31, 2018, resulted in a significant decrease in the deferred tax asset on the net operating loss carryforward.
- (2) The amount includes ¥115,698 million and ¥110,729 million related to MHSC's net operating loss carryforwards resulting mainly from the organizational restructuring of certain foreign subsidiaries as of March 31, 2017 and 2018, respectively. The tax effect of the net operating loss carryforwards is substantially offset by ¥90,204 million and ¥86,189 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.

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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, 2017 and 2018:

	<u>Deferred tax assets</u>	<u>Valuation allowance</u> (in billions of yen)	<u>Deferred tax assets, net of valuation allowance</u>
<b>2017</b>			
Japan <sup>(1)</sup> .....	388	(362)	26
The United States .....	15	(3)	12
The United Kingdom <sup>(2)</sup> .....	46	(46)	—
Others .....	3	(3)	—
Total .....	<u>452</u>	<u>(414)</u>	<u>38</u>
<b>2018</b>			
Japan <sup>(3)</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>

Notes:

- (1) ¥265 billion of the Japan deferred tax assets of ¥388 billion is related to MHFG, which is offset by a full valuation allowance, and expired during the fiscal year ended March 31, 2018. In addition, ¥116 billion of the Japan deferred tax assets 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) ¥4 billion of the Japan deferred tax assets of ¥117 billion is related to MHFG, the significant decrease in gross deferred tax and corresponding valuation allowance from the prior year is due to an expiration of the net operating loss carryforwards. ¥111 billion of the Japan deferred tax assets 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.

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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.

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, 2018, 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, 2018. 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, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Balance at beginning of fiscal year . . . . .	388,551	339,922	438,344
Changes that directly affected Income tax expense . . . . .	(1,897)	112,781	(9,102)
Changes that did not affect Income tax expense:			
Expiration of net operating loss carryforwards . . . . .	—	—	(264,234)
Others . . . . .	(46,732)	(14,359)	(1,650)
Total . . . . .	(46,732)	(14,359)	(265,884)
Balance at end of fiscal year . . . . .	<u>339,922</u>	<u>438,344</u>	<u>163,358</u>

The decrease in the fiscal year ended March 31, 2016 of ¥1,897 million in the valuation allowance that directly affected Income tax expense was primarily related to an increase of the realizability of deferred tax assets of MHFG's subsidiaries. The decrease in the fiscal year ended March 31, 2016 of ¥46,732 million in others was primarily related to a decrease in the valuation allowance that is fully recognized against the MHFG Group's net operating loss carryforwards due to tax rate reductions and the anticipated liquidation of one of MHFG's subsidiaries.

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

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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 year ended March 31, 2018 of ¥9,102 million in the valuation allowance that directly affected Income tax expense was primarily related to an increase of the realizability of deferred tax assets of MHFG's subsidiaries.

*Net operating loss carryforwards*

At March 31, 2018, the MHFG Group had net operating loss carryforwards totaling ¥723 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:	
2019 .....	4
2020 .....	—
2021 .....	—
2022 .....	—
2023 .....	16
2024 and thereafter <sup>(Note)</sup> .....	703
<b>Total</b> .....	<b>723</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 ¥362 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 are to expire in March 31, 2026.



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*Uncertainty in income tax*

The following table is a roll-forward of unrecognized tax benefits for the fiscal years ended March 31, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Total unrecognized tax benefits at beginning of fiscal year . . . . .	1,632	1,300	1,867
Gross amount of increases (decreases) related to positions taken during prior years . . . . .	(415)	167	224
Gross amount of increases related to positions taken during the current year . . . . .	181	409	351
Amount of decreases related to settlements . . . . .	—	—	—
Foreign exchange translation . . . . .	(98)	(9)	(97)
Total unrecognized tax benefits at end of fiscal year . . . . .	<u>1,300</u>	<u>1,867</u>	<u>2,345</u>

The total amount of unrecognized tax benefits including ¥506 million, ¥675 million and ¥888 million of interest and penalties was ¥1,300 million, ¥1,867 million and ¥2,345 million at March 31, 2016, 2017 and 2018, 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 2009, 2002 and 2015, respectively. The Group does not anticipate that increases or decreases of unrecognized tax benefits within the next twelve months would have a material effect on its consolidated results of operations or financial condition.

**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 position, the length of service and the reason for retirement. When employees meet certain conditions including the length of service, they may opt to receive annuity payments instead of lump-sum payments at retirement. MHFG and certain subsidiaries also offer special termination benefits to former employees whose contributions during their careers were deemed meritorious and to those with particular circumstances.

Certain foreign offices and subsidiaries have defined contribution plans and/or defined benefit plans, of which disclosures are combined with those for domestic benefit plans, as they are not significant.

MHFG and certain subsidiaries have several defined contribution plans. The costs recognized in respect of contributions to the plans for the fiscal years ended March 31, 2016, 2017 and 2018 were ¥2,820 million, ¥3,141 million and ¥2,511 million, respectively.

Pension plans are not fully integrated among subsidiaries of MHFG and plan assets are managed separately by each plan.

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*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, 2016, 2017 and 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Service cost-benefits earned during the fiscal year . . . . .	38,032	44,367	43,649
Interest costs on projected benefit obligations . . . . .	10,479	5,724	7,471
Expected return on plan assets . . . . .	(40,603)	(35,969)	(34,916)
Amortization of prior service cost (benefits) . . . . .	(195)	(195)	214
Amortization of net actuarial loss (gain) . . . . .	(4,108)	780	411
Special termination benefits . . . . .	4,456	3,857	3,960
Net periodic benefit cost . . . . .	<u>8,061</u>	<u>18,564</u>	<u>20,789</u>

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) before-tax for the fiscal years ended March 31, 2017 and 2018 are summarized as follows:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Net actuarial gain (loss) . . . . .	15,645	216,777
Amortization of net actuarial loss (gain) . . . . .	780	411
Prior service benefits (cost) . . . . .	—	(348)
Amortization of prior service cost (benefits) . . . . .	(195)	214
Total recognized in other comprehensive income (loss) before-tax . . . . .	<u>16,230</u>	<u>217,054</u>

As of March 31, 2018, 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 ¥152 million and ¥7,879 million, respectively.

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Weighted-average assumptions used to determine benefit obligations at fiscal year end:			
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%
Weighted-average assumptions used to determine net periodic benefit cost during the year:			
Discount rates . . . . .	0.76%	0.37%	0.47%
Rates of increase in future compensation levels . . . . .	2.00-4.80%	1.80-4.80%	1.80-4.80%
Expected rates of return on plan assets . . . . .	1.95%	1.73%	1.58%

In estimating the discount rates, the MHFG Group uses interest rates on high-quality fixed-income government and corporate bonds. The durations of such bonds closely match those of the benefit obligations. 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.

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**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, 2017 and 2018 for the plans of MHFG and its subsidiaries:

	<u>2017</u>	<u>2018</u>
	<u>(in millions of yen)</u>	
Change in benefit obligations:		
Benefit obligations at beginning of fiscal year . . . . .	1,495,208	1,545,893
Service cost . . . . .	44,367	43,649
Interest cost . . . . .	5,724	7,471
Plan participants' contributions . . . . .	1,215	1,233
Amendments . . . . .	—	348
Actuarial loss (gain) . . . . .	67,335	30,633
Foreign exchange translation . . . . .	(2,159)	(32)
Benefits paid . . . . .	(51,899)	(53,167)
Lump-sum payments . . . . .	<u>(13,898)</u>	<u>(16,672)</u>
Benefit obligations at end of fiscal year . . . . .	<u>1,545,893</u>	<u>1,559,356</u>
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year . . . . .	2,082,996	2,200,812
Actual return (negative return) on plan assets . . . . .	118,714	280,251
Foreign exchange translation . . . . .	(3,273)	(113)
Partial withdrawal of assets from employee retirement benefits trusts <sup>(Note)</sup> . . . . .	—	(66,565)
Employer contributions . . . . .	53,059	43,279
Plan participants' contributions . . . . .	1,215	1,233
Benefits paid . . . . .	<u>(51,899)</u>	<u>(53,167)</u>
Fair value of plan assets at end of fiscal year . . . . .	<u>2,200,812</u>	<u>2,405,730</u>
Funded status . . . . .	<u>654,919</u>	<u>846,374</u>
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid pension cost . . . . .	682,592	874,191
Accrued pension liability . . . . .	<u>(27,673)</u>	<u>(27,817)</u>
Net amount recognized . . . . .	<u>654,919</u>	<u>846,374</u>
Amounts recognized in Accumulated other comprehensive income (loss) before-tax consist of:		
Prior service benefits (cost) . . . . .	(1,220)	(1,352)
Net actuarial gain (loss) . . . . .	<u>74,044</u>	<u>291,230</u>
Net amount recognized . . . . .	<u>72,824</u>	<u>289,878</u>

Note: During the fiscal year ended March 31, 2018, 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. No gains or losses have been recognized as a result of this transaction.

The aggregated accumulated benefit obligations of these plans were ¥1,544,039 million and ¥1,559,356 million, as of March 31, 2017 and 2018, 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.

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In the fiscal year ended March 31, 2017, the Group incorporated employee-level improvements in the mortality indicators used in the pension benefit calculation, which resulted in an increase of the benefit obligations of ¥79,861 million.

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, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	(in millions of yen)	
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations . . . . .	57,980	59,319
Fair value of plan assets . . . . .	30,306	31,503
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations . . . . .	56,125	59,319
Fair value of plan assets . . . . .	30,306	31,503

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.

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MHFG and certain subsidiaries' target allocation for the plan assets, excluding those of the employee retirement benefit trusts, at March 31, 2018 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 rates.

*Fair value of plan assets*

The following table presents the fair value of plan assets of MHFG and its subsidiaries at March 31, 2017 and 2018, 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>2017</u>				<u>2018</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> .....	1,162	—	—	1,162	1,330	—	—	1,330
Pooled funds <sup>(2)</sup> .....	10	—	—	10	10	9	—	19
Japanese debt securities:								
Government bonds .....	254	—	—	254	184	—	—	184
Pooled funds <sup>(2)</sup> .....	—	2	—	2	—	4	—	4
Other .....	—	25	—	25	—	25	—	25
Foreign equity securities:								
Common stocks .....	111	—	—	111	108	—	—	108
Pooled funds <sup>(2)</sup> .....	—	2	—	2	—	5	—	5
Foreign debt securities:								
Government bonds .....	68	3	—	71	175	6	—	181
Pooled funds <sup>(2)</sup> .....	—	7	—	7	—	9	—	9
Other .....	—	16	—	16	—	16	—	16
General account of life insurance companies <sup>(3)</sup> .....	—	124	—	124	—	110	—	110
Other .....	78 <sup>(4)</sup>	1	—	79	92 <sup>(4)</sup>	—	—	92
Plan assets measured at net asset value <sup>(5)</sup> . . .				338				323
Total assets at fair value .....	<u>1,683</u>	<u>180</u>	<u>—</u>	<u>2,201</u>	<u>1,899</u>	<u>184</u>	<u>—</u>	<u>2,406</u>

Notes:

- (1) This class represents equity securities held in the employee retirement benefit trusts of ¥1,162 billion and ¥1,330 billion carried at fair value at March 31, 2017 and 2018, respectively, which are well-diversified across industries.

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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, 2017 and 2018.

*Contributions*

The total contribution of approximately ¥52 billion is expected to be paid to the pension plans during the fiscal year ending March 31, 2019, 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:	
2019 .....	67,291
2020 .....	69,087
2021 .....	70,332
2022 .....	71,041
2023 .....	71,662
2024-2028 .....	353,649

**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, 2018:

	<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 . . . . .	10,819,000	1		
Exercised during fiscal year . . . . .	<u>3,603,000</u>	1		
Outstanding at end of fiscal year . . . . .	<u>7,216,000</u>	1	15.36	1,374
Exercisable at end of fiscal year . . . . .	<u>—</u>	—	—	—

There were no non-vested stock options remaining as of March 31, 2018.

In May, 2015, MHFG discontinued the stock option program. Thereafter, MHFG has not issued any new stock options.

*Performance-based stock compensation*

MHFG, MHBK, MHTB and MHSC introduced a new performance-based stock compensation program for Directors on May, 2015 using a trust. The program utilizes the Board Benefit Trust framework. The performance-based 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 officers' interests with those of the shareholders and increasing the incentive to enhance corporate value. The payment thereof is a reflection of each officer's performance. The entire amount of the payment in respect of the performance-based stock compensation is deferred over three years and the deferred portion is subject to reduction or forfeiture depending on certain factors, including the performance of the MHFG group or the relevant Directors.

The following table presents activities related to the performance-based stock compensation for the fiscal year ended March 31, 2018:

	<u>Number of shares</u>	<u>Weighted-average grant-date fair value</u> (per share in yen)
Outstanding as of March 31, 2017 . . . . .	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 . . . . .	—	—
Outstanding as of March 31, 2018 . . . . .	<u>13,319,406</u>	<u>182.04</u>

The weighted average grant date fair value of the performance-based stock compensation for the fiscal years ended March 31, 2017 and 2018 were ¥158.68 and ¥196.94, respectively.

The total fair value of the performance-based stock compensation that vested for the fiscal year ended March 31, 2018 was ¥782 million. There was no performance-based stock compensation that vested prior to the fiscal year ended March 31, 2018.

The shares of MHFG common stock were acquired from the stock market by the trustee by using the money entrusted to the Compensation Committee. The total amount of the common stock was ¥2,425 million.

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The compensation cost with regard to the performance-based stock compensation is determined based upon the fair value of shares of MHFG common stock as of grant date and is recognized over three year deferral period on a straight-line basis. The compensation cost recognized in this performance-based stock compensation program for the fiscal years ended March 31, 2017 and 2018 were ¥354 million and ¥868 million, respectively.

As of the fiscal year ended March 31, 2018, the total compensation cost related to non-vested awards not yet recognized is ¥1,806 million, and this cost will be recognized over 1.92 years.

**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. 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 credit risk is measured by the fair value of all derivatives in a gain position and its potential increase at the balance sheet dates. The exposure to credit risk is managed by entering into legally enforceable master netting agreements to mitigate the overall counterparty credit risk, requiring underlying collateral and guarantees based on an individual credit analysis of each obligor and evaluating the credit features of each instrument. In addition, credit approvals, limits and monitoring procedures are also imposed.

***Notional 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, 2017 and 2018. The fair values of derivatives are presented on a gross basis and not offset against the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting agreements in the consolidated balance sheets, or the table below.

2017	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 . . . . .	961,518	—	8,506	—	8,473
Foreign exchange contracts . . . . .	167,698	2	2,743	—	2,611
Equity-related contracts . . . . .	4,177	—	134	5	224
Credit-related contracts . . . . .	3,696	—	35	—	36
Other contracts . . . . .	360	—	23	—	22
Total . . . . .	<u>1,137,449</u>	<u>2</u>	<u>11,441</u>	<u>5</u>	<u>11,366</u>



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

<b>2018</b>	<b>Notional amount <sup>(1)</sup></b>	<b>Fair value</b>			
		<b>Derivative receivables <sup>(2)</sup></b>		<b>Derivative payables <sup>(2)</sup></b>	
		<b>Designated as hedges</b>	<b>Not designated as hedges</b>	<b>Designated as hedges</b>	<b>Not designated as hedges</b>
		(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
<b>Total . . . . .</b>	<b>1,169,233</b>	<b>2</b>	<b>10,109</b>	<b>9</b>	<b>9,707</b>

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 ¥973 billion and ¥672 billion at March 31, 2017, and ¥981 billion and ¥599 billion at March 31, 2018, 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 available-for-sale securities. For qualifying fair value hedges, all changes in the fair value of the derivative and the corresponding hedged item relating to the risk being hedged are recognized in earnings in Investment gains (losses)—net. The change in fair value of the portion of the hedging instruments excluded from the assessment of hedge effectiveness is recorded in Trading account gains (losses)—net. No ineffectiveness exists because the MHFG Group chooses to exclude changes in the differences between the spot and the forward prices from the effectiveness test. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item. The fair value adjustment is recognized in earnings upon the sale of the hedged item.

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

The following table summarizes gains and losses information related to fair value hedges for the fiscal years ended March 31, 2016, 2017 and 2018:

	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
<b>2016</b>	(in millions of yen)			
Equity-related contracts .....	14,623	(18,224)	—	(3,601)
Total .....	<u>14,623</u>	<u>(18,224)</u>	<u>—</u>	<u>(3,601)</u>
	Gains (losses) recorded in income			
	Derivatives	Hedged items	Hedge ineffectiveness	Net gain (loss) excluded from assessment of effectiveness
	(in millions of yen)			
<b>2017</b>	(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
	(in millions of yen)			
<b>2018</b>	(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.

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

The following table summarizes gains and losses information related to net investment hedges for the fiscal years ended March 31, 2016, 2017 and 2018:

	Gains (losses) recorded in income and other comprehensive income (“OCI”)					
	2016		2017		2018	
	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 . . . .	46,697	696	16,767	47	(30)	90
Total . . . . .	<u>46,697</u>	<u>696</u>	<u>16,767</u>	<u>47</u>	<u>(30)</u>	<u>90</u>

Note: Related to the effective portion of net investment hedges, gains of ¥345 million and ¥41 million were reclassified from Accumulated other comprehensive income to earnings for the fiscal years ended March 31, 2016 and 2017, respectively. No amount related to the effective portion of net investment 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 hedging strategies: (1) interest-rate swap transactions for the purpose of hedging the interest-rate risks in deposits, loans etc., (2) currency swap transactions for the purpose of hedging the foreign exchange risk of these assets, and (3) credit derivatives for the purpose of hedging the credit risk in loans, residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), 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, 2016, 2017 and 2018:

	Gains (losses) recorded in income		
	2016	2017	2018
	(in millions of yen)		
Interest rate contracts . . . . .	319,225	(209,361)	(63,260)
Foreign exchange contracts . . . . .	65,101	37,129	61,046
Equity-related contracts <sup>(1)</sup> . . . . .	21,571	5,131	(94,607)
Credit-related contracts <sup>(2)</sup> . . . . .	(6,960)	(6,694)	(2,830)
Other contracts . . . . .	2,015	742	6,330
Total . . . . .	<u>400,952</u>	<u>(173,053)</u>	<u>(93,321)</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.

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

- (2) Amounts include the net loss of ¥5,230 million, ¥7,594 million and ¥754 million on the credit derivatives hedging the credit risk of loans during the fiscal years ended March 31, 2016, 2017 and 2018, respectively.

***Credit derivatives***

A credit derivative is a bilateral contract between a seller and a buyer of protection against the credit risk of a particular entity. Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events, which include bankruptcy, dissolution or insolvency of the referenced entity. The MHFG Group either purchases or writes protection on either a single name or a portfolio of reference credits. The Group enters into credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

The notional amount of credit derivatives represents the maximum potential amount of future payments the seller could be required to make. If the predefined credit event occurs, the seller will generally have a right to collect on the underlying reference credit and 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, 2017 and 2018:

	2017		2018	
	<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 . . . . .	1,546	21	1,105	15
Non-investment grade . . . . .	298	1	197	4
Total . . . . .	<u>1,844</u>	<u>22</u>	<u>1,302</u>	<u>19</u>
Credit protection purchased . . . . .	<u>1,994</u>	<u>(23)</u>	<u>1,541</u>	<u>(22)</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, 2017 and 2018:

	<u>Maximum payout/Notional amount</u>	
	<u>2017</u>	<u>2018</u>
	(in billions of yen)	
One year or less . . . . .	507	329
After one year through five years . . . . .	1,020	831
After five years . . . . .	317	142
Total . . . . .	<u>1,844</u>	<u>1,302</u>

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

Note: The maximum potential amount of future payments is the aggregate notional amount of the credit derivatives where the Group wrote the credit protection, and it has not been reduced by the effect of any amounts that the Group may possibly collect on the underlying assets and the related cash flows, nor netted against that of credit protection purchased.

***Credit-related contingent features***

Certain of the MHFG Group’s derivative instruments contain provisions that require the Group’s debt to maintain an investment grade credit rating from the major credit rating agencies. If the Group’s debt credit rating were to fall below investment grade, the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments which are in net liability positions for the Group.

The following table shows the quantitative information about derivative instruments with credit-risk-related contingent features at March 31, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	(in billions of yen)	
Aggregate fair value of derivative instruments with credit-risk-related contingent features in net liability positions . . . . .	698	572
Collateral provided to counterparties in the normal course of business . . . . .	658	593
Amount required to be posted as collateral or settled immediately if credit-risk-related contingent features were triggered <sup>(Note)</sup> . . . . .	40	—

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.

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

*Guarantees on securities*

Guarantees on securities include obligations to guarantee securities, such as bonds issued by customers.

*Other guarantees*

Other guarantees include obligations to guarantee customers' payments, such as tax payments.

*Guarantees for the repayment of trust principal*

The MHFG Group provides certain trust products with guarantees for the repayment of trust principal, e.g., loan trusts and certain jointly operated designated money trusts. Pursuant to Japanese trust-related laws, trustees are prohibited from compensating beneficiaries for any loss in the beneficial interests in each trust. However, under a special condition of the Japanese trust-related laws, trust banks as trustees are allowed to enter into an agreement to provide compensation for any loss in the principal of the trust. The MHFG Group manages and administers the trust assets to minimize exposures against losses from the guarantees for the repayment of trust principal, including writing-off impaired loans and charging it to the trust account profits. In performing its fiduciary duties, the MHFG Group also manages the trust assets separately from its own proprietary assets on behalf of customers and keeps separate records for the trust activities. The MHFG Group consolidates certain guaranteed principal money trusts. See Note 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.

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

*Derivative financial instruments*

Certain written options and credit default swaps are deemed guarantees pursuant to the definition of guarantees in ASC 460 if these contracts require the MHFG Group to make payments to counterparties based on changes in an underlying instrument or index that is related to an asset, a liability, or an equity security of the counterparties. The MHFG Group's payments could involve a gross settlement or a net settlement. Because it is difficult in practice to determine whether the counterparty has the asset, the liability or the equity security relating to the underlying, the MHFG Group has decided to include all credit default swaps and written options, excluding written options outside the scope of ASC 460, in the guarantee disclosures.

*Carrying amount*

The MHFG Group records all guarantees and similar obligations subject to ASC 460 at fair value in the consolidated balance sheets at the inception of the guarantee. The total carrying amount of guarantees and similar obligations at March 31, 2017 and 2018 was ¥249 billion and ¥82 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 ¥228 billion and ¥62 billion at March 31, 2017 and 2018, respectively.

*Maximum exposure under guarantee contracts*

The table below summarizes the remaining term and maximum potential amount of future payments by type of guarantee at March 31, 2017 and 2018. 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>2017</u>	<u>Maximum potential/Contractual or Notional amount</u>	<u>Amount by expiration period</u>		
		<u>One year or less</u>	<u>After one year through five years</u>	<u>After five years</u>
		(in billions of yen)		
Performance guarantees . . . . .	2,243	1,246	828	169
Guarantees on loans . . . . .	278	147	20	111
Guarantees on securities . . . . .	175	37	138	—
Other guarantees . . . . .	1,823	1,246	513	64
Guarantees for the repayment of trust principal . . . . .	730	654	52	24
Liabilities of trust accounts . . . . .	15,177	14,927	82	168
Derivative financial instruments . . . . .	14,415	6,066	6,603	1,746

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

<u>2018</u>	<u>Maximum potential/Contractual or Notional amount</u>	<u>Amount by expiration period</u>		
		<u>One year or less</u>	<u>After one year through five years</u>	<u>After five years</u>
		(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

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, 2017 and 2018:

	<u>2017</u>	<u>2018</u>
	(in billions of yen)	
Investment grade . . . . .	3,477	3,930
Non-investment grade . . . . .	1,042	850
Total . . . . .	<u>4,519</u>	<u>4,780</u>

Note: Investment grade in the internal rating scale generally corresponds to BBB- or above in the external rating scale.

***Other off-balance-sheet instruments***

In addition to guarantees, the MHFG Group issues other off-balance-sheet instruments to its customers, such as lending-related commitments and commercial letters of credit. Under the terms of these arrangements, the MHFG Group is required to extend credit or make certain payments upon the customers' requests.

*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.



**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*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, 2017 and 2018:

	<b>2017</b>	<b>2018</b>
	(in billions of yen)	
Commitments to extend credit <sup>(Note)</sup> .....	76,678	78,448
Commercial letters of credit .....	522	690
Total .....	77,200	79,138

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, 2017 and 2018 were ¥120 billion and ¥90 billion, respectively, and were included in Other liabilities.

***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, 2018:

	<b>Capitalized leases</b>	<b>Operating leases</b>
	(in millions of yen)	
Fiscal year ending March 31:		
2019 .....	11,974	51,996
2020 .....	9,879	44,413
2021 .....	7,233	37,896
2022 .....	4,307	32,233
2023 .....	2,496	22,558
2024 and thereafter .....	991	56,897
Total minimum lease/rental payments .....	36,880	245,993
Amount representing interest .....	870	
Present value of minimum lease payments .....	36,010	

Total rental expense for the fiscal years ended March 31, 2016, 2017 and 2018 was ¥118,400 million, ¥113,991 million and ¥117,270 million, respectively.

MHFG leases its head office from a third party and accounts for the lease arrangement as an operating lease.

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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 ¥49,883 million, ¥41,430 million and ¥32,977 million at March 31, 2016, 2017 and 2018, 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 and the subsidiary has been named as a defendant in a lawsuit brought by the obligors under the bonds in Indonesia. The Group's consolidated financial statements do not include a reserve in relation to this dispute 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.

**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 comprehensively takes into consideration the extent of its involvement with each VIE, such as the seniority of its investments, the share of its holding in each tranche and the variability it expects to absorb, as well as other relevant facts and circumstances. The likelihood of loss is not necessarily relevant to the determination of significance, and therefore, "significant" does not imply that there is high likelihood of loss. The maximum exposure to loss that is discussed in this section refers to the maximum loss that the Group could 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.

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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, 2017 and 2018:

	<b>Consolidated VIEs</b>			<b>Significant unconsolidated VIEs</b>		
	<b>Consolidated assets</b>	<b>Total assets</b>	<b>Maximum exposure to loss</b>	<b>Consolidated assets</b>	<b>Total assets</b>	<b>Maximum exposure to loss</b>
	(in billions of yen)					
<b>2017</b>						
Asset-backed commercial paper/loan programs	2,031	—	—			
Asset-backed securitizations	629	108	11			
Investments in securitization products	375	445	154			
Investment funds	2,188	3,895	463			
Trust arrangements and other	23	—	—			
Total	<u>5,246</u>	<u>4,448</u>	<u>628</u>			
<b>2018</b>						
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	—	—			
Total	<u>5,868</u>	<u>1,969</u>	<u>538</u>			

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, 2017 and 2018:

<b>Assets on balance sheets related to unconsolidated VIEs:</b>	<b>2017</b>	<b>2018</b>
	(in billions of yen)	
Trading account assets	85	89
Investments	254	210
Loans	237	163
Total	<u>576</u>	<u>462</u>
<b>Liabilities on balance sheets and maximum exposure to loss related to unconsolidated VIEs:</b>	<b>2017</b>	<b>2018</b>
	(in billions of yen)	
Payables under securities lending transactions	31	38
Trading account liabilities	1	1
Total	<u>32</u>	<u>39</u>
Maximum exposure to loss <sup>(Note)</sup>	<u>628</u>	<u>538</u>

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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 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.

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.

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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*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.

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, 2017 and 2018 in the tables above include the amounts of these limited partnerships and similar entities.

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*Trust arrangements*

The MHFG Group offers a variety of asset management and administration services under trust arrangements including security investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. The Group receives trust fees for providing services as an agent or fiduciary on behalf of beneficiaries.

With respect to guaranteed principal money trust products, the MHFG Group assumes certain risks by providing guarantees for the repayment of principal as required by the trust agreements or relevant Japanese legislation. The MHFG Group manages entrusted funds primarily through the origination of high quality loans and other credit-related products, investing in investment grade marketable securities such as Japanese government bonds and placing cash with the MHFG Group's subsidiary trust banks. The Group has the power to determine which assets will be held 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 (Refer to Note 11 "Due to trust accounts"). See Note 24 "Commitments and contingencies" for the balances of guaranteed trust principal that are not consolidated at March 31, 2017 and 2018.

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.

*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 ¥970 billion and ¥950 billion at March 31, 2017 and 2018, 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

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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, 2016, 2017 and 2018, 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, 2017 and 2018.

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 ¥244 billion and ¥91 billion as of March 31, 2017, and ¥208 billion and ¥89 billion as of March 31, 2018, 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.

**26. Fee and commission income**

Details of Fee and commission income for the fiscal years ended March 31, 2016, 2017 and 2018 are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Securities-related business . . . . .	175,723	165,857	180,122
Deposits and lending business . . . . .	143,763	164,573	156,426
Remittance business . . . . .	109,859	108,368	110,054
Asset management business . . . . .	61,803	79,426	100,765
Trust fees . . . . .	50,496	47,379	51,868
Fees for other customer services . . . . .	263,112	260,360	266,476
Total . . . . .	<u>804,756</u>	<u>825,963</u>	<u>865,711</u>

Securities-related business fees consist of broker's fees and markups on securities underwriting and other securities related activities. Remittance business fees consist of service charges for funds transfer and collections. Asset management business fees consist of investment trust management fees and investment advisory fees. Trust fees are earned primarily by fiduciary asset management and administration services for corporate pension plans, investment funds, and other. Fees for other customer services include fees related to the MHFG Group's agency business, guarantee related business, and other.

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**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 available-for-sale securities for which the fair value option has been elected in accordance with ASC 825, “Financial Instruments” (“ASC 825”). Net trading gains (losses) for the fiscal years ended March 31, 2016, 2017 and 2018 are comprised of the following:

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(in millions of yen)		
Trading account gains (losses)—net:			
Trading securities .....	156,559	126,332	333,749
Derivative contracts:			
Interest rate contracts .....	319,225	(209,361)	(63,260)
Foreign exchange contracts <sup>(1)</sup> .....	65,101	37,129	61,046
Equity-related contracts <sup>(2)</sup> .....	17,970	1,777	(98,807)
Credit-related contracts <sup>(3)</sup> .....	(1,731)	900	(2,076)
Other contracts .....	2,015	742	6,330
Total .....	559,139	(42,481)	236,982
Foreign exchange gains (losses)—net <sup>(4)</sup> .....	113,553	69,453	91,793
Net trading gains (losses) .....	672,692	26,972	328,775

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 ¥5,230 million, ¥7,594 million and ¥754 million on the credit derivatives hedging the credit risk of loans during the fiscal years ended March 31, 2016, 2017 and 2018, 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 available-for-sale securities for which the fair value option has been elected in accordance with ASC 825.

**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



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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 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

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hierarchy and the MHFG Group's valuation techniques used to measure fair values. During the fiscal year ended March 31, 2018, 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. 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.

As it pertains to investment funds, exchange-traded funds ("ETF") are generally classified in Level 1. 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 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.

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*Available-for-sale securities*

The fair values of available-for-sale securities are determined primarily using the same procedures described for trading securities above. Since private placement bonds have no quoted market prices, the fair values of such bonds are estimated based on a discounted cash flow model using interest rates approximating the current rates for instruments with similar maturities and credit risk. Private placement bonds are classified in either Level 2 or 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, ABS, and CLO are generally based upon single non-binding quoted prices from broker-dealers. Such quotes are validated through the Group's internal processes and controls. In 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, ABS, and CLO, broker quotes are validated by investigating significant unusual monthly valuation fluctuations and comparing to prices internally computed through discounted cash flow models using assumptions and parameters provided by brokers such as the cash flows of underlying assets, yield curve, prepayment speed and credit spread. For the majority of CMBS, the Group validates broker quotes through a review process that includes the investigation of significant unusual monthly valuation fluctuations and/or a review of underlying assets with significant differences between the valuations of the Group and the broker-dealers being identified. Though most Japanese securitization products are classified in Level 3, certain securitization products such as Japanese RMBS are classified in Level 2, if the quoted prices are verified through either recent market transactions or a pricing model that can be corroborated by observable market data.

*Other investments*

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 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. For a portion of these instruments, fair value is based on quoted prices for identical debt trading as a security in inactive markets. These instruments are classified in Level 2 of the fair value hierarchy. For the remaining instruments, 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.

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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, 2017 and 2018, including those for which the MHFG Group has elected the fair value option, are summarized below:

<u>2017</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 . . . . .	1,485	23	—	1,508
Japanese local government bonds . . . . .	—	69	—	69
U.S. Treasury bonds and federal agency securities . . . . .	2,883	80	—	2,963
Other foreign government bonds . . . . .	1,127	457	—	1,584
Agency mortgage-backed securities . . . . .	—	1,973	—	1,973
Residential mortgage-backed securities . . . . .	—	—	15	15
Commercial mortgage-backed securities . . . . .	—	3	—	3
Certificates of deposit and commercial paper . . . . .	—	554	—	554
Corporate bonds and other . . . . .	3	1,449	1,052	2,504
Equity securities . . . . .	1,661	20	23	1,704
Trading securities measured at net asset value <sup>(2)</sup> . . . . .				678
Derivative financial instruments:				
Interest rate contracts . . . . .	37	8,442	27	8,506
Foreign exchange contracts . . . . .	28	2,709	8	2,745
Equity-related contracts . . . . .	31	89	14	134
Credit-related contracts . . . . .	—	33	2	35
Other contracts . . . . .	1	11	11	23
Available-for-sale securities:				
Japanese government bonds . . . . .	9,543	720	—	10,263
Japanese local government bonds . . . . .	—	284	—	284
U.S. Treasury bonds and federal agency securities . . . . .	1,144	—	—	1,144
Other foreign government bonds . . . . .	346	589	—	935
Agency mortgage-backed securities . . . . .	—	843	—	843
Residential mortgage-backed securities . . . . .	—	67	77	144
Commercial mortgage-backed securities . . . . .	—	—	224	224
Japanese corporate bonds and other debt securities . . . . .	—	1,834	174	2,008
Foreign corporate bonds and other debt securities . . . . .	—	801	110	911
Equity securities (marketable) . . . . .	3,717	84	—	3,801
Other investments . . . . .	—	—	37	37
Total assets measured at fair value on a recurring basis . . . . .	<u>22,006</u>	<u>21,134</u>	<u>1,774</u>	<u>45,592</u>
<b>Liabilities:</b>				
Trading securities sold, not yet purchased . . . . .	1,993	228	—	2,221
Derivative financial instruments:				
Interest rate contracts . . . . .	46	8,426	1	8,473
Foreign exchange contracts . . . . .	20	2,591	—	2,611
Equity-related contracts . . . . .	129	61	39	229
Credit-related contracts . . . . .	—	34	2	36
Other contracts . . . . .	1	10	11	22
Long-term debt <sup>(3)</sup> . . . . .	—	903	593	1,496
Total liabilities measured at fair value on a recurring basis . . . . .	<u>2,189</u>	<u>12,253</u>	<u>646</u>	<u>15,088</u>

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<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) . . . . .	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>(3)</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>

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 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, 2017 and 2018 were ¥33 billion and ¥31 billion, respectively.
- (3) Amounts represent items for which the Group elected the fair value option.

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

*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, 2017 and 2018:

2017	April 1, 2016	Gains (losses) in Earnings	Gains (losses) in OCI	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Issuances	Settle- ments	March 31, 2017	Change in unrealized gains (losses) still held <sup>(6)</sup>
	(in billions of yen)										
<b>Assets:</b>											
Trading securities:											
Residential mortgage-backed securities .....	21	(1) <sup>(2)</sup>	—	—	—	—	—	—	(5)	15	(1)
Commercial mortgage-backed securities .....	2	—	—	—	—	—	—	—	(2)	—	—
Corporate bonds and other Equity securities .....	720	12 <sup>(2)</sup>	—	296	(39)	875	(555)	—	(257)	1,052	19
Equity securities .....	21	1 <sup>(2)</sup>	—	—	—	3	(2)	—	—	23	—
Derivative financial instruments, net <sup>(1)</sup> :											
Interest rate contracts .....	26	(2) <sup>(2)</sup>	—	—	—	—	—	—	2	26	2
Foreign exchange contracts .....	7	7 <sup>(2)</sup>	—	—	—	—	—	—	(6)	8	1
Equity-related contracts .....	5	(31) <sup>(2)</sup>	—	—	—	—	—	—	1	(25)	(35)
Credit-related contracts .....	(1)	1 <sup>(2)</sup>	—	—	—	—	—	—	—	—	—
Other contracts .....	1	—	—	—	—	—	—	—	(1)	—	—
Available-for-sale securities:											
Residential mortgage-backed securities .....	123	—	(1) <sup>(4)</sup>	—	—	—	(7)	—	(38)	77	—
Commercial mortgage-backed securities .....	187	—	1 <sup>(4)</sup>	—	—	63	(12)	—	(15)	224	—
Japanese corporate bonds and other debt securities .....	174	(1) <sup>(3)</sup>	43 <sup>(4)</sup>	—	—	10	(19)	—	(33)	174	—
Foreign corporate bonds and other debt securities .....	108	1 <sup>(3)</sup>	(1) <sup>(4)</sup>	—	(2)	10	—	—	(6)	110	—
Other investments .....	42	—	—	—	—	12	(3)	—	(14)	37	—
<b>Liabilities:</b>											
Trading securities sold, not yet purchased .....	—	—	—	1	—	(54)	53	—	—	—	—
Long-term debt .....	623	20 <sup>(5)</sup>	—	21	(12)	(2)	1	278	(296)	593	18

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

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

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, 2017 and 2018.

*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, 2017, the transfers into Level 3 included ¥296 billion of Trading securities, ¥1 billion of Trading securities sold, not yet purchased and ¥21 billion of Long-term debt. Transfers into Level 3 for Trading securities and Trading securities sold, not yet purchased were primarily due to decreased liquidity for certain Japanese and foreign corporate bonds. Transfers into Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes. During the fiscal year ended March 31, 2017, the transfers out of Level 3 included ¥39 billion of Trading securities, ¥2 billion of Available-for-sale securities and ¥12 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 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.

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

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 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.

*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, 2017 and 2018:

**2017**

<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	92	Discounted cash flow Price-based	Prepayment rate Default rate Recovery rate Discount margin	0%–18% 0%–1% 100%–100% 15bps–170bps	7% 0% 100% 55bps
Commercial mortgage-backed securities	224	Discounted cash flow Price-based	Discount margin	4bps–205bps	28bps
Corporate bonds and other debt securities	1,336	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>	16%–30% 1%–2% 60%–68% 8bps–1,181bps 10bps–939bps	29% 2% 68% 131bps 359bps
Derivative financial instruments, net:					
Interest rate contracts	26	Internal valuation model <sup>(3)</sup>	IR – IR correlation Default rate <sup>(4)</sup>	23%–100% 0%–63%	
Foreign exchange contracts	8	Internal valuation model <sup>(3)</sup>	FX – IR correlation FX – FX correlation Default rate <sup>(4)</sup>	5%–52% 55%–55% 0%–63%	
Equity-related contracts	(25)	Internal valuation model <sup>(3)</sup>	Equity – IR correlation Equity – FX correlation Equity volatility	25%–25% 55%–55% 6%–59%	
Credit-related contracts	—	Internal valuation model <sup>(3)</sup>	Default rate Credit correlation	0%–5% 30%–100%	
Long-term debt	593	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% 5%–52% 55%–55% 25%–25% 55%–55% 20%–100% 5%–40% 0%–3% 33%–100%	



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

**2018**

<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	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%	

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

*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.

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

(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.

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

*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, 2017 and 2018:

<u>2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Aggregate cost</u>
	(in billions of yen)				
<b>Assets:</b>					
Loans . . . . .	124	—	—	124	194
Loans held-for-sale . . . . .	7	—	7	—	8
Other investments . . . . .	7	6	—	1	11
Premises and equipment—net . . . . .	7	—	6	1	11
Total assets measured at fair value on a nonrecurring basis . . . . .	<u>145</u>	<u>6</u>	<u>13</u>	<u>126</u>	<u>224</u>
<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
Other investments . . . . .	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>

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 fair value of the underlying collateral.

Loans held-for-sale in the table above are accounted for at the lower of cost or fair value at the end of the period. The items for which fair values are determined by using actual or contractually determined selling price data are classified as Level 2. Due to the lack of current observable market information, the determination of the fair values for items other than the aforementioned requires significant adjustment based upon management judgment and estimation, which results in such items being classified in Level 3 of the hierarchy.

Other investments in the table above, which consist of certain equity method investments and non-marketable equity securities, have been impaired and written down to fair value. The fair values of the impaired marketable equity method investments are determined by their quoted market prices. As the securities are traded on an active exchange market, they are classified as Level 1. The fair values of the impaired non-marketable equity securities, which include non-marketable equity method investments, are determined primarily by using a liquidation value technique. As significant management judgment or estimation is required in the determination of the fair values of non-marketable equity securities, they are classified as Level 3.

Premises and equipment—net in the table above have been impaired and written down to fair value.

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

***Fair value option***

The MHFG Group elected the fair value option for certain eligible financial instruments described below.

***Foreign currency denominated available-for-sale securities***

The MHFG Group elected the fair value option for foreign currency denominated available-for-sale securities to mitigate the volatility in earnings due to the difference in the recognition of foreign exchange risk between available-for-sale securities and financial liabilities. Following the election of the fair value option, these securities are reported as trading securities in Trading account assets.

***Certain hybrid financial instruments***

The MHFG Group issues structured notes as part of its client-driven activities. Structured notes are debt instruments that contain embedded derivatives. The Group elected the fair value option for certain structured notes to mitigate accounting mismatches and to achieve operational simplifications. In addition, the Group measures certain notes that contain embedded derivatives at fair value under the practicability exception. These notes continue to be reported in Long-term debt and interest on these notes continues to be reported in Interest expense on long-term debt based on the contractual rates. The differences between the aggregate fair value of these notes and the aggregate unpaid principal balance of such instruments were ¥36 billion and ¥21 billion at March 31, 2017 and 2018, respectively. The net unrealized gains (losses) resulting from changes in fair values of these notes of ¥16 billion and ¥(15) billion, which included the fair value changes attributable to changes in the Group's own credit risk, were recorded in Other noninterest income (expenses) for the fiscal years ended March 31, 2017 and 2018, respectively.

***Fair value of financial instruments***

ASC 825 requires the disclosure of the estimated fair value of financial instruments. The fair value of financial instruments is the amount that would be exchanged between willing parties, other than in a forced sale or liquidation. Quoted market prices, if available, are best utilized as estimates of the fair values of financial instruments. However, since no quoted market prices are available for certain financial instruments, fair values for such financial instruments have been estimated based on management's assumptions, discounted cash flow models or other valuation techniques. Such estimation methods are described in more detail below. These estimates could be significantly affected by different sets of assumptions. There are certain limitations to management's best judgment in estimating fair values of financial instruments and inherent subjectivity involved in estimation methodologies and assumptions used to estimate fair value. Accordingly, the net realizable or liquidation values could be materially different from the estimates presented below.

ASC 825 does not require the disclosure of the fair value of nonfinancial instruments.

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.

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

*Investments*

The fair value of held-to-maturity securities is determined primarily by using the same procedures and techniques described for trading securities and available-for-sale securities aforementioned in this Note. The fair value of other equity interests, which primarily comprises non-marketable equity securities, is not readily determinable, nor practicable to estimate, due to the lack of available information. Their carrying amounts of ¥308 billion and ¥267 billion at March 31, 2017 and 2018, 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 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.

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

*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, 2017 and 2018.

The following table shows the carrying amounts and fair values at March 31, 2017 and 2018, 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") :

	Carrying amount	2017			
		Estimated fair value			
		Total	Level 1	Level 2	Level 3
(in billions of yen)					
<b>Financial assets:</b>					
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 . . . . .	60,943	60,943	1,063	59,880	—
Investments . . . . .	3,817	3,846	3,097	749	—
Loans, net of allowance for loan losses <sup>(Note)</sup> . . . . .	81,662	82,696	—	—	82,696
<b>Financial liabilities:</b>					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions . . . . .	42,205	42,205	20,544	21,661	—
Interest-bearing deposits . . . . .	110,125	110,124	56,738	53,386	—
Due to trust accounts . . . . .	4,123	4,123	—	4,123	—
Other short-term borrowings . . . . .	1,477	1,477	—	1,477	—
Long-term debt . . . . .	13,009	13,078	—	12,120	958

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

	2018				
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
(in billions of yen)					
<b>Financial assets:</b>					
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
<b>Financial liabilities:</b>					
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

Note: Loans, net of allowance for loan losses include items measured at fair value on a nonrecurring basis.

**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.

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

The following table provides information about the offsetting of financial assets and financial liabilities at March 31, 2017 and 2018. 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>		
				Financial instruments <sup>(4)</sup>	Cash collateral	Net amounts
(in billions of yen)						
<b>2017</b>						
Assets <sup>(1)</sup> :						
Derivatives . . . . .	10,608	—	10,608	(8,966)	(620)	1,022
Receivables under resale agreements . . . . .	8,698	—	8,698	(8,662)	—	36
Receivables under securities borrowing transactions . . . . .	3,127	—	3,127	(3,116)	—	11
Total . . . . .	<u>22,433</u>	<u>—</u>	<u>22,433</u>	<u>(20,744)</u>	<u>(620)</u>	<u>1,069</u>
Liabilities <sup>(1)</sup> :						
Derivatives . . . . .	10,405	—	10,405	(8,866)	(901)	638
Payables under repurchase agreements . . . . .	17,446	—	17,446	(17,391)	—	55
Payables under securities lending transactions . . . . .	1,458	—	1,458	(1,455)	—	3
Total . . . . .	<u>29,309</u>	<u>—</u>	<u>29,309</u>	<u>(27,712)</u>	<u>(901)</u>	<u>696</u>
<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>

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.



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

**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, 2017 and 2018:

	<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>2017</b>					
Repurchase agreements . . . . .	249	12,700	3,897	1,124	17,970
Securities lending transactions . . . . .	<u>320</u>	<u>1,359</u>	<u>—</u>	<u>240</u>	<u>1,919</u>
Total . . . . .	<u>569</u>	<u>14,059</u>	<u>3,897</u>	<u>1,364</u>	<u>19,889</u>
<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>

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, 2017 and 2018:

	<u>Repurchase agreements</u>	<u>Securities lending transactions</u>
	(in billions of yen)	
<b>2017</b>		
Japanese government bonds and Japanese local government bonds . . . . .	1,127	1,152
Foreign government bonds and foreign agency mortgage-backed securities . . . . .	15,782	375
Commercial paper and corporate bonds . . . . .	294	47
Equity securities . . . . .	578	320
Other . . . . .	<u>189</u>	<u>25</u>
Total (Note) . . . . .	<u>17,970</u>	<u>1,919</u>
<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>

Note: Amounts exceeded the gross amounts recognized in Note 29 “Offsetting of financial assets and financial liabilities” by ¥985 billion and ¥1,345 billion, at March 31, 2017 and 2018, 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

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
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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 daily 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, 2017 and 2018, outstanding loans to such related parties were not considered significant. At March 31, 2017 and 2018, there were no loans to these related parties that were considered impaired.

**32. Business segment information**

The MHFG Group introduced an in-house company system based on its diverse customer segments in April 2016. The aim of this system is to leverage the Group's strengths and competitive advantage, which is the seamless integration of the Group's banking, trust 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. These customer segments are regarded as operating segments.

In line with the aforementioned system, the Group changed the reportable segments from those based on the relevant principal consolidated subsidiaries to the five in-house companies. 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, etc.

*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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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. 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 each business segment's net business profits with income before income tax expense under U.S. GAAP.

Management does not use information on business segment's assets to allocate resources and assess performance and has not prepared information on the segment's assets. Accordingly, information on the segment's assets is not available.

<u>2016</u> <sup>(3)</sup>	<u>MHFG (Consolidated)</u>						<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>	<u>Others</u> <sup>(2)(4)</sup>	
	(in billions of yen)						
Gross profits	754.8	425.0	400.6	577.7	51.0	12.5	2,221.6
General and administrative expenses	702.4	187.0	236.2	170.4	28.1	20.9	1,345.0
Equity in earnings (losses) of equity method investees—net	20.9	1.2	0.2	—	1.1	0.8	24.2
Others	—	—	—	—	—	(48.0)	(48.0)
Net business profits (losses) <sup>(1)</sup>	<u>73.3</u>	<u>239.2</u>	<u>164.6</u>	<u>407.3</u>	<u>24.0</u>	<u>(55.6)</u>	<u>852.8</u>

<u>2017</u>	<u>MHFG (Consolidated)</u>						<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>	<u>Others</u> <sup>(2)(4)</sup>	
	(in billions of yen)						
Gross profits	717.2	434.1	358.3	539.9	48.9	(5.7)	2,092.7
General and administrative expenses	719.7	194.0	244.3	193.8	29.3	39.4	1,420.5
Equity in earnings (losses) of equity method investees—net	14.9	1.0	1.0	—	0.4	1.6	18.9
Others	—	—	—	—	—	(27.7)	(27.7)
Net business profits (losses) <sup>(1)</sup>	<u>12.4</u>	<u>241.1</u>	<u>115.0</u>	<u>346.1</u>	<u>20.0</u>	<u>(71.2)</u>	<u>663.4</u>

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

<u>2018</u>	MHFG (Consolidated)						
	<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>	<u>Others<sup>(2)</sup></u>	<u>Total</u>
	(in billions of yen)						
Gross profits .....	726.2	433.0	352.6	381.7	50.2	(28.3)	1,915.4
General and administrative expenses .....	723.3	197.7	254.8	200.9	27.6	53.8	1,458.1
Equity in earnings (losses) of equity method investees—net .....	12.7	1.0	2.4	—	3.1	2.3	21.5
Others .....	—	—	—	—	—	(21.0)	(21.0)
Net business profits (losses) <sup>(1)</sup> .....	<u>15.6</u>	<u>236.3</u>	<u>100.2</u>	<u>180.8</u>	<u>25.7</u>	<u>(100.8)</u>	<u>457.8</u>

Notes:

- (1) Net business profits is used in Japan as a measure of the profitability of core banking operations, and is defined as gross profits (or the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income) less general and administrative expenses 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.
- (2) “Others” includes items which should be eliminated as internal transactions between each segment on a consolidated basis.
- (3) Following the introduction of an in-house company system based on customer segments in April 2016, segment information for the fiscal year ended March 31, 2016 was restated to reflect the relevant changes.
- (4) Beginning on April 1, 2017, new allocation methods for transactions between each segment and “Others” have been applied. Figures for the fiscal years ended March 31, 2016 and 2017 have been restated for the new allocation methods and “Equity in earnings (losses) of equity method investees—net” has been presented as a new item in connection with the use of the new allocation methods.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Reconciliation*

As explained above, the measurement bases of the internal management reporting systems and the income and expenses items included are different from the accompanying consolidated statements of income. Therefore, it is impracticable to present reconciliations of all the business segment's information, other than net business profits, to the corresponding items in the accompanying consolidated statements of income. A reconciliation of total net business profits under the internal management reporting systems for the fiscal years ended March 31, 2016, 2017 and 2018 presented above to income before income tax expense shown on the consolidated statements of income is as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in billions of yen)		
Net business profits .....	852.8	663.4	457.8
U.S. GAAP adjustments .....	201.3	(387.8)	17.8
(Provision) credit for loan losses .....	(34.6)	(37.7)	126.4
Net gains (losses) related to equity investments .....	188.4	259.6	278.2
Non-recurring personnel expense .....	(3.9)	(8.8)	(7.4)
Gains on disposal of premises and equipment .....	10.2	5.6	8.2
(Provision) credit for losses on off-balance-sheet instruments .....	16.4	(19.5)	30.2
Others—net .....	(34.0)	5.6	(71.9)
Income before income tax expense .....	<u>1,196.6</u>	<u>480.4</u>	<u>839.3</u>

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

**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.

	<u>Americas</u>				<u>Asia/Oceania excluding Japan, and others</u>	<u>Total</u>
	<u>Japan</u>	<u>United States of America</u>	<u>Others</u>	<u>Europe</u>		
	(in billions of yen)					
Fiscal year ended March 31, 2016:						
Total revenue <sup>(1)</sup> . . . . .	2,288.5	434.4	45.7	187.5	428.0	3,384.1
Total expenses <sup>(2)</sup> . . . . .	1,534.2	282.6	28.7	126.2	215.8	2,187.5
Income before income tax expense . . . . .	754.3	151.8	17.0	61.3	212.2	1,196.6
Net income . . . . .	464.7	136.9	15.4	51.1	182.0	850.1
Total assets at end of fiscal year . . . .	133,157.1	28,985.3	4,227.5	11,616.9	15,823.4	193,810.2
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

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>2017</u>	<u>2018</u>
	(in millions of yen)	
<b>Assets:</b>		
Cash and due from banks . . . . .	15,912	22,264
Interest-bearing deposits in other banks . . . . .	4,278	1,227
Trading account assets . . . . .	131,996	176,593
Investments in subsidiaries and affiliated companies . . . . .	8,993,388	9,501,633
Long-term loans receivable from subsidiaries . . . . .	2,697,250	3,969,015
Other . . . . .	345,379	344,065
Total . . . . .	<u>12,188,203</u>	<u>14,014,797</u>
<b>Liabilities and shareholders' equity:</b>		
Short-term borrowings . . . . .	1,156,100	1,083,135
Long-term debt . . . . .	2,697,250	3,969,015
Other liabilities . . . . .	73,496	94,226
Shareholders' equity . . . . .	8,261,357	8,868,421
Total . . . . .	<u>12,188,203</u>	<u>14,014,797</u>

*Condensed statements of income*

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
<b>Income:</b>			
Dividends from subsidiaries and affiliated companies:			
Banking subsidiaries . . . . .	272,070	300,530	227,057
Non-banking subsidiaries and affiliated companies . . . . .	20,814	27,618	28,987
Management fees from subsidiaries . . . . .	39,267	48,594	47,945
Interest income on loans and discounts . . . . .	9,630	39,359	68,869
Other income . . . . .	1,855	21,054	52,672
Total . . . . .	<u>343,636</u>	<u>437,155</u>	<u>425,530</u>
<b>Expenses:</b>			
Operating expenses . . . . .	31,063	38,927	38,661
Interest expense . . . . .	15,144	48,594	74,227
Other expense . . . . .	5,973	7,708	6,329
Total . . . . .	<u>52,180</u>	<u>95,229</u>	<u>119,217</u>
Equity in undistributed net income of subsidiaries . . . . .	<u>559,553</u>	<u>21,251</u>	<u>272,852</u>
Income before income tax expense . . . . .	851,009	363,177	579,165
Income tax expense . . . . .	517	737	1,557
Net income . . . . .	<u>850,492</u>	<u>362,440</u>	<u>577,608</u>

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

*Condensed statements of cash flows*

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(in millions of yen)		
Cash flows from operating activities:			
Net income . . . . .	850,492	362,440	577,608
Adjustments and other . . . . .	(546,946)	(40,595)	(302,109)
Net cash provided by operating activities . . . . .	<u>303,546</u>	<u>321,845</u>	<u>275,499</u>
Cash flows from investing activities:			
Net change in loans . . . . .	(479,948)	(2,022,860)	(1,344,323)
Purchases of premises and equipment . . . . .	(165)	(40,362)	(6,649)
Payments for purchases of securities of subsidiaries . . . . .	(2,249)	(65,269)	—
Proceeds from withdrawal of securities of subsidiaries . . . . .	—	13,359	—
Net change in other investing activities . . . . .	<u>1,872</u>	<u>6,691</u>	<u>(1,063)</u>
Net cash used in investing activities . . . . .	<u>(480,490)</u>	<u>(2,108,441)</u>	<u>(1,352,035)</u>
Cash flows from financing activities:			
Net change in short-term borrowings . . . . .	(10,000)	(30,000)	(70,000)
Proceeds from issuance of long-term debt . . . . .	479,948	2,022,860	1,344,323
Repayment of long-term debt . . . . .	(98,800)	—	—
Proceeds from issuance of common stock . . . . .	5	6	3
Purchases of treasury stock . . . . .	(13)	(1,435)	(1,611)
Dividends paid . . . . .	(195,283)	(190,031)	(190,382)
Net change in other financing activities . . . . .	<u>1,001</u>	<u>971</u>	<u>555</u>
Net cash provided by financing activities . . . . .	<u>176,858</u>	<u>1,802,371</u>	<u>1,082,888</u>
Net increase (decrease) in cash and due from banks . . . . .	(86)	15,775	6,352
Cash and due from banks at beginning of fiscal year . . . . .	<u>223</u>	<u>137</u>	<u>15,912</u>
Cash and due from banks at end of fiscal year . . . . .	<u><u>137</u></u>	<u><u>15,912</u></u>	<u><u>22,264</u></u>



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

**35. Subsequent events**

*Redemption of preferred securities*

On June 30, 2018, 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) 2 Limited . . . . .	¥274,500	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 1, 2018 (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 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 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 & CEO

July 3, 2018

[ Translation ]

Effective from January 8, 2003  
As amended on April 1, 2018

## 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, CONVOCAATION 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 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.

[Translation]

This is a translation of a document written in Japanese,  
and has been prepared for reference purpose only.

## **Share Handling Regulations**

(as of April 1, 2018)

**Mizuho Financial Group, Inc.**

**SHARE HANDLING REGULATIONS  
OF  
MIZUHO FINANCIAL GROUP, INC.**

**SECTION 1**

**GENERAL PROVISIONS**

**Article 1.** *(Purposes)*

Operations relating to shares of the Company and handling fees therefor shall be governed by these Regulations pursuant to the provisions of the Articles of Incorporation, as well as the rules of Japan Securities Depository Center, Incorporated (hereinafter referred to as “JASDEC”) and the account management agencies, such as the securities companies, etc. (hereinafter referred to as the “Securities Companies, Etc.”), with which a shareholder has opened a transfer account.

**Article 2.** *(Shareholder Register Manager)*

The shareholder register manager of the Company and its handling office shall be as follows:

Shareholder Register Manager:  
Mizuho Trust & Banking Co., Ltd.  
2-1, Yaesu 1-chome, Chuo-ku, Tokyo

Handling Office:  
Stock Transfer Agency Department of the Head Office of Mizuho Trust &  
Banking Co., Ltd.  
2-1, Yaesu 1-chome, Chuo-ku, Tokyo

**SECTION 2**

**COMMON STOCK**

**CHAPTER I**

**GENERAL PROVISIONS**

**Article 3.** *(Applicability of this SECTION)*

The provisions of SECTION 1, this SECTION and SECTION 4 shall apply to common stock of the Company listed on a stock exchange.

**CHAPTER II**

**RECORDS IN THE REGISTER OF SHAREHOLDERS, ETC.**

**Article 4.** *(Records in the Register of Shareholders)*

1. The matters described in the register of shareholders shall be changed upon the provision of a notice from JASDEC, such as a notice to all shareholders (excluding the notice (hereinafter referred to as the “Individual Shareholder Notice”) provided for in Article 154, Paragraph 3 of the Law Concerning Book-entry Transfer of Corporate Bonds and Shares, Etc. (hereinafter referred to as the “Transfer Law”)).

2. In addition to the provisions of the preceding paragraph, in the case of the issuance of new shares or in any other case provided for in the laws and regulations, the matters described in the register of shareholders shall be changed without notice from JASDEC.
3. Records in the register of shareholders shall be made using the characters/symbols designated by JASDEC.

**Article 5.** *(Reports Concerning Matters Described in the Register of Shareholders)*

1. Shareholders shall report their names, or trade names, and addresses to the Company through the Securities Companies, Etc. and JASDEC pursuant to the rules of JASDEC. The same procedures shall be taken in the case of any change in the shareholders' names, or trade names, and addresses.
2. Notwithstanding the provisions in the preceding paragraph, the matters that are not subject to the reporting obligation to the Company through the Securities Companies, Etc. and JASDEC shall be reported to the shareholder register manager in the designated form.

**Article 6.** *(Representative of a Corporate Shareholder)*

A shareholder that is a corporation shall report one (1) of the representatives to the Company through the Securities Companies, Etc. and JASDEC pursuant to the rules of JASDEC. The same procedures shall be taken in the case of any change in such representative.

**Article 7.** *(Representative of Shareholders Who Jointly Own Shares)*

Shareholders who jointly own shares shall appoint one (1) representative and report his/her name, or trade name, and address to the Company through the Securities Companies, Etc. and JASDEC pursuant to the rules of JASDEC. The same procedures shall be taken in the case of any change in such representative.

**Article 8.** *(Legal Representative)*

A legal representative of a shareholder, such as an agent of a person having parental authority or guardian, shall report his/her name, or trade name, and address to the Company through the Securities Companies, Etc. and JASDEC pursuant to the rules of JASDEC. The same procedures shall be taken in the case of any change or removal of such legal representative.

**Article 9.** *(Reports of an Address to Which Notices Shall Be Sent to Shareholders, etc., Residing Overseas)*

Shareholders and registered stock pledgees or their legal representatives who reside outside Japan shall, either appoint a standing proxy in Japan or designate an address in Japan to which notices shall be sent, and report to the Company, through the Securities Companies, Etc. and JASDEC, pursuant to the rules of JASDEC, the name, or trade name, and address of such standing proxy or an address to which notices shall be sent. The same procedures shall be taken in the case of any change or removal of such standing proxy.

**Article 10.** *(Method of Identification through JASDEC)*

Reports that are submitted to the Company from a shareholder through the Securities Companies, Etc. and JASDEC shall be deemed to have been submitted by such shareholder himself/herself.

## CHAPTER III

### Identification of Shareholder

**Article 11.** (*Identification of Shareholder*)

1. In case a shareholder (including a shareholder who provided the Individual Shareholder Notice) makes requests or exercises any other shareholder rights (hereinafter referred to as the “Requests, Etc.”), such shareholder shall attach to the Requests, Etc., or provide a document certifying that such Requests, Etc. were made by such shareholder himself/herself (hereinafter referred to as the “Evidence”), except where the Company is able to confirm that such Requests, Etc. were made by such shareholder himself/herself.
2. In case the Requests, Etc. are submitted to the Company by a shareholder through the Securities Companies, Etc. or JASDEC, such Requests, Etc. shall be deemed to have been made by such shareholder himself/herself, and no Evidence is required.
3. In case the Requests, Etc. are made by a proxy, a power of attorney, on which a shareholder signed or affixed his/her name and seal, shall be attached to the Requests, Etc., in addition to the procedures provided for in preceding two paragraphs. The names, or trade names and addresses of the proxy shall be stated in the power of attorney.
4. The provisions of the first paragraph and the second paragraph shall apply *mutatis mutandis* to the proxy.

## CHAPTER IV

### PROCEDURES FOR EXERCISE OF SHAREHOLDER RIGHTS

**Article 12.** (*Minority Shareholder Rights*)

In case a shareholder directly exercises against the Company the minority shareholder rights, etc., provided for in Article 147, Paragraph 4 of the Transfer Law, the shareholder shall exercise such rights upon providing a document affixed with his/her signature, or name and seal thereon, together with the receipt of the Individual Shareholder Notice.

**Article 13.** (*Description of Matters that are Proposed by Shareholders in Reference Materials for General Meeting of Shareholders*)

If a shareholder proposes matters to be discussed at a general meeting of shareholders and if the Company sets forth a description with regard to reasons for the proposal or matters concerning the appointment of Director(s) or Corporate Auditor(s), etc., in the reference materials for a general meeting of shareholders, and such description exceeds 400 characters, such description may be set forth in the form of an outline pursuant to Article 93, Paragraph 1 of the Enforcement Regulations of the Company Law.

**Article 14.** (*Method of Request for Purchase of Shares Constituting Less Than One (1) Unit*)

In the case of a request to purchase shares constituting less than one (1) unit, such request shall be made through the Securities Companies, Etc. and JASDEC pursuant to the rules of JASDEC.

**Article 15.** (*Method of Determination of Purchase Price*)

1. The purchase price per share of shares constituting less than one (1) unit requested for purchase pursuant to the preceding Article shall be the last reported price on the market established by the Tokyo

Stock Exchange on the day on which the request for purchase provided for in the preceding Article is received at the handling office of the shareholder register manager; provided, however, that if the shares are not traded on the market established by the Tokyo Stock Exchange on such day, or if such day falls on a holiday of the said Stock Exchange, the purchase price per share of shares constituting less than one (1) unit shall be the price at which the shares were first sold on the market established by the Tokyo Stock Exchange thereafter.

2. The purchase price of shares constituting less than one (1) unit shall be the amount obtained by multiplying the purchase price per share of shares constituting less than one (1) unit provided for in the preceding paragraph by the number of such shares constituting less than one (1) unit requested for purchase.

**Article 16.** *(Payment of Purchase Price)*

1. Unless otherwise provided by the Company, the Company shall pay to the person who has requested for purchase the purchase price determined pursuant to the preceding Article after deducting therefrom the handling fees provided for in Article 52, on the fourth (4th) business day commencing on the day following the day on which the purchase price per share of shares constituting less than one (1) unit is determined, pursuant to the rules of JASDEC; provided, however, that if the purchase price reflects the rights to receive dividends from surplus (including interim dividends, the same shall apply hereinafter) or stock split, etc., such payment shall be made not later than the relevant record date.
2. The person who has requested for purchase may request that the payment be made by way of transfer to a bank account designated by him/her or by cash payment at Japan Post Bank (*Yucho Ginko Genkinbarai*).

**Article 17.** *(Transfer of Purchased Shares)*

The shares constituting less than one (1) unit requested for purchase shall be transferred to the transfer account of the Company on the day on which the payment or the payment procedures provided for in the preceding Article have been completed.

**Article 18.** *(Method of Request for Additional Purchase of Shares Constituting Less Than One (1) Unit)*

In case a holder of the shares constituting less than one (1) unit requests the Company to sell to the holder of the shares constituting less than one (1) unit such a number of shares that would, together with the number of shares constituting less than one (1) unit owned by such holder, constitute one (1) unit of shares (hereinafter referred to as the "Request for Additional Purchase"), such request shall be made through the Securities Companies, Etc. and JASDEC pursuant to the rules of JASDEC.

**Article 19.** *(Request for Additional Purchase of Number of Shares Exceeding the Remaining Number of Shares of Treasury Stock, etc.)*

If an aggregate number of shares for which the Requests for Additional Purchase were made on the same day exceeds the number of shares reserved by the Company as treasury stock for sale and the order in which such Requests for Additional Purchase were received is unknown, none of such Requests for Additional Purchase made on such day shall become effective.

**Article 20.** *(Effective Date of Request for Additional Purchase)*

The Request for Additional Purchase shall become effective as of the date on which the written Request for Additional Purchase is received at the handling office of the shareholder register manager.

**Article 21.** *(Determination of Additional Purchase Price)*

1. The additional purchase price per share of shares constituting less than one (1) unit, for which the Request for Additional Purchase has been made, shall be the last reported price on the market established by the Tokyo Stock Exchange as of the effective date of the Request for Additional Purchase; provided, however, that if the shares are not traded on the market established by the Tokyo Stock Exchange on such day, or if such day falls on a holiday of the said Stock Exchange, the additional purchase price per share of shares constituting less than one (1) unit shall be the price at which the shares were first sold on the market established by the Tokyo Stock Exchange thereafter.
2. The additional purchase price of shares constituting less than one (1) unit shall be the amount obtained by multiplying the additional purchase price per share of shares constituting less than one (1) unit provided for in the preceding paragraph by the number of such shares constituting less than one (1) unit, for which the Request for Additional Purchase has been made.

**Article 22.** *(Transfer of Additionally Purchased Shares)*

With respect to the shares of treasury stock in the number equivalent to the number of shares for which the Request for Additional Purchase has been made, pursuant to the rules of JASDEC, the shareholder who made a Request for Additional Purchase shall apply for a transfer of such shares of treasury stock to the transfer account of the shareholder who made the Request for Additional Purchase on the day on which it is confirmed that the aggregate amount of the additional purchase price and the handling fees provided for in Article 52, as consideration for additional purchases, have been remitted to the bank account designated by the Company.

**Article 23.** *(Suspension Period of Request for Additional Purchase)*

1. In each year the Company shall suspend acceptance of the Request for Additional Purchase during the period of ten (10) business days before all of the following dates:
  - (1) March 31;
  - (2) September 30; and
  - (3) Any other date determined by JASDEC, such as the determination date of shareholders.
2. Notwithstanding the preceding paragraph, the Company may, whenever it deems necessary, establish any other period during which the Company shall suspend acceptance of the Request for Additional Purchase.

## **CHAPTER V**

### **EXCEPTIONS FOR SPECIAL ACCOUNTS**

**Article 24.** *(Exceptions for Special Accounts)*

Identification of the shareholder for whom a special account is opened and any other handling matters concerning such special account shall be governed by the rules of the account management agencies for such special account as well as the rules of JASDEC.

**SECTION 3**  
**PREFERRED STOCK**  
**CHAPTER I**  
**GENERAL PROVISIONS**

**Article 25.** (*Applicability of this SECTION*)

The provisions of SECTION 1, this SECTION and SECTION 4 shall apply to preferred stock of the Company that is not listed on a stock exchange.

**Article 26.** (*Liaison Offices of Shareholder Register Manager*)

The liaison offices of the shareholder register manager for preferred stock shall be as follows:

Liaison Offices:

All branches in Japan of Mizuho Trust & Banking Co., Ltd.

Head office and all branches and agencies in Japan of Mizuho Securities Co., Ltd.

**Article 27.** (*Method of Requests and Reports, etc., for Preferred Stock*)

1. All procedures for requests and reports with respect to the business delegated to the shareholder register manager by the Company shall be made to the shareholder register manager.
2. All procedures for requests and reports provided for in this Article shall be made in the form prescribed by the Company with the seal impression affixed which has been reported in accordance with the provisions of Article 33.
3. If any requests and reports provided for in the preceding paragraph shall be made by a proxy, a document certifying the authorization of such proxy shall be submitted.
4. If any requests and reports provided for in the second paragraph shall be required to be made with the consent of a curator (*hosanin*) or an assistant (*hojonin*), a document certifying such consent shall be submitted.

**Article 28.** (*Mutatis Mutandis Application of Procedures for Exercise of Shareholder Rights*)

The provisions of Article 12 (excluding “together with the receipt of the Individual Shareholder Notice”) and Article 13 shall apply *mutatis mutandis* to preferred stock.

**CHAPTER II**  
**RECORDS IN THE REGISTER OF SHAREHOLDERS, ETC.**

**Article 29.** (*Registration of Transfer of Preferred Stock*)

1. In the case of a request for the written or electronic records on the register of shareholders (hereinafter referred to as the “Registration of Transfer of Preferred Stock”), a designated written request therefor bearing the signatures of both the current shareholder of preferred stock and the acquirer of shares of the preferred stock shall be submitted.
2. In the case of a request for the Registration of Transfer of Preferred Stock acquired as the result of inheritance, testament or merger of companies, etc. other than assignment, a document certifying such acquisition shall be submitted, in addition to the procedures provided for in the preceding paragraph.



**Article 30.** (*Registration of Transfer of Preferred Stock Where Special Procedure is Required by Laws or Regulations*)

In case where the special procedure is required by laws or regulations for the Registration of Transfer of Preferred Stock, a designated written request therefor shall be submitted, together with a document certifying the completion of such procedures.

### CHAPTER III

#### REGISTRATION OF PLEDGES AND INDICATION OF TRUST ASSETS

**Article 31.** (*Registration of Pledges and Cancellation Thereof*)

In case registration of a pledge or change or cancellation thereof is requested in respect of preferred stock, a designated written request therefor bearing signatures of both the pledgor and the pledgee in respect of preferred stock shall be submitted.

**Article 32.** (*Indication of Trust Assets and Cancellation Thereof*)

In case indication of trust assets or cancellation thereof is requested in respect of preferred stock, a designated written request therefor shall be submitted either by the trustor or the trustee.

### CHAPTER IV

#### NOTIFICATIONS

**Article 33.** (*Reports of Addresses, Names, and Seal Impressions of Shareholders, etc.*)

1. The shareholders of preferred stock and the registered preferred stock pledgees or their legal representatives shall report their addresses, names and seal impressions by submitting shareholders' cards, etc.; provided, however, that a foreigner who has the custom of affixing his/her signature may substitute his/her specimen signature for such seal impression.
2. The same procedures shall be taken in the case of any change in the matters referred to in the preceding paragraph.

**Article 34.** (*Reports of an Address to Which Notices Shall Be Sent to Shareholders, etc. Residing Overseas*)

1. The shareholders of preferred stock and the registered preferred stock pledgees or their legal representatives who reside outside Japan shall, either appoint a standing proxy in Japan or designate an address to which notices shall be sent, and report thereof, in addition to the procedures provided for in the preceding Article.
2. The provisions of the preceding Article shall apply *mutatis mutandis* to the standing proxy.

**Article 35.** (*Representative of a Corporation*)

1. In case where a shareholder of preferred stock or a registered preferred stock pledgee is a corporation, the name of one (1) of the representatives of such corporation shall be notified.
2. In the case of any change in the representative provided for in the preceding paragraph, a designated written report therefor shall be submitted, together with such certificate of matters to be registered, etc.

**Article 36.** *(Representative of Shareholders Who Jointly Own Shares)*

1. The shareholders of preferred stock who jointly own preferred stock shall appoint one (1) representative and report thereof.
2. The same procedures shall be taken in the case of any change in the representative provided for in the preceding paragraph.

**Article 37.** *(Representative of Unincorporated Organization)*

1. In case where a shareholder of preferred stock or a registered preferred stock pledgee is an unincorporated organization, the name of one (1) of the representatives of such organization shall be notified.
2. The same procedures shall be taken in the case of any change in the representative provided for in the preceding paragraph.

**Article 38.** *(Change in the Register of Shareholders)*

In case where a shareholder of preferred stock makes any changes in entry in the register of shareholders for any of the following reasons, a designated report therefor shall be submitted, together with a certified copy of extract of the family register or a certificate of matters to be registered, etc. as the case may be.

- (1) Change of family name or given name;
- (2) Appointment, change or removal of a legal representative such as an agent of a person having parental authority, guardian, etc.;
- (3) Change of trade name or name of a juridical person; or
- (4) Change of corporate organization.

**Article 39.** *(Mutatis Mutandis Application)*

The provisions in this Chapter shall apply *mutatis mutandis* to the trustor and the trustee of trust assets.

**CHAPTER V**

**PURCHASE OF SHARES OF PREFERRED STOCK CONSTITUTING LESS THAN ONE (1) UNIT**

**Article 40.** *(Method of Request for Purchase of Shares of Preferred Stock Constituting Less Than One (1) Unit)*

In the case of a request to purchase shares of preferred stock constituting less than one (1) unit, a designated written request (hereinafter referred to as the “Written Request for Purchase”) therefor shall be submitted at the handling office of the shareholder register manager provided for in Article 2 or any of the liaison offices of the shareholder register manager provided for in Article 26.

**Article 41.** *(Method of Determination of Purchase Price)*

The purchase price of preferred stock constituting less than one (1) unit requested for purchase shall be determined in accordance with the method provided for in the laws and regulations.

**Article 42.** *(Payment of Purchase Price)*

1. Unless otherwise provided by the Company, the Company shall pay to the person who has requested for purchase, the purchase price determined pursuant to the preceding Article after deducting therefrom the handling fees provided for in Article 52, on the fourth (4th) business day commencing on the day

following the day (in case where the purchase price pursuant to the preceding Article has not yet been decided up to such day, the day shall be the decision date of the purchase price pursuant to the same Article) on which the Written Request for Purchase provided for in Article 40 is received at the handling office of the shareholder register manager; provided, however, that if the purchase price reflects the rights to receive dividends from surplus or stock split, etc., such payment shall be made not later than the relevant record date.

2. The person who has requested for purchase may request that the payment be made by way of transfer to a bank account designated by him/her or by cash payment by Japan Post Bank (*Yucho Ginko Genkinbarai*) to the address of such person. If this is the case, the payment of the purchase price shall be deemed to be completed, concurrently with arrangement for payment by transfer or by voucher for disbursement through Japan Post Bank (*Hurikaeharaidashi-shousho*).

**Article 43.** (*Transfer of Title to Purchased Shares of Preferred Stock Constituting Less Than One (1) Unit*)

The title to the shares of preferred stock constituting less than one (1) unit, for which a Request for Purchase has been made, shall be transferred to the Company on the day on which the payment procedures provided for in the preceding Article have been completed.

## CHAPTER VI

### ADDITIONAL PURCHASE OF SHARES OF PREFERRED STOCK CONSTITUTING LESS THAN ONE (1) UNIT

**Article 44.** (*Method of Request for Additional Purchase of Shares of Preferred Stock Constituting Less Than One (1) Unit*)

In case where a holder of shares of preferred stock constituting less than one (1) unit requests that the Company sell to the holder of the shares of preferred stock constituting less than one (1) unit such number of shares of preferred stock that would, together with the number of shares of preferred stock constituting less than one (1) unit owned by such holder, constitute one (1) share of preferred stock (hereinafter referred to as the “Request for Additional Purchase”), a designated written request (hereinafter referred to as the “Written Request for Additional Purchase”) therefor shall be submitted at the handling office of the shareholder register manager provided for in Article 2 or any of the liaison offices of the shareholder register manager provided for in Article 26.

**Article 45.** (*Request for Additional Purchase of Number of Shares of Preferred Stock Constituting Less Than One (1) Unit Exceeding the Remaining Number of Shares of Preferred Stock Reserved as Treasury Preferred Stock, etc.*)

If an aggregate number of shares of preferred stock constituting less than one (1) unit for which the Requests for Additional Purchase were made on the same day exceeds the number of shares of preferred stock reserved by the Company as treasury stock for sale, none of such Requests for Additional Purchase made on such day shall become effective.

**Article 46.** (*Effective Date of Request for Additional Purchase*)

The Request for Additional Purchase shall become effective as of the date on which the Written Request for Additional Purchase provided for in Article 44 is received at the handling office of the shareholder register manager.

**Article 47.** *(Suspension Period of Request for Additional Purchase)*

1. In each year the Company shall suspend acceptance of the Requests for Additional Purchase during the period of ten (10) business days before all of the following dates:
  - (1) March 31;
  - (2) September 30; and
  - (3) Any other date determined by JASDEC, such as the determination date of shareholders.
2. Notwithstanding the preceding paragraph, the Company may, whenever it deems necessary, establish any other periods during which the Company shall suspend acceptance of the Requests for Additional Purchase.

**Article 48.** *(Method of Determination of Additional Purchase Price)*

The additional purchase price of preferred stock constituting less than one (1) unit, for which a Request for Additional Purchase has been made, shall be determined in accordance with the method provided for in the laws and regulations.

**Article 49.** *(Transfer of Title to Shares of Preferred Stock Constituting Less Than One (1) Unit Purchased Additionally)*

The title to the shares of preferred stock constituting less than one (1) unit, for which a Request for Additional Purchase has been made, shall be transferred to the holder of shares of preferred stock constituting less than one (1) unit who made such Request for Additional Purchase on the day on which the Company duly receives the aggregate amount of the additional purchase price provided for in the preceding Article and the handling fees provided for in Article 52, as consideration for the additional purchase.

## CHAPTER VII

### REQUEST FOR ACQUISITION OF PREFERRED STOCK

**Article 50.** *(Method of Request for Acquisition)*

1. In case an acquisition of preferred stock is requested, a designated written request therefor shall be submitted at the handling office of the shareholder register manager provided for in Article 2 or any of the liaison offices of the shareholder register manager provided for in Article 26.
2. The request for acquisition may not be withdrawn after submission of such request.

**Article 51.** *(Effectiveness of Acquisition)*

The acquisition shall be effective concurrently with arrival of the request provided for in the preceding Article at the handling office of the shareholder register manager.

## SECTION 4

### HANDLING FEES

**Article 52.** *(Handling Fees)*

Handling fees in connection with shares of the Company shall be as follows:

1. There shall be no handling fees in the case of purchase of shares constituting less than one (1) unit pursuant to Article 14 *(Method of Request for Purchase of Shares Constituting Less Than One (1) Unit)*

and Article 40 (*Method of Request for Purchase of Shares of Preferred Stock Constituting Less Than One (1) Unit*) and in the case of the sale of shares constituting less than one (1) unit pursuant to Article 18 (*Method of Request for Additional Purchase of Shares Constituting Less Than One (1) Unit*) and Article 44 (*Method of Request for Additional Purchase of Preferred Stock Constituting Less Than One (1) Unit*).

**Form of American Depositary Receipt  
of  
Mizuho Financial Group, Inc.**

UPON SURRENDER OF THIS RECEIPT, AS A RESULT OF, AND TO THE EXTENT REQUIRED BY, THE OPERATION OF THE JAPANESE COMPANIES ACT OR ANY OTHER JAPANESE LAW, THE DEPOSITARY WILL EFFECT THE DELIVERY TO THE OWNER HEREOF, OF SHARES OF MIZUHO FINANCIAL GROUP, INC. REPRESENTED BY THE AMERICAN DEPOSITARY SHARES EVIDENCED HEREBY ONLY IN 100 SHARE UNITS (OR SUCH OTHER NUMBER OF SHARES AS THE ARTICLES OF INCORPORATION OF MIZUHO FINANCIAL GROUP, INC. MAY PROVIDE AS A "UNIT OF SHARES" FOR THE PURPOSE OF THE JAPANESE COMPANIES ACT, AS SUCH ARTICLES OF INCORPORATION MAY BE AMENDED FROM TIME TO TIME) OR AN INTEGRAL MULTIPLE THEREOF.

AMERICAN DEPOSITARY SHARES  
(Each American Depositary Share represents  
two (2) deposited Shares)

THE BANK OF NEW YORK MELLON  
AMERICAN DEPOSITARY RECEIPT  
FOR COMMON SHARES OF  
MIZUHO FINANCIAL GROUP, INC.  
(INCORPORATED UNDER THE LAWS OF JAPAN)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that \_\_\_\_\_, or registered assigns IS THE OWNER OF \_\_\_\_\_

AMERICAN DEPOSITARY SHARES

representing deposited common shares (herein called "Shares") of Mizuho Financial Group, Inc., incorporated under the laws of Japan (herein called the "Company"). At the date hereof, each American Depositary Share represents two (2) Shares deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) with a custodian for the Depositary (herein called the "Custodian") that, as of the date of the Deposit Agreement, was Mizuho Bank, Ltd. located in Tokyo. The Depositary's Office is located at a different address than its principal executive office. Its Office is located at 101 Barclay Street, New York, N.Y. 10286, and its principal executive office is located at 225 Liberty Street, New York, N.Y. 10286.

THE DEPOSITARY'S OFFICE ADDRESS IS  
101 BARCLAY STREET, NEW YORK, N.Y. 10286

## 1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called “Receipts”), all issued and to be issued upon the terms and conditions set forth in the amended and restated Deposit Agreement dated as of April 2, 2018 (herein called the “Deposit Agreement”) among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and Holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of those Shares and held thereunder (those Shares, securities, property, and cash are herein called “Deposited Securities”). Copies of the Deposit Agreement are on file at the Depositary’s Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

## 2. SURRENDER OF AMERICAN DEPOSITARY SHARES AND WITHDRAWAL OF SHARES.

Upon surrender at the Depositary’s Office of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby and payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.9 of the Deposit Agreement and payment of all taxes and governmental charges payable in connection with that surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of the Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery (to the extent delivery can then be lawfully and practicably made), to or as instructed by that Owner, of the amount of Deposited Securities at the time represented by those American Depositary Shares, but not any money or other property as to which a record date for distribution to Owners has passed (since money or other property of that kind will be delivered or paid on the scheduled payment date to the Owner as of that record date). The Depositary shall direct the Custodian with respect to delivery of Deposited Securities and may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission. That delivery will be made, at the office of the Custodian, except that, at the request, risk and expense of the surrendering Owner, and for the account of that Owner, the Depositary shall direct the Custodian to forward any cash or other property comprising, and forward a certificate or certificates, if applicable, and other proper documents of title, if any, for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Depositary’s Office or to another address specified in the order received from the surrendering Owner.

## 3. REGISTRATION OF TRANSFER OF AMERICAN DEPOSITARY SHARES; COMBINATION AND SPLIT-UP OF RECEIPTS; INTERCHANGE OF CERTIFICATED AND UNCERTIFICATED AMERICAN DEPOSITARY SHARES.

The Depositary, subject to the terms and conditions of the Deposit Agreement, shall register a transfer of American Depositary Shares on its transfer books upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of that Agreement), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Upon registration of a transfer, the Depositary shall deliver the transferred American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of the Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute



and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel the Receipt evidencing those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and register and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of the Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the registration of transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement, or for any other reason. Notwithstanding anything to the contrary in the Deposit Agreement or this Receipt, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. The Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares that, at the time of deposit, are Restricted Securities. Upon surrender of American Depositary Shares for the purpose of withdrawal by an Owner to the Depositary, as a result of, and to the extent required by, the operation of applicable provisions of the Japanese Companies Act or any other Japanese law, the Depositary will effect the delivery to such Owner of only that portion of Shares (and any other Deposited Securities relating to such Shares) comprising a Unit or an integral multiple thereof (the "deliverable portion"). For the purpose of the foregoing sentence, the deliverable portion shall be determined on the basis of the aggregate number of Shares represented by the entire amount of the American Depositary Shares surrendered by the same Owner at the same time. The Depositary will promptly advise such Owner as to the amount of Shares and other Deposited Securities, if any, constituting a non-deliverable portion and shall deliver to such Owner American Depositary Shares representing such non-deliverable portion. In addition, the Depositary shall notify such Owner of the additional amount of American Depositary Shares which such Owner would be required to surrender in order for the Depositary to effect delivery of all the Shares and other Deposited Securities represented by the American Depositary Shares of such Owner.

#### 4. LIABILITY OF OWNER FOR TAXES.

If any tax or other governmental charge shall become payable by the Custodian or the Depository with respect to or in connection with any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares or in connection with a transaction to which Section 4.8 of the Deposit Agreement applies, that tax or other governmental charge shall be payable by the Owner of those American Depositary Shares to the Depository. The Depository may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until that payment is made, and may withhold any dividends or other distributions or the proceeds thereof, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply those dividends or other distributions or the net proceeds of any sale of that kind in payment of that tax or other governmental charge but, even after a sale of that kind, the Owner shall remain liable for any deficiency. The Depository shall distribute any net proceeds of a sale made under Section 3.2 of the Deposit Agreement that are not used to pay taxes or governmental charges to the Owners entitled to them in accordance with Section 4.1 of the Deposit Agreement. If the number of Shares represented by each American Depositary Share decreases as a result of a sale of Deposited Securities under Section 3.2 of the Deposit Agreement, the Depository may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

#### 5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that those Shares and each certificate therefor, if applicable, are validly issued, fully paid and nonassessable and were not issued in violation of any preemptive or similar rights of the holders of outstanding securities of the Company and that the person making that deposit is duly authorized so to do. Every depositing person shall also be deemed to represent that the Shares, at the time of deposit, are not Restricted Securities. All representations and warranties deemed made under Section 3.3 of the Deposit Agreement shall survive the deposit of Shares and delivery of American Depositary Shares.

#### 6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depository or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depository may deem necessary or proper. The Depository may withhold the delivery or registration of transfer of any American Depositary Shares, the distribution of any dividend or other distribution or of the proceeds thereof or the delivery of any Deposited Securities until that proof or other information is filed or those certificates are executed or those representations and warranties are made. As conditions of accepting Shares for deposit, the Depository may require (i) any certification required by the Depository or the Custodian in accordance with the provisions of the Deposit Agreement, (ii) a written order directing the Depository to deliver to, or upon the written order of, the person or persons stated in that order, the number of American Depositary Shares representing those Deposited Shares, (iii) evidence satisfactory to the Depository that those Shares have been re-registered in the books of the Company or the Foreign Registrar in the name of the Depository, a Custodian or a nominee of the Depository or a Custodian, (iv) evidence satisfactory to the Depository that any necessary approval has been granted by any governmental body in each applicable jurisdiction and (v) an agreement or assignment, or other instrument satisfactory to the Depository, that provides for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property, that any person in whose name those Shares are or have been recorded may thereafter receive upon or in respect of those Shares, or, in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depository.

## 7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable (including SWIFT) and facsimile transmission fees and expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.5 of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3 or 4.4 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.5 or 6.2 of the Deposit Agreement, (6) a fee of \$.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.1 through 4.4 and 4.8 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.2 of the Deposit Agreement or of rights pursuant to Section 4.4 of that Agreement (where the Depositary will not exercise or sell those rights on behalf of Owners), such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities under the Deposit Agreement (for purposes of this item 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under item 6, a fee of \$.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in item 9 below, and (9) any other charges payable by the Depositary or the Custodian, any of the Depositary's or Custodian's agents or the agents of the Depositary's or Custodian's agents, in connection with the servicing of Shares or other Deposited Securities (which charges shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing those Owners for those charges or by deducting those charges from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to Owners that are obligated to pay those fees.

The Depositary, subject to Article 8 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

From time to time, the Depositary may make payments to the Company to reimburse the Company for costs and expenses generally arising out of establishment and maintenance of the American Depositary Shares program, waive fees and expenses for services provided by the Depositary or share revenue from the fees collected from Owners or Holders. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

## 8. PRE-RELEASE OF AMERICAN DEPOSITARY SHARES.

Notwithstanding Section 2.3 of the Deposit Agreement, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.2 of the Deposit Agreement (a "Pre-Release"). The Depositary may, pursuant to Section 2.5 of the Deposit Agreement, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not that surrender is prior to the termination of that Pre-Release or the Depositary knows that those American Depositary Shares have been

Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release must be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered, that such person, or its customer, owns the Shares or American Depositary Shares to be remitted, as the case may be, (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to all indemnities and credit regulations that the Depositary deems appropriate. The number of American Depositary Shares outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of all American Depositary Shares outstanding; provided, however, that the Depositary reserves the right to change or disregard that limit from time to time as it reasonably deems appropriate.

The Depositary may retain for its own account any compensation received by it in connection with Pre-Release.

#### 9. TITLE TO AMERICAN DEPOSITARY SHARES.

It is a condition of the American Depositary Shares, and every successive Owner and Holder of American Depositary Shares, by accepting or holding the same, consents and agrees that American Depositary Shares evidenced by a Receipt, when the Receipt is properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of the State of New York, and that American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of the State of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depositary Shares, but only to the Owner.

#### 10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or the Registrar or a co-registrar.

#### 11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the Securities and Exchange Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system or at public reference facilities maintained by the Commission in Washington, D.C.

The Depositary will make available for inspection by Owners at its Office any reports, notices and other communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of those Deposited Securities by the Company. The Company shall furnish reports and communications, including any proxy soliciting material to which Section 4.9 of the Deposit Agreement applies, to the Depositary in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will keep books for the registration of American Depositary Shares and transfers of American Depositary Shares, which shall be open for inspection by the Owners at the Depositary's Office during

regular business hours, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

## 12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary receives any cash dividend or other cash distribution on Deposited Securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into Dollars transferable to the United States, and subject to the Deposit Agreement, convert that dividend or other cash distribution into Dollars, as promptly as practicable, and distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement) to the Owners entitled thereto; provided, however, that if the Custodian or the Depositary is required to withhold and does withhold from that cash dividend or other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing those Deposited Securities shall be reduced accordingly. If a cash distribution would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may require surrender of those American Depositary Shares and may require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that cash distribution. A distribution of that kind shall be a Termination Option Event.

Subject to the provisions of Section 4.11 and 5.9 of the Deposit Agreement, whenever the Depositary receives any distribution other than a distribution described in Section 4.1, 4.3 or 4.4 of the Deposit Agreement on Deposited Securities (but not in exchange for or in conversion or in lieu of Deposited Securities), the Depositary will, as promptly as practicable, cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary and any taxes or other governmental charges, in any manner that the Depositary deems equitable and practicable for accomplishing that distribution (which may be a distribution of depositary shares representing the securities received); provided, however, that if in the reasonable opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be lawful and feasible, the Depositary may adopt such other method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and distribution of the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement) to the Owners entitled thereto all in the manner and subject to the conditions set forth in Section 4.1 of the Deposit Agreement. The Depositary may withhold any distribution of securities under Section 4.2 of the Deposit Agreement if it has not received satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Article that is sufficient to pay its fees and expenses in respect of that distribution. If a distribution under Section 4.2 of the Deposit Agreement would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may require surrender of those American Depositary Shares and may require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that distribution. A distribution of that kind shall be a Termination Option Event.

Whenever the Depositary receives any distribution consisting of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, an aggregate number of American Depositary Shares representing the amount of Shares received as that dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof

and Section 5.9 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of Shares received (or American Depositary Shares representing those Shares) sufficient to pay its fees and expenses in respect of that distribution). In lieu of delivering fractional American Depositary Shares, the Depositary may sell the amount of Shares represented by the aggregate of those fractions (or American Depositary Shares representing those Shares or, if such sale is not possible with respect to any portion of such Shares which is less than a full Share, or a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of Japanese law and the articles of association, or similar documents of the Company) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.1 of the Deposit Agreement. No delivery to Owners pursuant to Section 4.3 of the Deposit Agreement shall be unreasonably delayed by any action of the Depositary or the Custodian. If and to the extent that additional American Depositary Shares are not delivered and Shares or American Depositary Shares are not sold, each American Depositary Share shall thenceforth also represent the additional Shares distributed on the Deposited Securities represented thereby.

If the Company declares a distribution in which holders of Deposited Securities have a right to elect whether to receive cash, Shares or other securities or a combination of those things, or a right to elect to have a distribution sold on their behalf, the Depositary may, after consultation with the Company, make that right of election available for exercise by Owners any manner the Depositary considers to be lawful and practical. As a condition of making a distribution election right available to Owners, the Depositary may require satisfactory assurances from the Company that doing so does not require registration of any securities under the Securities Act of 1933.

If the Depositary determines that any distribution received or to be made by the Depositary (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge that the Depositary is obligated to withhold, the Depositary may sell, by public or private sale, all or a portion of the distributed property (including Shares and rights to subscribe therefor) in the amounts and manner the Depositary deems necessary and practicable to pay any those taxes or charges, and the Depositary shall distribute the net proceeds of that sale, after deduction of those taxes or charges, to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it. Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, the Deposit Agreement.

### 13. RIGHTS.

(a) If rights are granted to the Depositary in respect of deposited Shares to purchase additional Shares or other securities, the Company and the Depositary shall endeavor to consult as to the actions, if any, the Depositary should take in connection with that grant of rights. The Depositary may, to the extent deemed by it to be lawful and practical (i) if requested in writing by the Company, grant to all or certain Owners rights to instruct the Depositary to purchase the securities to which the rights relate and deliver those securities or American Depositary Shares representing those securities to Owners, (ii) if requested in writing by the Company, deliver the rights to or to the order of certain Owners, or (iii) sell the rights to the extent practicable and distribute the net proceeds of that sale to Owners entitled to those proceeds. To the extent rights are not exercised, delivered or disposed of under (i), (ii) or (iii) above, the Depositary shall permit the rights to lapse unexercised.

(b) If the Depositary will act under (a)(i) above, the Company and the Depositary will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon instruction from

an applicable Owner in the form the Depository specified and upon payment by that Owner to the Depository of an amount equal to the purchase price of the securities to be received upon the exercise of the rights, the Depository shall, on behalf of that Owner, exercise the rights and purchase the securities. The purchased securities shall be delivered to, or as instructed by, the Depository. The Depository shall (i) deposit the purchased Shares under the Deposit Agreement and deliver American Depositary Shares representing those Shares to that Owner or (ii) deliver or cause the purchased Shares or other securities to be delivered to or to the order of that Owner. The Depository will not act under (a)(i) above unless the offer and sale of the securities to which the rights relate are registered under the Securities Act of 1933 or the Depository has received an opinion of United States counsel that is satisfactory to it to the effect that those securities may be sold and delivered to the applicable Owners without registration under the Securities Act of 1933.

(c) If the Depository will act under (a)(ii) above, the Company and the Depository will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon (i) the request of an applicable Owner to deliver the rights allocable to the American Depositary Shares of that Owner to an account specified by that Owner to which the rights can be delivered and (ii) receipt of such documents as the Company and the Depository agreed to require to comply with applicable law, the Depository will deliver those rights as requested by that Owner.

(d) If the Depository will act under (a)(iii) above, the Depository will use reasonable efforts to sell the rights in proportion to the number of American Depositary Shares held by the applicable Owners and pay the net proceeds to the Owners otherwise entitled to the rights that were sold, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

(e) Payment or deduction of the fees of the Depository as provided in Section 5.9 of the Deposit Agreement and payment or deduction of the expenses of the Depository and any applicable taxes or other governmental charges shall be conditions of any delivery of securities or payment of cash proceeds under Section 4.4 of that Agreement.

(f) The Depository shall not be responsible for any failure to determine that it may be lawful or feasible to make rights available to or exercise rights on behalf of Owners in general or any Owner in particular, or to sell rights.

#### 14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depository or the Custodian receives foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depository be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depository shall, as promptly as practicable, convert or cause to be converted by sale or in any other manner that it may determine that foreign currency into Dollars, and those Dollars shall be distributed to the Owners entitled thereto. A cash distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners based on exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depository as provided in Section 5.9 of the Deposit Agreement.

If a conversion of foreign currency or the repatriation or distribution of Dollars can be effected only with the approval or license of any government or agency thereof, the Depository may, but will not be required to, file an application for that approval or license.

If the Depository determines that in its judgment any foreign currency received by the Depository or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any

approval or license of any government or agency thereof that is required for such conversion is not filed or sought by the Depositary or is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make that conversion and distribution in Dollars to the extent practicable and permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold that balance uninvested and without liability for interest thereon for the account of, the Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.3 of that Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

#### 15. RECORD DATES.

Whenever a cash dividend, cash distribution or any other distribution is made on Deposited Securities or rights to purchase Shares or other securities are issued with respect to Deposited Securities (which rights will be delivered to or exercised or sold on behalf of Owners in accordance with Section 4.4 of the Deposit Agreement) or the Depositary receives notice that a distribution or issuance of that kind will be made, or whenever the Depositary receives notice that a meeting of holders of Shares will be held in respect of which the Company has requested the Depositary to send a notice under Section 4.7 of the Deposit Agreement, or whenever the Depositary will assess a fee or charge against the Owners, or whenever the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary otherwise finds it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date set by the Company with respect to Shares, (a) for the determination of the Owners (i) who shall be entitled to receive the benefit of that dividend or other distribution or those rights, (ii) who shall be entitled to give instructions for the exercise of voting rights at that meeting, (iii) who shall be responsible for that fee or charge or (iv) for any other purpose for which the record date was set, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.1 through 4.5 of the Deposit Agreement and to the other terms and conditions of the Deposit Agreement, the Owners on a record date fixed by the Depositary shall be entitled to receive the amount distributable by the Depositary with respect to that dividend or other distribution or those rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively, to give voting instructions or to act in respect of the other matter for which that record date was fixed, or be responsible for that fee or charge, as the case may be.

#### 16. VOTING OF DEPOSITED SHARES.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, Disseminate to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the



Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares, (iii) a statement as to the manner in which those instructions may be given or deemed given in accordance with the last sentence of paragraph (b) below if no instruction is received, to the Depositary to give a discretionary proxy to a person designated by the Company, and (iv) the last date on which the Depositary will accept instructions (the “Instruction Cutoff Date”).

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. So long as under the articles of association or other similar documents of the Company and Japanese law votes may only be cast in respect of one or more whole Units of Shares, (i) the same instructions received from Owners shall be aggregated and the Depositary shall, subject to applicable law and market practice, endeavor to vote or cause to be voted the number of whole Units in respect of which such instructions as so aggregated have been received, in accordance with such instructions, and (ii) such Owners acknowledge and agree that, if the Depositary has received the same instructions any portion of which, after aggregation of all such instructions, constitutes instructions with respect to less than a whole Unit of Shares, the Depositary will be unable to vote or cause to be voted the Shares to which such portion of the instructions applies. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary or as provided in the following sentence. If (i) the Company instructed the Depositary to Disseminate a notice under paragraph (a) above and complied with paragraph (d) below and (ii) no instructions are received by the Depositary from an Owner with respect to a matter and an amount of American Depositary Shares of that Owner on or before the Instruction Cutoff Date, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that matter and the amount of deposited Shares represented by that amount of American Depositary Shares and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of deposited Shares as to that matter, except that no instruction of that kind shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide such information as promptly as practicable in writing, if applicable) that (x) the Company does not wish a proxy given, (y) substantial opposition exists or (z) the matter materially and adversely affects the rights of holders of Shares.

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) If the Company will request the Depositary to Disseminate a notice under paragraph (a) above, the Company shall give the Depositary notice of the meeting, details concerning the matters to be voted upon and copies of materials to be made available to holders of Shares in connection with the meeting as far in advance of the meeting date as practicable.

#### 17. TENDER AND EXCHANGE OFFERS; REDEMPTION, REPLACEMENT OR CANCELLATION OF DEPOSITED SECURITIES.

(a) The Depositary shall not tender any Deposited Securities in response to any voluntary cash tender offer, exchange offer or similar offer made to holders of Deposited Securities (a “Voluntary Offer”), except when instructed in writing to do so by an Owner surrendering American Depositary Shares and subject to any conditions or procedures the Depositary may require.

(b) If the Depositary receives a written notice that Deposited Securities have been redeemed for cash or otherwise purchased for cash in a transaction that is mandatory and binding on the Depositary as a holder of those Deposited Securities (a “Redemption” (including all forms and tenses of that term)), the Depositary, at the expense of the Company, shall (i) if required, surrender Deposited Securities that have been redeemed to the issuer of those securities or its agent on the redemption date, (ii) Disseminate a notice to Owners (A) notifying them of that Redemption, (B) calling for surrender of a corresponding number of American Depositary Shares and (C) notifying them that the called American Depositary Shares have been converted into a right only to receive the money received by the Depositary upon that Redemption and those net proceeds shall be the Deposited Securities to which Owners of those converted American Depositary Shares shall be entitled upon surrenders of those American Depositary Shares in accordance with Section 2.5 or 6.2 of the Deposit Agreement and (iii) distribute the money received upon that Redemption to the Owners entitled to it upon surrender by them of called American Depositary Shares in accordance with Section 2.5 of that Agreement (and, for the avoidance of doubt, Owners shall not be entitled to receive that money under Section 4.1 of that Agreement). If the Redemption affects less than all the Deposited Securities, the Depositary shall call for surrender a corresponding portion of the outstanding American Depositary Shares and only those American Depositary Shares will automatically be converted into a right to receive the net proceeds of the Redemption. The Depositary shall allocate the American Depositary Shares converted under the preceding sentence among the Owners pro-rata to their respective holdings of American Depositary Shares immediately prior to the Redemption, except that the allocations may be adjusted so that no fraction of a converted American Depositary Share is allocated to any Owner. A Redemption of all or substantially all of the Deposited Securities shall be a Termination Option Event.

(c) If the Depositary is notified of or there occurs any change in nominal value or any subdivision, combination or any other reclassification of the Deposited Securities or any recapitalization, reorganization, sale of assets substantially as an entirety, merger or consolidation affecting the issuer of the Deposited Securities or to which it is a party that is mandatory and binding on the Depositary as a holder of Deposited Securities and, as a result, securities or other property have been or will be delivered in exchange, conversion, replacement or in lieu of, Deposited Securities (a “Replacement”), the Depositary shall, if required, surrender the old Deposited Securities affected by that Replacement of Shares and hold, as new Deposited Securities under the Deposit Agreement, the new securities or other property delivered to it in that Replacement. However, the Depositary may elect to sell those new Deposited Securities if in the reasonable opinion of the Depositary it is not lawful or not practical for it to hold those new Deposited Securities under the Deposit Agreement because those new Deposited Securities may not be distributed to Owners without registration under the Securities Act of 1933 or for any other reason, at public or private sale, at such places and on such terms as it deems proper and proceed as if those new Deposited Securities had been Redeemed under paragraph (b) above, provided that the Depositary shall provide the Company with prior notice as promptly as practicable if the Depositary becomes aware that a Termination Option Event may take place. A Replacement shall be a Termination Option Event, provided that the Depositary shall provide the Company with prior notice as promptly as practicable if the Depositary becomes aware that a Termination Option Event may take place.

(d) In the case of a Replacement where the new Deposited Securities will continue to be held under the Deposit Agreement, the Depositary may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing the new Deposited Securities and the number of those new Deposited Securities represented by each American Depositary Share. If the number of Shares represented by each American Depositary Share decreases as a result of a Replacement, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

(e) If there are no Deposited Securities with respect to American Depositary Shares, including if the Deposited Securities are cancelled, or the Deposited Securities with respect to American Depositary Shares become apparently worthless, the Depositary may call for surrender of those American Depositary Shares or may cancel those American Depositary Shares, upon notice to Owners, and a Termination Option Event occurs.

## 18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder:

(i) if by reason of (A) any provision of any present or future law or regulation or other act of the government of the United States, any State of the United States or any other state or jurisdiction, or of any governmental or regulatory authority or stock exchange; (B) (in the case of the Depositary only) any provision, present or future, of the articles of association or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof; or (C) any event or circumstance, whether natural or caused by a person or persons, that is beyond the ability of the Depositary or the Company, as the case may be, to prevent or counteract by reasonable care or effort (including, but not limited to earthquakes, floods, severe storms, fires, explosions, war, terrorism, civil unrest, labor disputes or criminal acts; interruptions or malfunctions of utility services, Internet or other communications lines or systems; unauthorized access to or attacks on computer systems or websites; or other failures or malfunctions of computer hardware or software or other systems or equipment), the Depositary or the Company is, directly or indirectly, prevented from, forbidden to or delayed in, or could be subject to any civil or criminal penalty on account of doing or performing and therefore does not do or perform, any act or thing that, by the terms of the Deposit Agreement or the Deposited Securities, it is provided shall be done or performed;

(ii) for any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement (including any determination by the Depositary to take, or not take, any action that the Deposit Agreement provides the Depositary may take);

(iii) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or Holders; or

(iv) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement.

Where, by the terms of a distribution to which Section 4.1, 4.2 or 4.3 of the Deposit Agreement applies, or an offering to which Section 4.4 of that Agreement applies, or for any other reason, that distribution or offering may not be made available to Owners, and the Depositary may not dispose of that distribution or offering on behalf of Owners and make the net proceeds available to Owners, then the Depositary shall not make that distribution or offering available to Owners, and shall allow any rights, if applicable, to lapse.

Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or Holders, except that they agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or Holder or other person. Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or Holder, or any other person believed by it in good faith to be competent to give such advice or information. Each of the Depositary and the Company may rely, and shall be protected in relying upon, any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with a matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises, the Depositary performed its obligations without negligence

or bad faith while it acted as Depositary. The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of American Depositary Shares or Deposited Securities or otherwise. In the absence of bad faith on its part, the Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such vote is cast or the effect of any such vote. The Depositary shall have no duty to make any determination or provide any information as to the tax status of the Company or any liability for any tax consequences that may be incurred by Owners or Holders as a result of owning or holding American Depositary Shares. No disclaimer of liability under the Securities Act of 1933 is intended by any provision of the Deposit Agreement.

#### 19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN.

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its election so to do delivered to the Company, to become effective upon the appointment of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by 90 days' prior written notice of that removal, to become effective upon the later of (i) the 90th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depository and its acceptance of its appointment as provided in the Deposit Agreement. The Depositary in its discretion may at any time appoint a substitute or additional custodian or custodians.

#### 20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment that would impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that would otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of 30 days after notice of that amendment has been Disseminated to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to that amendment and to be bound by the Deposit Agreement as amended thereby. Upon the effectiveness of an amendment to the form of Receipt, including a change in the number of Shares represented by each American Depositary Share, the Depositary may call for surrender of Receipts to be replaced with new Receipts in the amended form or call for surrender of American Depositary Shares to effect that change of ratio. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive delivery of the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

#### 21. TERMINATION OF DEPOSIT AGREEMENT.

(a) The Company may initiate termination of the Deposit Agreement by notice to the Depositary. The Depositary may initiate termination of the Deposit Agreement if (i) at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and a successor depository has not been appointed and accepted its appointment as provided in Section 5.4 of that Agreement, (ii) an Insolvency Event or Delisting Event occurs with respect to the Company or (iii) a Termination Option Event has occurred. If termination of the Deposit Agreement is initiated, the Depositary shall Disseminate a notice of termination to the Owners of all American Depositary Shares then outstanding setting a date for termination (the "Termination Date"), which shall be at least 90 days after the date of that notice, and the Deposit Agreement shall terminate on that Termination Date.

(b) After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depository under Sections 5.8 and 5.9 of that Agreement.

(c) At any time after the Termination Date, the Depository may sell the Deposited Securities then held under the Deposit Agreement (or, if such sale is not possible with respect to any portion of such Shares which is less than a full Share, or a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of Japanese law and the articles of association, or similar documents of the Company) and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depository Shares that remain outstanding, and those Owners will be general creditors of the Depository with respect to those net proceeds and that other cash. After making that sale, the Depository shall be discharged from all obligations under the Deposit Agreement, except (i) to account for the net proceeds and other cash (after deducting, in each case, the fee of the Depository for the surrender of American Depository Shares, any expenses for the account of the Owner of such American Depository Shares in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges) and (ii) for its obligations under Section 5.8 of that Agreement and (iii) to act as provided in paragraph (d) below.

(d) After the Termination Date, the Depository shall continue to receive dividends and other distributions pertaining to Deposited Securities (that have not been sold), may sell rights and other property as provided in the Deposit Agreement and shall deliver Deposited Securities (or sale proceeds) upon surrender of American Depository Shares (after payment or upon deduction, in each case, of the fee of the Depository for the surrender of American Depository Shares, any expenses for the account of the Owner of those American Depository Shares in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges). After the Termination Date, the Depository shall not accept deposits of Shares or deliver American Depository Shares. After the Termination Date, (i) the Depository may refuse to accept surrenders of American Depository Shares for the purpose of withdrawal of Deposited Securities (that have not been sold) if in its judgment the requested withdrawal would interfere with its efforts to sell the Deposited Securities, (ii) the Depository will not be required to deliver cash proceeds of the sale of Deposited Securities until all Deposited Securities have been sold and (iii) the Depository may discontinue the registration of transfers of American Depository Shares and suspend the distribution of dividends and other distributions on Deposited Securities to the Owners and need not give any further notices or perform any further acts under the Deposit Agreement except as provided in Section 6.2 of that Agreement.

## 22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.4 of the Deposit Agreement, the parties acknowledge that DTC's Direct Registration System ("DRS") and Profile Modification System ("Profile") apply to the American Depository Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC that facilitates interchange between registered holding of uncertificated securities and holding of security entitlements in those securities through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of an Owner of American Depository Shares, to direct the Depository to register a transfer of those American Depository Shares to DTC or its nominee and to deliver those American Depository Shares to the DTC account of that DTC participant without receipt by the Depository of prior authorization from the Owner to register that transfer.

(b) In connection with DRS/Profile, the parties acknowledge that the Depository will not determine whether the DTC participant that is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery described in paragraph (a) above has the actual authority to act on behalf of that Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 of the Deposit Agreement apply to the matters arising from the use of the DRS/Profile. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile system and otherwise in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depository.

23. APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

The Company has (i) appointed Mizuho Bank, Ltd., New York Branch, located in the State of New York with offices at 1251 Avenue of the Americas, New York, NY 10020, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

24. DISCLOSURE OF INTERESTS.

When required in order to comply with applicable laws and regulations or the articles of association or similar document of the Company, the Company may from time to time request each Owner and Holder to provide to the Depositary information relating to: (a) the capacity in which it holds American Depositary Shares, (b) the identity of any Holders or other persons or entities then or previously interested in those American Depositary Shares and the nature of those interests and (c) any other matter where disclosure of such matter is required for that compliance. Each Owner and Holder agrees to provide all information known to it in response to a request made pursuant to Section 3.4 of the Deposit Agreement. Each Holder consents to the disclosure by the Owner or other Holder through which it holds American Depositary Shares, directly or indirectly, of all information responsive to a request made pursuant to that Section relating to that Holder that is known to that Owner or other Holder.

# Form of Deposit Agreement

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MIZUHO FINANCIAL GROUP, INC.

AND

THE BANK OF NEW YORK MELLON

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

Amended and Restated Deposit Agreement

Dated as of April 2, 2018

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## AMENDED AND RESTATED DEPOSIT AGREEMENT

AMENDED AND RESTATED DEPOSIT AGREEMENT dated as of \_\_\_\_\_ among MIZUHO FINANCIAL GROUP, INC., a company incorporated under the laws of Japan (herein called the Company), THE BANK OF NEW YORK MELLON, a New York banking corporation (herein called the Depository), and all Owners and Holders (each as hereinafter defined) from time to time of American Depositary Shares issued hereunder.

### WITNESSETH:

WHEREAS, the Company and the Depository entered into a Deposit Agreement dated as of October 31, 2006 (the "Prior Deposit Agreement") for the purposes stated therein; and

WHEREAS, the Company and the Depository now wish to amend and restate the Prior Deposit Agreement in the form of this amended and restated Deposit Agreement; and

WHEREAS, the Company desires to provide, as set forth in this amended and restated Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Company from time to time with the Depository or with the Custodian (as hereinafter defined) under this amended and restated Deposit Agreement, for the creation of American Depositary Shares representing the Shares so deposited and for the execution and delivery of American Depositary Receipts evidencing the American Depositary Shares; and

WHEREAS, the American Depositary Receipts are to be substantially in the form of Exhibit A annexed to this amended and restated Deposit Agreement, with appropriate insertions, modifications and omissions, as set forth in this amended and restated Deposit Agreement;

NOW, THEREFORE, in consideration of the premises, it is agreed by and between the parties hereto that the Prior Deposit Agreement is hereby amended and restated as follows:

#### ARTICLE 1. DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

##### SECTION 1.1. American Depositary Shares.

The term "American Depositary Shares" shall mean the securities created under this Deposit Agreement representing rights with respect to the Deposited Securities. American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to this Deposit Agreement shall be the prospectus required under the Securities Act of 1933 for sales of both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that refer specifically to Receipts, all the provisions of this Deposit Agreement shall apply to both certificated and uncertificated American Depositary Shares.

Each American Depositary Share shall represent the number of Shares specified in Exhibit A to this Deposit Agreement, except that, if there is a distribution upon Deposited Securities covered by Section 4.3, a change in Deposited Securities covered by Section 4.8 with respect to which additional American Depositary Shares are not delivered or a sale of Deposited Securities under Section 3.2 or 4.8, each American Depositary Share shall thereafter represent the amount of Shares or other Deposited Securities that are then on deposit per American Depositary Share after giving effect to that distribution, change or sale.

SECTION 1.2. Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.3. Company.

The term “Company” shall mean Mizuho Financial Group, Inc., a company incorporated under the laws of Japan, and its successors.

SECTION 1.4. Custodian.

The term “Custodian” shall mean Mizuho Bank, Ltd., as custodian for the Depository in Tokyo for the purposes of this Deposit Agreement, and any other firm or corporation the Depository appoints under Section 5.5 as a substitute or additional custodian under this Deposit Agreement, and shall also mean all of them collectively.

SECTION 1.5. Delisting Event.

A “Delisting Event” occurs if the American Depositary Shares are delisted from a securities exchange on which the American Depositary Shares were listed and the Company has not listed or applied to list the American Depositary Shares on any other securities exchange.

SECTION 1.6. Deliver; Surrender.

(a) The term “deliver”, or its noun form, when used with respect to Shares or other Deposited Securities, shall mean (i) book-entry transfer of those Shares or other Deposited Securities to an account maintained by an institution authorized under applicable law to effect transfers of such securities designated by the person entitled to that delivery or (ii) physical transfer of certificates evidencing those Shares or other Deposited Securities registered in the name of, or duly endorsed or accompanied by proper instruments of transfer to, the person entitled to that delivery.

(b) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (i) registration of those American Depositary Shares in the name of DTC or its nominee and book-entry transfer of those American Depositary Shares to an account at DTC designated by the person entitled to that delivery, (ii) registration of those American Depositary Shares not evidenced by a Receipt on the books of the Depository in the name requested by the person entitled to that delivery and mailing to that person of a statement confirming that registration or (iii) if requested by the person entitled to that delivery, execution and delivery at the Depository’s Office to the person entitled to that delivery of one or more Receipts evidencing those American Depositary Shares registered in the name requested by that person.

(c) The term “surrender”, when used with respect to American Depositary Shares, shall mean (i) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depository, (ii) delivery to the Depository at its Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (iii) surrender to the Depository at its Office of one or more Receipts evidencing American Depositary Shares.

SECTION 1.7. Deposit Agreement.

The term “Deposit Agreement” shall mean this Amended and Restated Deposit Agreement, as it may be amended from time to time in accordance with the provisions of this Deposit Agreement.

SECTION 1.8. Depository; Depository's Office.

The term "Depository" shall mean The Bank of New York Mellon, a New York banking corporation, and any successor as depository under this Deposit Agreement. The term "Office", when used with respect to the Depository, shall mean the office at which its depository receipts business is administered, which, at the date of this Deposit Agreement, is located at 101 Barclay Street, New York, New York 10286.

SECTION 1.9. Deposited Securities.

The term "Deposited Securities" as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement, including without limitation, Shares that have not been successfully delivered upon surrender of American Depositary Shares, and any and all other securities, property and cash received by the Depository or the Custodian in respect of Deposited Securities and at that time held under this Deposit Agreement.

SECTION 1.10. Disseminate.

The term "Disseminate," when referring to a notice or other information to be sent by the Depository to Owners, shall mean (i) sending that information to Owners in paper form by mail or another means or (ii) with the consent of Owners, another procedure that has the effect of making the information available to Owners, which may include (A) sending the information by electronic mail or electronic messaging or (B) sending in paper form or by electronic mail or messaging a statement that the information is available and may be accessed by the Owner on an Internet website and that it will be sent in paper form upon request by the Owner, when that information is so available and is sent in paper form as promptly as practicable upon request.

SECTION 1.11. Dollars.

The term "Dollars" shall mean United States dollars.

SECTION 1.12. DTC.

The term "DTC" shall mean The Depository Trust Company or its successor.

SECTION 1.13. Foreign Registrar.

The term "Foreign Registrar" shall mean the entity that carries out the duties of registrar for the Shares and any other agent of the Company for the transfer and registration of Shares, including, without limitation, any securities depository for the Shares.

SECTION 1.14. Holder.

The term "Holder" shall mean any person holding a Receipt or a security entitlement or other interest in American Depositary Shares, whether for its own account or for the account of another person, but that is not the Owner of that Receipt or those American Depositary Shares.

SECTION 1.15. Insolvency Event.

An "Insolvency Event" occurs if the Company institutes proceedings to be adjudicated as bankrupt or insolvent, consents to the institution of bankruptcy or insolvency proceedings against it, files a petition or answer or consent seeking reorganization or relief under any applicable law in respect of bankruptcy or insolvency, consents to the filing of any petition of that kind or to the appointment of a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of it or any substantial part of its property or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due in the ordinary course of business.

SECTION 1.16. Owner.

The term “Owner” shall mean the person in whose name American Depositary Shares are registered on the books of the Depository maintained for that purpose.

SECTION 1.17. Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued under this Deposit Agreement evidencing certificated American Depositary Shares, as the same may be amended from time to time in accordance with the provisions of this Deposit Agreement.

SECTION 1.18. Registrar.

The term “Registrar” shall mean any corporation or other entity that is appointed by the Depository to register American Depositary Shares and transfers of American Depositary Shares as provided in this Deposit Agreement.

SECTION 1.19. Replacement.

The term “Replacement” shall have the meaning assigned to it in Section 4.8.

SECTION 1.20. Restricted Securities.

The term “Restricted Securities” shall mean Shares that (i) are “restricted securities,” as defined in Rule 144 under the Securities Act of 1933, except for Shares that could be resold in reliance on Rule 144 without any conditions, (ii) are beneficially owned by an officer, director (or person performing similar functions) or other affiliate of the Company, (iii) otherwise would require registration under the Securities Act of 1933 in connection with the public offer and sale thereof in the United States or (iv) are subject to other restrictions on sale or deposit under the laws of Japan, a shareholder agreement or the articles of association or similar document of the Company.

SECTION 1.21. Securities Act of 1933.

The term “Securities Act of 1933” shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.22. Shares.

The term “Shares” shall mean common shares of the Company that are validly issued and outstanding, fully paid and nonassessable and that were not issued in violation of any pre-emptive or similar rights of the holders of outstanding securities of the Company; provided, however, that, if there shall occur any change in nominal or par value, a split-up or consolidation or any other reclassification or, upon the occurrence of an event described in Section 4.8, an exchange or conversion in respect of the Shares of the Company, the term “Shares” shall thereafter also mean the successor securities resulting from such change in nominal value, split-up or consolidation or such other reclassification or such exchange or conversion.

SECTION 1.23. SWIFT.

The term “SWIFT” shall mean the financial messaging network operated by the Society for Worldwide Interbank Financial Telecommunication, or its successor.

SECTION 1.24. Termination Option Event.

The term “Termination Option Event” shall mean an event of a kind defined as such in Section 4.1, 4.2 or 4.8.

SECTION 1.25. Unit.

The term “Unit” shall mean such number of Shares, if any, as the Articles of Incorporation of the Company, as amended from time to time, may provide as a “Unit of Shares”.

ARTICLE 2. FORM OF RECEIPTS, DEPOSIT OF SHARES, DELIVERY, TRANSFER AND SURRENDER OF AMERICAN DEPOSITARY SHARES

SECTION 2.1. Form of Receipts; Registration and Transferability of American Depositary Shares.

Definitive Receipts shall be substantially in the form set forth in Exhibit A to this Deposit Agreement, with appropriate insertions, modifications and omissions, as permitted under this Deposit Agreement. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless that Receipt has been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or the Registrar or a co-registrar. The Depositary shall maintain books on which (x) each Receipt so executed and delivered as provided in this Deposit Agreement and each transfer of that Receipt and (y) all American Depositary Shares delivered as provided in this Deposit Agreement and all registrations of transfer of American Depositary Shares, shall be registered. A Receipt bearing the facsimile signature of a person that was at any time a proper officer of the Depositary shall, subject to the other provisions of this paragraph, bind the Depositary, even if that person was not a proper officer of the Depositary on the date of issuance of that Receipt.

The Receipts and statements confirming registration of American Depositary Shares may have incorporated in or attached to them such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts and American Depositary Shares are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

American Depositary Shares evidenced by a Receipt, when the Receipt is properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of the State of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of the State of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under this Deposit Agreement to any Holder of American Depositary Shares (but only to the Owner of those American Depositary Shares).

SECTION 2.2. Deposit of Shares.

Subject to the terms and conditions of this Deposit Agreement, Shares or evidence of rights to receive Shares may be deposited under this Deposit Agreement by delivery thereof to any Custodian, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the Custodian.

As conditions of accepting Shares for deposit, the Depositary may require (i) any certification required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement, (ii) a

written order directing the Depositary to deliver to, or upon the written order of, the person or persons stated in that order American Depositary Shares representing those deposited Shares, (iii) evidence satisfactory to the Depositary that those Shares have been re-registered in the books of the Company or the Foreign Registrar in the name of the Depositary, a Custodian or a nominee of the Depositary or a Custodian, (iv) evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in each applicable jurisdiction and (v) an agreement or assignment, or other instrument satisfactory to the Depositary, that provides for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property, that any person in whose name those Shares are or have been recorded may thereafter receive upon or in respect of those Shares, or, in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

At the request and risk and expense of a person proposing to deposit Shares, and for the account of that person, the Depositary may receive certificates for Shares to be deposited, together with the other instruments specified in this Section, for the purpose of forwarding those Share certificates to the Custodian for deposit under this Deposit Agreement.

The Depositary shall instruct each Custodian that, upon each delivery to a Custodian of a certificate or certificates for Shares to be deposited under this Deposit Agreement, together with the other documents specified in this Section, that Custodian shall, as soon as transfer and recordation can be accomplished, present that certificate or those certificates to the Company or the Foreign Registrar, if applicable, for transfer and recordation of the Shares being deposited in the name of the Depositary or its nominee or that Custodian or its nominee.

Deposited Securities shall be held by the Depositary or by a Custodian for the account and to the order of the Depositary or at such other place or places as the Depositary shall determine. The Depositary shall, as soon as practicable, provide written notice to the Company if Deposited Securities will be held other than by the Depositary or a Custodian.

### SECTION 2.3. Delivery of American Depositary Shares.

The Depositary shall instruct each Custodian that, upon receipt by that Custodian of any deposit pursuant to Section 2.2, together with the other documents or evidence required under that Section, that Custodian shall notify the Depositary of that deposit and the person or persons to whom or upon whose written order American Depositary Shares are deliverable in respect thereof. Upon receiving a notice of a deposit from a Custodian, or upon the receipt of Shares or evidence of the right to receive Shares by the Depositary, the Depositary, subject to the terms and conditions of this Deposit Agreement, shall deliver, to or upon the order of the person or persons entitled thereto, the number of American Depositary Shares issuable in respect of that deposit, but only upon payment to the Depositary of the fees and expenses of the Depositary for the delivery of those American Depositary Shares as provided in Section 5.9, and of all taxes and governmental charges and fees payable in connection with that deposit and the transfer of the deposited Shares. However, the Depositary shall deliver only whole numbers of American Depositary Shares.

### SECTION 2.4. Registration of Transfer of American Depositary Shares; Combination and Split-up of Receipts; Interchange of Certificated and Uncertificated American Depositary Shares.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall register a transfer of American Depositary Shares on its transfer books upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Upon



registration of a transfer, the Depositary shall deliver the transferred American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel the Receipt evidencing those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and register and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting registration of transfers of American Depositary Shares and combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to American Depositary Shares and will be entitled to protection and indemnity to the same extent as the Depositary.

#### SECTION 2.5. Surrender of American Depositary Shares and Withdrawal of Deposited Securities.

Upon surrender at the Depositary's Office of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby and payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.9 and payment of all taxes and governmental charges payable in connection with that surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery (to the extent delivery can then be lawfully and practicably made), to or as instructed by that Owner, of the amount of Deposited Securities at the time represented by those American Depositary Shares, but not any money or other property as to which a record date for distribution to Owners has passed (since money or other property of that kind will be delivered or paid on the scheduled payment date to the Owner as of that record date). That delivery shall be made, as provided in this Section, without unreasonable delay.

As a condition of accepting a surrender of American Depositary Shares for the purpose of withdrawal of Deposited Securities, the Depositary may require (i) that each surrendered Receipt be properly endorsed in blank or accompanied by proper instruments of transfer in blank and (ii) that the surrendering Owner execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in that order.

Thereupon, the Depositary shall direct the Custodian to deliver, subject to Sections 2.6, 3.1 and 3.2, the other terms and conditions of this Deposit Agreement and local market rules and practices, to the surrendering Owner or to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the surrendered American Depositary Shares, and the Depositary may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission.

At the request, risk and expense of an Owner surrendering American Depositary Shares for withdrawal of Deposited Securities, and for the account of that Owner, the Depositary shall direct the Custodian

to forward any cash or other property comprising, and forward a certificate or certificates, if applicable, and other proper documents of title, if any, for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depository for delivery at the Depository's Office or to another address specified in the order received from the surrendering Owner.

SECTION 2.6. Limitations on Delivery, Transfer and Surrender of American Depositary Shares.

As a condition precedent to the delivery, registration of transfer or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depository, Custodian or Registrar may require payment from the depositor of Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in this Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depository may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.6.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the registration of transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depository are closed, or if any such action is deemed necessary or advisable by the Depository or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit Agreement, or for any other reason. Notwithstanding anything to the contrary in this Deposit Agreement, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended, subject only to (i) temporary delays caused by closing of the transfer books of the Depository or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities.

The Depository shall not knowingly accept for deposit under this Deposit Agreement any Shares that, at the time of deposit, are Restricted Securities.

Upon surrender of American Depositary Shares for the purpose of withdrawal by an Owner to the Depository, as a result of, and to the extent required by, the operation of applicable provisions of the Companies Act of Japan (Act No. 86 of 2005, as amended, the "Companies Act") or any other Japanese law, the Depository will effect the delivery to such Owner of only that portion of Shares (and any other Deposited Securities relating to such Shares) comprising a Unit or an integral multiple thereof (the "deliverable portion"). For the purpose of the foregoing sentence, the deliverable portion shall be determined on the basis of the aggregate number of Shares represented by the entire amount of the American Depositary Shares surrendered by the same Owner at the same time. The Depository will promptly advise such Owner as to the amount of Shares and other Deposited Securities, if any, constituting a non-deliverable portion and shall deliver to such Owner American Depositary Shares representing such non-deliverable portion. In addition, the Depository shall notify such Owner of the additional amount of American Depositary Shares which such Owner would be required to surrender in order for the Depository to effect delivery of all the Shares and other Deposited Securities represented by the American Depositary Shares of such Owner.

SECTION 2.7. Lost Receipts, etc.

If a Receipt is mutilated, destroyed, lost or stolen, the Depository shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form or, if requested by the Owner,

execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt, upon surrender and cancellation of that mutilated Receipt, or in lieu of and in substitution for that destroyed, lost or stolen Receipt. However, before the Depositary will deliver American Depositary Shares in uncertificated form or execute and deliver a new Receipt, in substitution for a destroyed, lost or stolen Receipt, the Owner must (a) file with the Depositary (i) a request for that replacement before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfy any other reasonable requirements imposed by the Depositary.

#### SECTION 2.8. Cancellation and Destruction of Surrendered Receipts.

The Depositary shall cancel all Receipts surrendered to it and is authorized to destroy Receipts so cancelled.

#### SECTION 2.9. Pre-Release of American Depositary Shares.

Notwithstanding Section 2.3, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.2 (a "Pre-Release"). The Depositary may, pursuant to Section 2.5, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not that surrender is prior to the termination of that Pre-Release or the Depositary knows that those American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release must be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered, that such person, or its customer, owns the Shares or American Depositary Shares to be remitted, as the case may be, (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to all indemnities and credit regulations that the Depositary deems appropriate. The number of American Depositary Shares outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of all American Depositary Shares outstanding; provided, however, that the Depositary reserves the right to change or disregard that limit from time to time as it reasonably deems appropriate.

The Depositary may retain for its own account any compensation received by it in connection with Pre-Release.

#### SECTION 2.10. DTC Direct Registration System and Profile Modification System.

(a) Notwithstanding the provisions of Section 2.4, the parties acknowledge that DTC's Direct Registration System ("DRS") and Profile Modification System ("Profile") apply to the American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC that facilitates interchange between registered holding of uncertificated securities and holding of security entitlements in those securities through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register that transfer.

(b) In connection with DRS/Profile, the parties acknowledge that the Depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in paragraph (a) above has the actual authority to act on behalf of that Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 apply to the matters arising from the use of the DRS/Profile. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile system and otherwise in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depositary.

ARTICLE 3. CERTAIN OBLIGATIONS OF OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

SECTION 3.1. Filing Proofs, Certificates and Other Information.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of American Depositary Shares, the distribution of any dividend or other distribution or of the proceeds thereof or the delivery of any Deposited Securities until that proof or other information is filed or those certificates are executed or those representations and warranties are made. The Depositary shall provide the Company, upon the Company's written request and at the Company's expense, as promptly as practicable, with copies of any information or other materials that it receives pursuant to this Section 3.1, to the extent that disclosure is permitted under applicable law.

SECTION 3.2. Liability of Owner for Taxes.

If any tax or other governmental charge shall become payable by the Custodian or the Depositary with respect to or in connection with any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares or in connection with a transaction to which Section 4.8 applies, that tax or other governmental charge shall be payable by the Owner of those American Depositary Shares to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until that payment is made, and may withhold any dividends or other distributions or the proceeds thereof, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares and apply those dividends or other distributions or the net proceeds of any sale of that kind in payment of that tax or other governmental charge but, even after a sale of that kind, the Owner of those American Depositary Shares shall remain liable for any deficiency. The Depositary shall distribute any net proceeds of a sale made under this Section that are not used to pay taxes or governmental charges to the Owners entitled to them in accordance with Section 4.1. If the number of Shares represented by each American Depositary Share decreases as a result of a sale of Deposited Securities under this Section, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

SECTION 3.3. Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that those Shares and each certificate therefor, if applicable, are validly issued, fully paid and nonassessable and were not issued in violation of any preemptive or similar rights of the holders of outstanding securities of the Company and that the person making that deposit is duly authorized so to do. Every depositing person shall also be deemed to represent that the Shares, at the time of deposit, are not Restricted Securities. All representations and warranties deemed made under this Section shall survive the deposit of Shares and delivery of American Depositary Shares.

SECTION 3.4. Disclosure of Interests.

When required in order to comply with applicable laws and regulations or the articles of association or similar document of the Company, the Company may from time to time request each Owner and Holder to provide to the Depositary information relating to: (a) the capacity in which it holds American Depositary Shares, (b) the identity of any Holders or other persons or entities then or previously interested in

those American Depositary Shares and the nature of those interests and (c) any other matter where disclosure of such matter is required for that compliance. Each Owner and Holder agrees to provide all information known to it in response to a request made pursuant to this Section. Each Holder consents to the disclosure by the Owner or any other Holder through which it holds American Depositary Shares, directly or indirectly, of all information responsive to a request made pursuant to this Section relating to that Holder that is known to that Owner or other Holder. The Depositary agrees to use reasonable efforts to comply with written instructions requesting that the Depositary forward any request authorized under this Section to the Owners and to forward to the Company any responses it receives in response to that request. The Depositary may charge the Company a fee and its expenses for complying with requests under this Section 3.4.

#### ARTICLE 4. THE DEPOSITED SECURITIES

##### SECTION 4.1. Cash Distributions.

Whenever the Depositary receives any cash dividend or other cash distribution on Deposited Securities, the Depositary shall, subject to the provisions of Section 4.5, convert that dividend or other distribution into Dollars, as promptly as practicable, and distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.9) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing those Deposited Securities held by them respectively; provided, however, that if the Custodian or the Depositary shall be required to withhold and does withhold from that cash dividend or other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing those Deposited Securities shall be reduced accordingly. However, the Depositary will not pay any Owner a fraction of one cent, but will round each Owner's entitlement to the nearest whole cent.

The Company or its agent will remit to the appropriate governmental agency in each applicable jurisdiction all amounts withheld and owing to such agency. The Depositary will forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies.

If a cash distribution would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may require surrender of those American Depositary Shares and may require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that cash distribution. A distribution of that kind shall be a Termination Option Event.

##### SECTION 4.2. Distributions Other Than Cash, Shares or Rights.

Subject to the provisions of Sections 4.11 and 5.9, whenever the Depositary receives any distribution other than a distribution described in Section 4.1, 4.3 or 4.4 on Deposited Securities (but not in exchange for or in conversion or in lieu of Deposited Securities), the Depositary shall, as promptly as practicable, cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary and any taxes or other governmental charges, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary deems equitable and practicable for accomplishing that distribution (which may be a distribution of depositary shares representing the securities received); provided, however, that if in the reasonable opinion of the Depositary such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason (including, but not limited to, any requirement that the Company or the Depositary withhold an amount on account of taxes or other governmental charges or that securities received must be registered under the Securities Act of 1933 in order to be distributed to Owners or Holders) the Depositary deems such distribution not to be lawful and feasible, the Depositary may adopt such other method as it may deem equitable and practicable for the purpose of effecting such distribution, including,

but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and distribution of the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Section 5.9) to the Owners entitled thereto, all in the manner and subject to the conditions set forth in Section 4.1. The Depositary may withhold any distribution of securities under this Section 4.2 if it has not received satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Section 4.2 that is sufficient to pay its fees and expenses in respect of that distribution.

If a distribution under this Section 4.2 would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may require surrender of those American Depositary Shares and may require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that distribution. A distribution of that kind shall be a Termination Option Event.

#### SECTION 4.3. Distributions in Shares.

Whenever the Depositary receives any distribution on Deposited Securities consisting of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Company so requests in writing, deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing those Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares received as that dividend or free distribution, subject to the terms and conditions of this Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including withholding of any tax or governmental charge as provided in Section 4.11 and payment of the fees and expenses of the Depositary as provided in Section 5.9 (and the Depositary may sell, by public or private sale, an amount of the Shares received (or American Depositary Shares representing those Shares) sufficient to pay its fees and expenses in respect of that distribution). In lieu of delivering fractional American Depositary Shares, the Depositary may sell the amount of Shares represented by the aggregate of those fractions (or American Depositary Shares representing those Shares or, if such sale is not possible with respect to any portion of such Shares which is less than a full Share, or a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of Japanese law and the articles of association, or similar documents of the Company) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.1. No delivery to Owners pursuant to this Section 4.3 shall be unreasonably delayed by any action of the Depositary or the Custodian. If and to the extent that additional American Depositary Shares are not delivered and Shares or American Depositary Shares are not sold, each American Depositary Share shall thenceforth also represent the additional Shares distributed on the Deposited Securities represented thereby.

If the Company declares a distribution in which holders of Deposited Securities have a right to elect whether to receive cash, Shares or other securities or a combination of those things, or a right to elect to have a distribution sold on their behalf, the Depositary may, after consultation with the Company, make that right of election available for exercise by Owners in any manner the Depositary considers to be lawful and practical. As a condition of making a distribution election right available to Owners, the Depositary may require satisfactory assurances from the Company that doing so does not require registration of any securities under the Securities Act of 1933.

#### SECTION 4.4. Rights.

(a) If rights are granted to the Depositary in respect of deposited Shares to purchase additional Shares or other securities, the Company and the Depositary shall endeavor to consult as to the actions, if any, the Depositary should take in connection with that grant of rights. The Depositary may, to the extent deemed by it to be lawful and practical (i) if requested in writing by the Company, grant to all or certain Owners rights to instruct the Depositary to purchase the securities to which the rights relate and deliver those securities or American

Depository Shares representing those securities to Owners, (ii) if requested in writing by the Company, deliver the rights to or to the order of certain Owners, or (iii) sell the rights to the extent practicable and distribute the net proceeds of that sale to Owners entitled to those proceeds. To the extent rights are not exercised, delivered or disposed of under (i), (ii) or (iii) above, the Depository shall permit the rights to lapse unexercised.

(b) If the Depository will act under (a)(i) above, the Company and the Depository will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon instruction from an applicable Owner in the form the Depository specified and upon payment by that Owner to the Depository of an amount equal to the purchase price of the securities to be received upon the exercise of the rights, the Depository shall, on behalf of that Owner, exercise the rights and purchase the securities. The purchased securities shall be delivered to, or as instructed by, the Depository. The Depository shall (i) deposit the purchased Shares under this Deposit Agreement and deliver American Depository Shares representing those Shares to that Owner or (ii) deliver or cause the purchased Shares or other securities to be delivered to or to the order of that Owner. The Depository will not act under (a)(i) above unless the offer and sale of the securities to which the rights relate are registered under the Securities Act of 1933 or the Depository has received an opinion of United States counsel that is satisfactory to it to the effect that those securities may be sold and delivered to the applicable Owners without registration under the Securities Act of 1933.

(c) If the Depository will act under (a)(ii) above, the Company and the Depository will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon (i) the request of an applicable Owner to deliver the rights allocable to the American Depository Shares of that Owner to an account specified by that Owner to which the rights can be delivered and (ii) receipt of such documents as the Company and the Depository agreed to require to comply with applicable law, the Depository will deliver those rights as requested by that Owner.

(d) If the Depository will act under (a)(iii) above, the Depository will use reasonable efforts to sell the rights in proportion to the number of American Depository Shares held by the applicable Owners and pay the net proceeds to the Owners otherwise entitled to the rights that were sold, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depository Shares or otherwise.

(e) Payment or deduction of the fees of the Depository as provided in Section 5.9 and payment or deduction of the expenses of the Depository and any applicable taxes or other governmental charges shall be conditions of any delivery of securities or payment of cash proceeds under this Section 4.4.

(f) The Depository shall not be responsible for any failure to determine that it may be lawful or feasible to make rights available to or exercise rights on behalf of Owners in general or any Owner in particular, or to sell rights.

#### SECTION 4.5. Conversion of Foreign Currency.

Whenever the Depository or the Custodian receives foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depository be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depository shall, as promptly as practicable, convert or cause to be converted by sale or in any other manner that it may determine that foreign currency into Dollars, and those Dollars shall be distributed to the Owners entitled thereto. A cash distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners based on exchange restrictions, the date of delivery of any American Depository Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depository as provided in Section 5.9.

If a conversion of foreign currency or the repatriation or distribution of Dollars can be effected only with the approval or license of any government or agency thereof, the Depository may, but will not be required to, file an application for that approval or license.

If the Depositary determines that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof that is required for such conversion is not filed or sought by the Depositary or is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make that conversion and distribution in Dollars to the extent practicable and permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold that balance uninvested and without liability for interest thereon for the account of, the Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under this Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under this Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.3. The methodology used to determine exchange rates used in currency conversions is available upon request.

#### SECTION 4.6. Fixing of Record Date.

Whenever a cash dividend, cash distribution or any other distribution is made on Deposited Securities or rights to purchase Shares or other securities are issued with respect to Deposited Securities (which rights will be delivered to or exercised or sold on behalf of Owners in accordance with Section 4.4) or the Depositary receives notice that a distribution or issuance of that kind will be made, or whenever the Depositary receives notice that a meeting of holders of Shares will be held in respect of which the Company has requested the Depositary to send a notice under Section 4.7, or whenever the Depositary will assess a fee or charge against the Owners, or whenever the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary otherwise finds it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date set by the Company with respect to Shares, (a) for the determination of the Owners (i) who shall be entitled to receive the benefit of that dividend or other distribution or those rights, (ii) who shall be entitled to give instructions for the exercise of voting rights at that meeting or (iii) who shall be responsible for that fee or charge or (iv) for any other purpose for which the record date was set, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.1 through 4.5 and to the other terms and conditions of this Deposit Agreement, the Owners on a record date fixed by the Depositary shall be entitled to receive the amount distributable by the Depositary with respect to that dividend or other distribution or those rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively, to give voting instructions or to act in respect of the other matter for which that record date was fixed, or be responsible for that fee or charge, as the case may be.

#### SECTION 4.7. Voting of Deposited Shares.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, Disseminate to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the



Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares, (iii) a statement as to the manner in which those instructions may be given or deemed given in accordance with the last sentence of paragraph (b) below if no instruction is received, to the Depositary to give a discretionary proxy to a person designated by the Company, and (iv) the last date on which the Depositary will accept instructions (the “Instruction Cutoff Date”).

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. So long as under the articles of association or other similar documents of the Company and Japanese law votes may only be cast in respect of one or more whole Units of Shares, (i) the same instructions received from Owners shall be aggregated and the Depositary shall, subject to applicable law and market practice, endeavor to vote or cause to be voted the number of whole Units in respect of which such instructions as so aggregated have been received, in accordance with such instructions, and (ii) such Owners acknowledge and agree that, if the Depositary has received the same instructions any portion of which, after aggregation of all such instructions, constitutes instructions with respect to less than a whole Unit of Shares, the Depositary will be unable to vote or cause to be voted the Shares to which such portion of the instructions applies. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary or as provided in the following sentence. If (i) the Company instructed the Depositary to Disseminate a notice under paragraph (a) above and complied with paragraph (d) below and (ii) no instructions are received by the Depositary from an Owner with respect to a matter and an amount of American Depositary Shares of that Owner on or before the Instruction Cutoff Date, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that matter and the amount of deposited Shares represented by that amount of American Depositary Shares and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of deposited Shares as to that matter, except that no instruction of that kind shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide such information as promptly as practicable in writing, if applicable) that (x) the Company does not wish a proxy given, (y) substantial opposition exists or (z) the matter materially and adversely affects the rights of holders of Shares.

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) If the Company will request the Depositary to Disseminate a notice under paragraph (a) above, the Company shall give the Depositary notice of the meeting, details concerning the matters to be voted upon and copies of materials to be made available to holders of Shares in connection with the meeting as far in advance of the meeting date as practicable.

#### SECTION 4.8. Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities.

(a) The Depositary shall not tender any Deposited Securities in response to any voluntary cash tender offer, exchange offer or similar offer made to holders of Deposited Securities (a “Voluntary Offer”), except when instructed in writing to do so by an Owner surrendering American Depositary Shares and subject to any conditions or procedures the Depositary may require.

(b) If the Depositary receives a written notice that Deposited Securities have been redeemed for cash or otherwise purchased for cash in a transaction that is mandatory and binding on the Depositary as a holder of those Deposited Securities (a “Redemption” (including all forms and tenses of that term)), the Depositary, at the expense of the Company, shall (i) if required, surrender Deposited Securities that have been redeemed to the issuer of those securities or its agent on the redemption date, (ii) Disseminate a notice to Owners (A) notifying them of that Redemption, (B) calling for surrender of a corresponding number of American Depositary Shares and (C) notifying them that the called American Depositary Shares have been converted into a right only to receive the money received by the Depositary upon that Redemption and those net proceeds shall be the Deposited Securities to which Owners of those converted American Depositary Shares shall be entitled upon surrenders of those American Depositary Shares in accordance with Section 2.5 or 6.2 and (iii) distribute the money received upon that Redemption to the Owners entitled to it upon surrender by them of called American Depositary Shares in accordance with Section 2.5 (and, for the avoidance of doubt, Owners shall not be entitled to receive that money under Section 4.1). If the Redemption affects less than all the Deposited Securities, the Depositary shall call for surrender a corresponding portion of the outstanding American Depositary Shares and only those American Depositary Shares will automatically be converted into a right to receive the net proceeds of the Redemption. The Depositary shall allocate the American Depositary Shares converted under the preceding sentence among the Owners pro-rata to their respective holdings of American Depositary Shares immediately prior to the Redemption, except that the allocations may be adjusted so that no fraction of a converted American Depositary Share is allocated to any Owner. A Redemption of all or substantially all of the Deposited Securities shall be a Termination Option Event.

(c) If the Depositary is notified of or there occurs any change in nominal value or any subdivision, combination or any other reclassification of the Deposited Securities or any recapitalization, reorganization, sale of assets substantially as an entirety, merger or consolidation affecting the issuer of the Deposited Securities or to which it is a party that is mandatory and binding on the Depositary as a holder of Deposited Securities and, as a result, securities or other property have been or will be delivered in exchange, conversion, replacement or in lieu of, Deposited Securities (a “Replacement”), the Depositary shall, if required, surrender the old Deposited Securities affected by that Replacement of Shares and hold, as new Deposited Securities under this Deposit Agreement, the new securities or other property delivered to it in that Replacement. However, the Depositary may elect to sell those new Deposited Securities if in the reasonable opinion of the Depositary it is not lawful or not practical for it to hold those new Deposited Securities under this Deposit Agreement because those new Deposited Securities may not be distributed to Owners without registration under the Securities Act of 1933 or for any other reason, at public or private sale, at such places and on such terms as it deems proper and proceed as if those new Deposited Securities had been Redeemed under paragraph (b) above. A Replacement shall be a Termination Option Event, provided that the Depositary shall provide the Company with prior notice as promptly as practicable if the Depositary becomes aware that a Termination Option Event may take place.

(d) In the case of a Replacement where the new Deposited Securities will continue to be held under this Deposit Agreement, the Depositary may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing the new Deposited Securities and the number of those new Deposited Securities represented by each American Depositary Share. If the number of Shares represented by each American Depositary Share decreases as a result of a Replacement, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

(e) If there are no Deposited Securities with respect to American Depositary Shares, including if the Deposited Securities are cancelled, or the Deposited Securities with respect to American Depositary Shares have become apparently worthless, the Depositary may call for surrender of those American Depositary Shares or may cancel those American Depositary Shares, upon notice to Owners, and a Termination Option Event occurs.

SECTION 4.9. Reports.

The Depositary shall make available for inspection by Owners at its Office any reports and communications, including any proxy solicitation material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of those Deposited Securities by the Company. The Company shall furnish reports and communications, including any proxy soliciting material to which this Section applies, to the Depositary in English, to the extent those materials are required to be translated into English pursuant to any regulations of the Commission.

SECTION 4.10. Lists of Owners.

Upon written request by the Company, the Depositary shall, at the expense of the Company, furnish to it a list, as of a recent date, of the names, addresses and American Depositary Share holdings of all Owners.

SECTION 4.11. Withholding.

If the Depositary determines that any distribution received or to be made by the Depositary (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge that the Depositary is obligated to withhold, the Depositary may sell, by public or private sale, all or a portion of the distributed property (including Shares and rights to subscribe therefor) in the amounts and manner the Depositary deems necessary and practicable to pay those taxes or charges, and the Depositary shall distribute the net proceeds of that sale, after deduction of those taxes or charges, to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, this Deposit Agreement.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it.

Upon reasonable written request, the Company shall have the right to inspect registration records of the Depositary relating to the American Depositary Shares during the Depositary's normal business hours, and, at the Company's expense, to take copies of those records and require the Depositary and the Registrar to supply copies of any part of those records.

ARTICLE 5. THE DEPOSITARY, THE CUSTODIANS AND THE COMPANY

SECTION 5.1. Maintenance of Office and Transfer Books by the Depositary.

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain facilities for the execution and delivery, registration, registration of transfers and surrender of American Depositary Shares in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books for the registration of American Depositary Shares, which shall be open for inspection by the Owners at the Depositary's Office during regular business hours, provided that such inspection is not for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to this Deposit Agreement or the American Depositary Shares.

The Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties under this Deposit Agreement or upon the written request of the Company.

If any American Depositary Shares are listed on one or more stock exchanges, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registry of those American Depositary Shares in accordance with any requirements of that exchange or those exchanges.

SECTION 5.2. Prevention or Delay of Performance by the Company or the Depositary.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder:

(i) if by reason of (A) any provision of any present or future law or regulation or other act of the government of the United States, any State of the United States or any other state or jurisdiction, or of any governmental or regulatory authority or stock exchange; (B) (in the case of the Depositary only) any provision, present or future, of the articles of association or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof; or (C) any event or circumstance, whether natural or caused by a person or persons, that is beyond the ability of the Depositary or the Company, as the case may be, to prevent or counteract by reasonable care or effort (including, but not limited to earthquakes, floods, severe storms, fires, explosions, war, terrorism, civil unrest, labor disputes or criminal acts; interruptions or malfunctions of utility services, Internet or other communications lines or systems; unauthorized access to or attacks on computer systems or websites; or other failures or malfunctions of computer hardware or software or other systems or equipment), the Depositary or the Company is, directly or indirectly, prevented from, forbidden to or delayed in, or could be subject to any civil or criminal penalty on account of doing or performing and therefore does not do or perform, any act or thing that, by the terms of this Deposit Agreement or the Deposited Securities, it is provided shall be done or performed;

(ii) for any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement (including any determination by the Depositary to take, or not take, any action that this Deposit Agreement provides the Depositary may take);

(iii) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Owners or Holders; or

(iv) for any special, consequential or punitive damages for any breach of the terms of this Deposit Agreement.

Where, by the terms of a distribution to which Section 4.1, 4.2 or 4.3 applies, or an offering to which Section 4.4 applies, or for any other reason, that distribution or offering may not be made available to Owners, and the Depositary may not dispose of that distribution or offering on behalf of Owners and make the net proceeds available to Owners, then the Depositary shall not make that distribution or offering available to Owners, and shall allow any rights, if applicable, to lapse.

SECTION 5.3. Obligations of the Depositary and the Company.

The Company assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder, except that the Company agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depositary assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth

of the Deposited Securities), except that the Depositary agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares on behalf of any Owner or Holder or any other person.

Each of the Depositary and the Company may rely, and shall be protected in relying upon, any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or any other person believed by it in good faith to be competent to give such advice or information.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of American Depositary Shares or Deposited Securities or otherwise.

In the absence of bad faith on its part, the Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote.

The Depositary shall have no duty to make any determination or provide any information as to the tax status of the Company or any liability for any tax consequences that may be incurred by Owners or Holders as a result of owning or holding American Depositary Shares.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of this Deposit Agreement.

#### SECTION 5.4. Resignation and Removal of the Depositary.

The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, to become effective upon the appointment of a successor depositary and its acceptance of that appointment as provided in this Section. The effect of resignation if a successor depositary is not appointed is provided for in Section 6.2.

The Depositary may at any time be removed by the Company by 90 days' prior written notice of that removal, to become effective upon the later of (i) the 90th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of its appointment as provided in this Section.

If the Depositary resigns or is removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depositary shall execute and deliver to the Company an instrument in writing accepting its appointment under this Deposit Agreement. If the Depositary receives notice from the Company that a successor depositary has been appointed following its resignation or removal, the Depositary, upon

payment of all sums due it from the Company, shall deliver to its successor a register listing all the Owners and their respective holdings of outstanding American Depositary Shares and shall deliver the Deposited Securities to or to the order of its successor. When the Depositary has taken the actions specified in the preceding sentence (i) the successor shall become the Depositary and shall have all the rights and shall assume all the duties of the Depositary under this Deposit Agreement and (ii) the predecessor depositary shall cease to be the Depositary and shall be discharged and released from all obligations under this Deposit Agreement, except for its duties under Section 5.8 with respect to the time before that discharge. A successor Depositary shall notify the Owners of its appointment as soon as practical after assuming the duties of Depositary.

Any corporation or other entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

#### SECTION 5.5. The Custodians.

The Custodian shall be subject at all times and in all respects to the directions of the Depositary and shall be responsible solely to it. The Depositary in its discretion may at any time appoint a substitute or additional custodian or custodians, each of which shall thereafter be one of the Custodians under this Deposit Agreement. If the Depositary receives notice that a Custodian is resigning and, upon the effectiveness of that resignation there would be no Custodian acting under this Deposit Agreement, the Depositary shall, as promptly as practicable after receiving that notice, appoint a substitute custodian or custodians, each of which shall thereafter be a Custodian under this Deposit Agreement. The Depositary shall require any Custodian that resigns or is removed to deliver all Deposited Securities held by it to another Custodian.

#### SECTION 5.6. Notices and Reports.

If the Company takes or decides to take any corporate action of a kind that is addressed in Sections 4.1 to 4.4, or 4.6 to 4.8, or that effects or will effect a change of the name or legal structure of the Company, or that effects or will effect a change to the Shares, the Company shall notify the Depositary and the Custodian of that action or decision as soon as it is lawful and practical to give that notice. The notice or summary of that notice shall be in English and shall include all details that the Company is required to include in any notice to any governmental or regulatory authority or securities exchange or is required to make available generally to holders of Shares by publication or otherwise.

The Company will arrange for the translation into English or preparation of an English summary, if not already in English, to the extent required pursuant to any regulations of the Commission, and the prompt transmittal by the Company to the Depositary and the Custodian of all notices and any other reports and communications which are made generally available by the Company to holders of its Shares. If requested in writing by the Company, the Depositary will Disseminate, as soon as practicable, at the Company's expense, those notices, reports and communications to all Owners or otherwise make them available to Owners in a manner that the Company specifies as substantially equivalent to the manner in which those communications are made available to holders of Shares and compliant with the requirements of any securities exchange on which the American Depositary Shares are listed. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect that Dissemination.

The Company represents that as of the date of this Deposit Agreement, the statements in Article 11 of the Receipt with respect to the Company's obligation to file periodic reports under the United States Securities Exchange Act of 1934, as amended, are true and correct. The Company agrees to promptly notify the Depositary upon becoming aware of any change in the truth of any of those statements.

SECTION 5.7. Distribution of Additional Shares, Rights, etc.

If the Company or any affiliate of the Company determines to make any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities (each a “Distribution”), the Company shall notify the Depository in writing in English as promptly as practicable and in any event before the Distribution starts and, if requested in writing by the Depository, the Company shall promptly furnish to the Depository either (i) evidence satisfactory to the Depository that the Distribution is registered under the Securities Act of 1933 or (ii) a written opinion from U.S. counsel for the Company that is reasonably satisfactory to the Depository, stating that the Distribution does not require, or, if made in the United States, would not require, registration under the Securities Act of 1933.

The Company agrees with the Depository that neither the Company nor any company controlled by, controlling or under common control with the Company will at any time deposit any Shares that, at the time of deposit, are Restricted Securities.

SECTION 5.8. Indemnification.

The Company agrees to indemnify the Depository, its directors, employees, agents and affiliates and each Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) that may arise out of or in connection with (a) any registration with the Commission of American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States or (b) acts performed or omitted, pursuant to the provisions of or in connection with this Deposit Agreement and the American Depositary Shares, as the same may be amended, modified or supplemented from time to time, (i) by either the Depository or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Company or any of its directors, employees, agents and affiliates.

The indemnities contained in the preceding paragraph shall not extend to any liability or expense which arises solely and exclusively out of a Pre-Release (as defined in Section 2.9) of American Depositary Shares in accordance with Section 2.9 and which would not otherwise have arisen had those American Depositary Shares not been the subject of a Pre-Release pursuant to Section 2.9; provided, however, that the indemnities provided in the preceding paragraph shall apply to any such liability or expense (i) to the extent that such liability or expense would have arisen had those American Depositary Shares not be the subject of a Pre-Release, or (ii) which may arise out of any misstatement or alleged misstatement or omission or alleged omission in any registration statement, proxy statement, prospectus (or placement memorandum), or preliminary prospectus (or preliminary placement memorandum) relating to the offer or sale of American Depositary Shares, except to the extent any such liability or expense arises out of (i) information relating to the Depository or any Custodian (other than the Company), as applicable, furnished in writing and not materially changed or altered by the Company expressly for use in any of the foregoing documents, or, (ii) if such information is provided, the failure to state a material fact necessary to make the information provided not misleading.

The Depository agrees to indemnify the Company, its directors, employees, agents and affiliates and hold them harmless from any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) that may arise out of acts performed or omitted by the Depository or any Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith.

SECTION 5.9. Charges of Depository.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including,

without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable (including SWIFT) and facsimile transmission fees and expenses as are expressly provided in this Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.5, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3 or 4.4 and the surrender of American Depositary Shares pursuant to Section 2.5 or 6.2, (6) a fee of \$.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.1 through 4.4 and Section 4.8, (7) a fee for the distribution of securities pursuant to Section 4.2 or of rights pursuant to Section 4.4 (where the Depositary will not exercise or sell those rights on behalf of Owners), such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities under this Deposit Agreement (for purposes of this item 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under item 6 above, a fee of \$.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in item 9 below, and (9) any other charges payable by the Depositary or the Custodian, any of the Depositary's or Custodian's agents or the agents of the Depositary's or Custodian's agents, in connection with the servicing of Shares or other Deposited Securities (which charges shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 and shall be payable at the sole discretion of the Depositary by billing those Owners for those charges or by deducting those charges from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to Owners that are obligated to pay those fees.

In performing its duties under this Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

The Depositary, subject to Section 2.9, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

#### SECTION 5.10. Retention of Depositary Documents.

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary, unless the Company requests that those papers be retained for a longer period or be turned over to the Company or to a successor depositary.

#### SECTION 5.11. Exclusivity.

Without prejudice to the Company's rights under Section 5.4, the Company agrees not to appoint any other depositary for issuance of depositary shares, depositary receipts or any similar securities or instruments so long as The Bank of New York Mellon is acting as Depositary under this Deposit Agreement.

#### SECTION 5.12. Change in Unit.

The Company agrees that it shall give notice to the Depositary of any proposed amendment to its Articles of Incorporation which would change the number of Shares previously designated as a Unit. Such notice



shall be given as far in advance of the date on which such amendment is scheduled to become effective as is practicable under the circumstances.

## ARTICLE 6. AMENDMENT AND TERMINATION

### SECTION 6.1. Amendment.

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect that they may deem necessary or desirable. Any amendment that would impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that would otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of 30 days after notice of that amendment has been Disseminated to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to that amendment and to be bound by this Deposit Agreement as amended thereby. Upon the effectiveness of an amendment to the form of Receipt, including a change in the number of Shares represented by each American Depositary Share, the Depositary may call for surrender of Receipts to be replaced with new Receipts in the amended form or call for surrender of American Depositary Shares to effect that change of ratio. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive delivery of the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

### SECTION 6.2. Termination.

(a) The Company may initiate termination of this Deposit Agreement by notice to the Depositary. The Depositary may initiate termination of this Deposit Agreement if (i) at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and a successor depositary has not been appointed and accepted its appointment as provided in Section 5.4, (ii) an Insolvency Event or Delisting Event occurs with respect to the Company or (iii) a Termination Option Event has occurred. If termination of this Deposit Agreement is initiated, the Depositary shall Disseminate a notice of termination to the Owners of all American Depositary Shares then outstanding setting a date for termination (the "Termination Date"), which shall be at least 90 days after the date of that notice, and this Deposit Agreement shall terminate on that Termination Date.

(b) After the Termination Date, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.8 and 5.9.

(c) At any time after the Termination Date, the Depositary may sell the Deposited Securities then held under this Deposit Agreement (or, if such sale is not possible with respect to any portion of such Shares which is less than a full Share, or a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of Japanese law and the articles of association, or similar documents of the Company) and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that remain outstanding, and those Owners will be general creditors of the Depositary with respect to those net proceeds and that other cash. After making that sale, the Depositary shall be discharged from all obligations under this Deposit Agreement, except (i) to account for the net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes or governmental charges) and (ii) for its obligations under Section 5.8 and (iii) to act as provided in paragraph (d) below.

(d) After the Termination Date, the Depositary shall continue to receive dividends and other distributions pertaining to Deposited Securities (that have not been sold), may sell rights and other property as provided in this Deposit Agreement and shall deliver Deposited Securities (or sale proceeds) upon surrender of American Depositary Shares (after payment or upon deduction, in each case, of the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of those American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes or governmental charges). After the Termination Date, the Depositary shall not accept deposits of Shares or deliver American Depositary Shares. After the Termination Date, (i) the Depositary may refuse to accept surrenders of American Depositary Shares for the purpose of withdrawal of Deposited Securities (that have not been sold) if in its judgment the requested withdrawal would interfere with its efforts to sell the Deposited Securities, (ii) the Depositary will not be required to deliver cash proceeds of the sale of Deposited Securities until all Deposited Securities have been sold and (iii) the Depositary may discontinue the registration of transfers of American Depositary Shares and suspend the distribution of dividends and other distributions on Deposited Securities to the Owners and need not give any further notices or perform any further acts under this Deposit Agreement except as provided in this Section.

## ARTICLE 7. MISCELLANEOUS

### SECTION 7.1. Counterparts; Signatures.

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of those counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and the Custodians and shall be open to inspection by any Owner or Holder during regular business hours.

Any manual signature on this Deposit Agreement that is faxed, scanned or photocopied, and any electronic signature valid under the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, *et. seq.*, shall for all purposes have the same validity, legal effect and admissibility in evidence as an original manual signature, and the parties hereby waive any objection to the contrary.

### SECTION 7.2. No Third Party Beneficiaries.

This Deposit Agreement is for the exclusive benefit of the Company, the Depositary, the Owners and the Holders and their respective successors and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person.

### SECTION 7.3. Severability.

In case any one or more of the provisions contained in this Deposit Agreement or in a Receipt should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Deposit Agreement or that Receipt shall in no way be affected, prejudiced or disturbed thereby.

### SECTION 7.4. Owners and Holders as Parties; Binding Effect.

The Owners and Holders from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions of this Deposit Agreement and of the Receipts by acceptance of American Depositary Shares or any interest therein.

### SECTION 7.5. Notices.

Any and all notices to be given to the Company shall be in writing and shall be deemed to have been duly given if personally delivered or sent by domestic first class or international air mail or air courier or

sent by facsimile transmission or email attaching a pdf or similar bit-mapped image of a signed writing, provided that receipt of the facsimile transmission or email has been confirmed by the recipient, addressed to Mizuho Financial Group, Inc., 1-5-5 Otemachi, Chiyoda-ku, Tokyo 100-8176, Japan, Attention: Administration Department, or any other place to which the Company may have transferred its principal office with notice to the Depository.

Any and all notices to be given to the Depository shall be in writing and shall be deemed to have been duly given if in English and personally delivered or sent by first class domestic or international air mail or air courier or sent by facsimile transmission or email attaching a pdf or similar bit-mapped image of a signed writing, addressed to The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, Attention: Depository Receipt Administration, or any other place to which the Depository may have transferred its Office with notice to the Company.

Delivery of a notice to the Company or Depository by mail or air courier shall be deemed effected when deposited, postage prepaid, in a post-office letter box or received by an air courier service. Delivery of a notice to the Company or Depository sent by facsimile transmission or email shall be deemed effected when the recipient acknowledges receipt of that notice.

A notice to be given to an Owner shall be deemed to have been duly given when Disseminated to that Owner. Dissemination in paper form will be effective when personally delivered or sent by first class domestic or international air mail or air courier, addressed to that Owner at the address of that Owner as it appears on the transfer books for American Depositary Shares of the Depository, or, if that Owner has filed with the Depository a written request that notices intended for that Owner be mailed to some other address, at the address designated in that request. Dissemination in electronic form will be effective when sent in the manner consented to by the Owner to the electronic address most recently provided by the Owner for that purpose.

SECTION 7.6. Appointment of Agent for Service of Process; Submission to Jurisdiction; Jury Trial Waiver.

The Company hereby (i) designates and appoints the person named in Exhibit A to this Deposit Agreement, located in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement (a "Proceeding"), (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any Proceeding may be instituted and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any Proceeding. The Company agrees to deliver to the Depository, upon the execution and delivery of this Deposit Agreement, a written acceptance by the agent named in Exhibit A to this Deposit Agreement of its appointment as process agent. The Company further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue that designation and appointment in full force and effect, or to appoint and maintain the appointment of another process agent located in the United States as required above, and to deliver to the Depository a written acceptance by that agent of that appointment, for so long as any American Depositary Shares or Receipts remain outstanding or this Deposit Agreement remains in force. In the event the Company fails to maintain the designation and appointment of a process agent in the United States in full force and effect, the Company hereby waives personal service of process upon it and consents that a service of process in connection with a Proceeding may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices under this Deposit Agreement, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

EACH PARTY TO THIS DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN

ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THIS DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING, WITHOUT LIMITATION, ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

SECTION 7.7. Waiver of Immunities.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any immunity of that kind and consents to relief and enforcement as provided above.

SECTION 7.8. Governing Law.

This Deposit Agreement and the Receipts shall be interpreted in accordance with and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the laws of the State of New York.

IN WITNESS WHEREOF, MIZUHO FINANCIAL GROUP, INC. and THE BANK OF NEW YORK MELLON have duly executed this Deposit Agreement as of the day and year first set forth above and all Owners and Holders shall become parties hereto upon acceptance by them of American Depositary Shares or any interest therein.

MIZUHO FINANCIAL GROUP, INC.

By: \_\_\_\_\_

Name: Makoto Umemiya

Title: Chief Financial Officer

THE BANK OF NEW YORK MELLON,  
as Depositary

By: \_\_\_\_\_

Name:

Title:

EXHIBIT A

UPON SURRENDER OF THIS RECEIPT, AS A RESULT OF, AND TO THE EXTENT REQUIRED BY, THE OPERATION OF THE JAPANESE COMPANIES ACT OR ANY OTHER JAPANESE LAW, THE DEPOSITARY WILL EFFECT THE DELIVERY TO THE OWNER HEREOF, OF SHARES OF MIZUHO FINANCIAL GROUP, INC. REPRESENTED BY THE AMERICAN DEPOSITARY SHARES EVIDENCED HEREBY ONLY IN 100 SHARE UNITS (OR SUCH OTHER NUMBER OF SHARES AS THE ARTICLES OF INCORPORATION OF MIZUHO FINANCIAL GROUP, INC. MAY PROVIDE AS A "UNIT OF SHARES" FOR THE PURPOSE OF THE JAPANESE COMPANIES ACT, AS SUCH ARTICLES OF INCORPORATION MAY BE AMENDED FROM TIME TO TIME) OR AN INTEGRAL MULTIPLE THEREOF.

AMERICAN DEPOSITARY SHARES  
(Each American Depositary Share represents  
two (2) deposited Shares)

THE BANK OF NEW YORK MELLON  
AMERICAN DEPOSITARY RECEIPT  
FOR COMMON SHARES OF  
MIZUHO FINANCIAL GROUP, INC.  
(INCORPORATED UNDER THE LAWS OF JAPAN)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that \_\_\_\_\_, or registered assigns IS THE OWNER OF

\_\_\_\_\_

AMERICAN DEPOSITARY SHARES

representing deposited common shares (herein called "Shares") of Mizuho Financial Group, Inc., incorporated under the laws of Japan (herein called the "Company"). At the date hereof, each American Depositary Share represents two (2) Shares deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) with a custodian for the Depositary (herein called the "Custodian") that, as of the date of the Deposit Agreement, was Mizuho Bank, Ltd. located in Tokyo. The Depositary's Office is located at a different address than its principal executive office. Its Office is located at 101 Barclay Street, New York, N.Y. 10286, and its principal executive office is located at 225 Liberty Street, New York, N.Y. 10286.

THE DEPOSITARY'S OFFICE ADDRESS IS  
101 BARCLAY STREET, NEW YORK, N.Y. 10286

1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called “Receipts”), all issued and to be issued upon the terms and conditions set forth in the amended and restated Deposit Agreement dated as of \_\_\_\_\_ (herein called the “Deposit Agreement”) among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and Holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of those Shares and held thereunder (those Shares, securities, property, and cash are herein called “Deposited Securities”). Copies of the Deposit Agreement are on file at the Depositary’s Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

2. SURRENDER OF AMERICAN DEPOSITARY SHARES AND WITHDRAWAL OF SHARES.

Upon surrender at the Depositary’s Office of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby and payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.9 of the Deposit Agreement and payment of all taxes and governmental charges payable in connection with that surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of the Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery (to the extent delivery can then be lawfully and practicably made), to or as instructed by that Owner, of the amount of Deposited Securities at the time represented by those American Depositary Shares, but not any money or other property as to which a record date for distribution to Owners has passed (since money or other property of that kind will be delivered or paid on the scheduled payment date to the Owner as of that record date). The Depositary shall direct the Custodian with respect to delivery of Deposited Securities and may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission. That delivery will be made, at the office of the Custodian, except that, at the request, risk and expense of the surrendering Owner, and for the account of that Owner, the Depositary shall direct the Custodian to forward any cash or other property comprising, and forward a certificate or certificates, if applicable, and other proper documents of title, if any, for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Depositary’s Office or to another address specified in the order received from the surrendering Owner.

3. REGISTRATION OF TRANSFER OF AMERICAN DEPOSITARY SHARES; COMBINATION AND SPLIT-UP OF RECEIPTS; INTERCHANGE OF CERTIFICATED AND UNCERTIFICATED AMERICAN DEPOSITARY SHARES.

The Depositary, subject to the terms and conditions of the Deposit Agreement, shall register a transfer of American Depositary Shares on its transfer books upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of that Agreement), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Upon registration of a transfer, the Depositary shall deliver the transferred American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of the Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute

and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel the Receipt evidencing those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and register and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of the Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the registration of transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement, or for any other reason. Notwithstanding anything to the contrary in the Deposit Agreement or this Receipt, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. The Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares that, at the time of deposit, are Restricted Securities. Upon surrender of American Depositary Shares for the purpose of withdrawal by an Owner to the Depositary, as a result of, and to the extent required by, the operation of applicable provisions of the Japanese Companies Act or any other Japanese law, the Depositary will effect the delivery to such Owner of only that portion of Shares (and any other Deposited Securities relating to such Shares) comprising a Unit or an integral multiple thereof (the "deliverable portion"). For the purpose of the foregoing sentence, the deliverable portion shall be determined on the basis of the aggregate number of Shares represented by the entire amount of the American Depositary Shares surrendered by the same Owner at the same time. The Depositary will promptly advise such Owner as to the amount of Shares and other Deposited Securities, if any, constituting a non-deliverable portion and shall deliver to such Owner American Depositary Shares representing such non-deliverable portion. In addition, the Depositary shall notify such Owner of the additional amount of American Depositary Shares which such Owner would be required to surrender in order for the Depositary to effect delivery of all the Shares and other Deposited Securities represented by the American Depositary Shares of such Owner.



#### 4. LIABILITY OF OWNER FOR TAXES.

If any tax or other governmental charge shall become payable by the Custodian or the Depository with respect to or in connection with any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares or in connection with a transaction to which Section 4.8 of the Deposit Agreement applies, that tax or other governmental charge shall be payable by the Owner of those American Depositary Shares to the Depository. The Depository may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until that payment is made, and may withhold any dividends or other distributions or the proceeds thereof, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply those dividends or other distributions or the net proceeds of any sale of that kind in payment of that tax or other governmental charge but, even after a sale of that kind, the Owner shall remain liable for any deficiency. The Depository shall distribute any net proceeds of a sale made under Section 3.2 of the Deposit Agreement that are not used to pay taxes or governmental charges to the Owners entitled to them in accordance with Section 4.1 of the Deposit Agreement. If the number of Shares represented by each American Depositary Share decreases as a result of a sale of Deposited Securities under Section 3.2 of the Deposit Agreement, the Depository may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

#### 5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that those Shares and each certificate therefor, if applicable, are validly issued, fully paid and nonassessable and were not issued in violation of any preemptive or similar rights of the holders of outstanding securities of the Company and that the person making that deposit is duly authorized so to do. Every depositing person shall also be deemed to represent that the Shares, at the time of deposit, are not Restricted Securities. All representations and warranties deemed made under Section 3.3 of the Deposit Agreement shall survive the deposit of Shares and delivery of American Depositary Shares.

#### 6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depository or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depository may deem necessary or proper. The Depository may withhold the delivery or registration of transfer of any American Depositary Shares, the distribution of any dividend or other distribution or of the proceeds thereof or the delivery of any Deposited Securities until that proof or other information is filed or those certificates are executed or those representations and warranties are made. As conditions of accepting Shares for deposit, the Depository may require (i) any certification required by the Depository or the Custodian in accordance with the provisions of the Deposit Agreement, (ii) a written order directing the Depository to deliver to, or upon the written order of, the person or persons stated in that order, the number of American Depositary Shares representing those Deposited Shares, (iii) evidence satisfactory to the Depository that those Shares have been re-registered in the books of the Company or the Foreign Registrar in the name of the Depository, a Custodian or a nominee of the Depository or a Custodian, (iv) evidence satisfactory to the Depository that any necessary approval has been granted by any governmental body in each applicable jurisdiction and (v) an agreement or assignment, or other instrument satisfactory to the Depository, that provides for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property, that any person in whose name those Shares are or have been recorded may thereafter receive upon or in respect of those Shares, or, in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depository.

## 7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable (including SWIFT) and facsimile transmission fees and expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.5 of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3 or 4.4 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.5 or 6.2 of the Deposit Agreement, (6) a fee of \$.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.1 through 4.4 and 4.8 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.2 of the Deposit Agreement or of rights pursuant to Section 4.4 of that Agreement (where the Depositary will not exercise or sell those rights on behalf of Owners), such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities under the Deposit Agreement (for purposes of this item 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under item 6, a fee of \$.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in item 9 below, and (9) any other charges payable by the Depositary or the Custodian, any of the Depositary's or Custodian's agents or the agents of the Depositary's or Custodian's agents, in connection with the servicing of Shares or other Deposited Securities (which charges shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing those Owners for those charges or by deducting those charges from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to Owners that are obligated to pay those fees.

The Depositary, subject to Article 8 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

From time to time, the Depositary may make payments to the Company to reimburse the Company for costs and expenses generally arising out of establishment and maintenance of the American Depositary Shares program, waive fees and expenses for services provided by the Depositary or share revenue from the fees collected from Owners or Holders. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

## 8. PRE-RELEASE OF AMERICAN DEPOSITARY SHARES.

Notwithstanding Section 2.3 of the Deposit Agreement, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.2 of the Deposit Agreement (a "Pre-Release"). The Depositary may, pursuant to Section 2.5 of the Deposit Agreement, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not that surrender is prior to the termination of that Pre-Release or the Depositary knows that those American Depositary Shares have been

Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release must be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered, that such person, or its customer, owns the Shares or American Depositary Shares to be remitted, as the case may be, (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to all indemnities and credit regulations that the Depositary deems appropriate. The number of American Depositary Shares outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of all American Depositary Shares outstanding; provided, however, that the Depositary reserves the right to change or disregard that limit from time to time as it reasonably deems appropriate.

The Depositary may retain for its own account any compensation received by it in connection with Pre-Release.

#### 9. TITLE TO AMERICAN DEPOSITARY SHARES.

It is a condition of the American Depositary Shares, and every successive Owner and Holder of American Depositary Shares, by accepting or holding the same, consents and agrees that American Depositary Shares evidenced by a Receipt, when the Receipt is properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of the State of New York, and that American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of the State of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depositary Shares, but only to the Owner.

#### 10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or the Registrar or a co-registrar.

#### 11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the Securities and Exchange Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system or at public reference facilities maintained by the Commission in Washington, D.C.

The Depositary will make available for inspection by Owners at its Office any reports, notices and other communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of those Deposited Securities by the Company. The Company shall furnish reports and communications, including any proxy soliciting material to which Section 4.9 of the Deposit Agreement applies, to the Depositary in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will keep books for the registration of American Depositary Shares and transfers of American Depositary Shares, which shall be open for inspection by the Owners at the Depositary's Office during

regular business hours, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

## 12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary receives any cash dividend or other cash distribution on Deposited Securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into Dollars transferable to the United States, and subject to the Deposit Agreement, convert that dividend or other cash distribution into Dollars, as promptly as practicable, and distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement) to the Owners entitled thereto; provided, however, that if the Custodian or the Depositary is required to withhold and does withhold from that cash dividend or other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing those Deposited Securities shall be reduced accordingly. If a cash distribution would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may require surrender of those American Depositary Shares and may require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that cash distribution. A distribution of that kind shall be a Termination Option Event.

Subject to the provisions of Section 4.11 and 5.9 of the Deposit Agreement, whenever the Depositary receives any distribution other than a distribution described in Section 4.1, 4.3 or 4.4 of the Deposit Agreement on Deposited Securities (but not in exchange for or in conversion or in lieu of Deposited Securities), the Depositary will, as promptly as practicable, cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary and any taxes or other governmental charges, in any manner that the Depositary deems equitable and practicable for accomplishing that distribution (which may be a distribution of depositary shares representing the securities received); provided, however, that if in the reasonable opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be lawful and feasible, the Depositary may adopt such other method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and distribution of the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement) to the Owners entitled thereto all in the manner and subject to the conditions set forth in Section 4.1 of the Deposit Agreement. The Depositary may withhold any distribution of securities under Section 4.2 of the Deposit Agreement if it has not received satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Article that is sufficient to pay its fees and expenses in respect of that distribution. If a distribution under Section 4.2 of the Deposit Agreement would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may require surrender of those American Depositary Shares and may require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that distribution. A distribution of that kind shall be a Termination Option Event.

Whenever the Depositary receives any distribution consisting of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, an aggregate number of American Depositary Shares representing the amount of Shares received as that dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof

and Section 5.9 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of Shares received (or American Depositary Shares representing those Shares) sufficient to pay its fees and expenses in respect of that distribution). In lieu of delivering fractional American Depositary Shares, the Depositary may sell the amount of Shares represented by the aggregate of those fractions (or American Depositary Shares representing those Shares or, if such sale is not possible with respect to any portion of such Shares which is less than a full Share, or a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of Japanese law and the articles of association, or similar documents of the Company) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.1 of the Deposit Agreement. No delivery to Owners pursuant to Section 4.3 of the Deposit Agreement shall be unreasonably delayed by any action of the Depositary or the Custodian. If and to the extent that additional American Depositary Shares are not delivered and Shares or American Depositary Shares are not sold, each American Depositary Share shall thenceforth also represent the additional Shares distributed on the Deposited Securities represented thereby.

If the Company declares a distribution in which holders of Deposited Securities have a right to elect whether to receive cash, Shares or other securities or a combination of those things, or a right to elect to have a distribution sold on their behalf, the Depositary may, after consultation with the Company, make that right of election available for exercise by Owners any manner the Depositary considers to be lawful and practical. As a condition of making a distribution election right available to Owners, the Depositary may require satisfactory assurances from the Company that doing so does not require registration of any securities under the Securities Act of 1933.

If the Depositary determines that any distribution received or to be made by the Depositary (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge that the Depositary is obligated to withhold, the Depositary may sell, by public or private sale, all or a portion of the distributed property (including Shares and rights to subscribe therefor) in the amounts and manner the Depositary deems necessary and practicable to pay any those taxes or charges, and the Depositary shall distribute the net proceeds of that sale, after deduction of those taxes or charges, to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it. Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, the Deposit Agreement.

### 13. RIGHTS.

(a) If rights are granted to the Depositary in respect of deposited Shares to purchase additional Shares or other securities, the Company and the Depositary shall endeavor to consult as to the actions, if any, the Depositary should take in connection with that grant of rights. The Depositary may, to the extent deemed by it to be lawful and practical (i) if requested in writing by the Company, grant to all or certain Owners rights to instruct the Depositary to purchase the securities to which the rights relate and deliver those securities or American Depositary Shares representing those securities to Owners, (ii) if requested in writing by the Company, deliver the rights to or to the order of certain Owners, or (iii) sell the rights to the extent practicable and distribute the net proceeds of that sale to Owners entitled to those proceeds. To the extent rights are not exercised, delivered or disposed of under (i), (ii) or (iii) above, the Depositary shall permit the rights to lapse unexercised.

(b) If the Depositary will act under (a)(i) above, the Company and the Depositary will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon instruction from

an applicable Owner in the form the Depository specified and upon payment by that Owner to the Depository of an amount equal to the purchase price of the securities to be received upon the exercise of the rights, the Depository shall, on behalf of that Owner, exercise the rights and purchase the securities. The purchased securities shall be delivered to, or as instructed by, the Depository. The Depository shall (i) deposit the purchased Shares under the Deposit Agreement and deliver American Depositary Shares representing those Shares to that Owner or (ii) deliver or cause the purchased Shares or other securities to be delivered to or to the order of that Owner. The Depository will not act under (a)(i) above unless the offer and sale of the securities to which the rights relate are registered under the Securities Act of 1933 or the Depository has received an opinion of United States counsel that is satisfactory to it to the effect that those securities may be sold and delivered to the applicable Owners without registration under the Securities Act of 1933.

(c) If the Depository will act under (a)(ii) above, the Company and the Depository will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon (i) the request of an applicable Owner to deliver the rights allocable to the American Depositary Shares of that Owner to an account specified by that Owner to which the rights can be delivered and (ii) receipt of such documents as the Company and the Depository agreed to require to comply with applicable law, the Depository will deliver those rights as requested by that Owner.

(d) If the Depository will act under (a)(iii) above, the Depository will use reasonable efforts to sell the rights in proportion to the number of American Depositary Shares held by the applicable Owners and pay the net proceeds to the Owners otherwise entitled to the rights that were sold, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

(e) Payment or deduction of the fees of the Depository as provided in Section 5.9 of the Deposit Agreement and payment or deduction of the expenses of the Depository and any applicable taxes or other governmental charges shall be conditions of any delivery of securities or payment of cash proceeds under Section 4.4 of that Agreement.

(f) The Depository shall not be responsible for any failure to determine that it may be lawful or feasible to make rights available to or exercise rights on behalf of Owners in general or any Owner in particular, or to sell rights.

#### 14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depository or the Custodian receives foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depository be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depository shall, as promptly as practicable, convert or cause to be converted by sale or in any other manner that it may determine that foreign currency into Dollars, and those Dollars shall be distributed to the Owners entitled thereto. A cash distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners based on exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depository as provided in Section 5.9 of the Deposit Agreement.

If a conversion of foreign currency or the repatriation or distribution of Dollars can be effected only with the approval or license of any government or agency thereof, the Depository may, but will not be required to, file an application for that approval or license.

If the Depository determines that in its judgment any foreign currency received by the Depository or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any

approval or license of any government or agency thereof that is required for such conversion is not filed or sought by the Depositary or is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make that conversion and distribution in Dollars to the extent practicable and permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold that balance uninvested and without liability for interest thereon for the account of, the Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.3 of that Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

#### 15. RECORD DATES.

Whenever a cash dividend, cash distribution or any other distribution is made on Deposited Securities or rights to purchase Shares or other securities are issued with respect to Deposited Securities (which rights will be delivered to or exercised or sold on behalf of Owners in accordance with Section 4.4 of the Deposit Agreement) or the Depositary receives notice that a distribution or issuance of that kind will be made, or whenever the Depositary receives notice that a meeting of holders of Shares will be held in respect of which the Company has requested the Depositary to send a notice under Section 4.7 of the Deposit Agreement, or whenever the Depositary will assess a fee or charge against the Owners, or whenever the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary otherwise finds it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date set by the Company with respect to Shares, (a) for the determination of the Owners (i) who shall be entitled to receive the benefit of that dividend or other distribution or those rights, (ii) who shall be entitled to give instructions for the exercise of voting rights at that meeting, (iii) who shall be responsible for that fee or charge or (iv) for any other purpose for which the record date was set, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.1 through 4.5 of the Deposit Agreement and to the other terms and conditions of the Deposit Agreement, the Owners on a record date fixed by the Depositary shall be entitled to receive the amount distributable by the Depositary with respect to that dividend or other distribution or those rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively, to give voting instructions or to act in respect of the other matter for which that record date was fixed, or be responsible for that fee or charge, as the case may be.

#### 16. VOTING OF DEPOSITED SHARES.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, Disseminate to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the

Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares, (iii) a statement as to the manner in which those instructions may be given or deemed given in accordance with the last sentence of paragraph (b) below if no instruction is received, to the Depositary to give a discretionary proxy to a person designated by the Company, and (iv) the last date on which the Depositary will accept instructions (the “Instruction Cutoff Date”).

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. So long as under the articles of association or other similar documents of the Company and Japanese law votes may only be cast in respect of one or more whole Units of Shares, (i) the same instructions received from Owners shall be aggregated and the Depositary shall, subject to applicable law and market practice, endeavor to vote or cause to be voted the number of whole Units in respect of which such instructions as so aggregated have been received, in accordance with such instructions, and (ii) such Owners acknowledge and agree that, if the Depositary has received the same instructions any portion of which, after aggregation of all such instructions, constitutes instructions with respect to less than a whole Unit of Shares, the Depositary will be unable to vote or cause to be voted the Shares to which such portion of the instructions applies. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary or as provided in the following sentence. If (i) the Company instructed the Depositary to Disseminate a notice under paragraph (a) above and complied with paragraph (d) below and (ii) no instructions are received by the Depositary from an Owner with respect to a matter and an amount of American Depositary Shares of that Owner on or before the Instruction Cutoff Date, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that matter and the amount of deposited Shares represented by that amount of American Depositary Shares and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of deposited Shares as to that matter, except that no instruction of that kind shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide such information as promptly as practicable in writing, if applicable) that (x) the Company does not wish a proxy given, (y) substantial opposition exists or (z) the matter materially and adversely affects the rights of holders of Shares.

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) If the Company will request the Depositary to Disseminate a notice under paragraph (a) above, the Company shall give the Depositary notice of the meeting, details concerning the matters to be voted upon and copies of materials to be made available to holders of Shares in connection with the meeting as far in advance of the meeting date as practicable.

#### 17. TENDER AND EXCHANGE OFFERS; REDEMPTION, REPLACEMENT OR CANCELLATION OF DEPOSITED SECURITIES.

(a) The Depositary shall not tender any Deposited Securities in response to any voluntary cash tender offer, exchange offer or similar offer made to holders of Deposited Securities (a “Voluntary Offer”), except when instructed in writing to do so by an Owner surrendering American Depositary Shares and subject to any conditions or procedures the Depositary may require.



(b) If the Depositary receives a written notice that Deposited Securities have been redeemed for cash or otherwise purchased for cash in a transaction that is mandatory and binding on the Depositary as a holder of those Deposited Securities (a “Redemption” (including all forms and tenses of that term)), the Depositary, at the expense of the Company, shall (i) if required, surrender Deposited Securities that have been redeemed to the issuer of those securities or its agent on the redemption date, (ii) Disseminate a notice to Owners (A) notifying them of that Redemption, (B) calling for surrender of a corresponding number of American Depositary Shares and (C) notifying them that the called American Depositary Shares have been converted into a right only to receive the money received by the Depositary upon that Redemption and those net proceeds shall be the Deposited Securities to which Owners of those converted American Depositary Shares shall be entitled upon surrenders of those American Depositary Shares in accordance with Section 2.5 or 6.2 of the Deposit Agreement and (iii) distribute the money received upon that Redemption to the Owners entitled to it upon surrender by them of called American Depositary Shares in accordance with Section 2.5 of that Agreement (and, for the avoidance of doubt, Owners shall not be entitled to receive that money under Section 4.1 of that Agreement). If the Redemption affects less than all the Deposited Securities, the Depositary shall call for surrender a corresponding portion of the outstanding American Depositary Shares and only those American Depositary Shares will automatically be converted into a right to receive the net proceeds of the Redemption. The Depositary shall allocate the American Depositary Shares converted under the preceding sentence among the Owners pro-rata to their respective holdings of American Depositary Shares immediately prior to the Redemption, except that the allocations may be adjusted so that no fraction of a converted American Depositary Share is allocated to any Owner. A Redemption of all or substantially all of the Deposited Securities shall be a Termination Option Event.

(c) If the Depositary is notified of or there occurs any change in nominal value or any subdivision, combination or any other reclassification of the Deposited Securities or any recapitalization, reorganization, sale of assets substantially as an entirety, merger or consolidation affecting the issuer of the Deposited Securities or to which it is a party that is mandatory and binding on the Depositary as a holder of Deposited Securities and, as a result, securities or other property have been or will be delivered in exchange, conversion, replacement or in lieu of, Deposited Securities (a “Replacement”), the Depositary shall, if required, surrender the old Deposited Securities affected by that Replacement of Shares and hold, as new Deposited Securities under the Deposit Agreement, the new securities or other property delivered to it in that Replacement. However, the Depositary may elect to sell those new Deposited Securities if in the reasonable opinion of the Depositary it is not lawful or not practical for it to hold those new Deposited Securities under the Deposit Agreement because those new Deposited Securities may not be distributed to Owners without registration under the Securities Act of 1933 or for any other reason, at public or private sale, at such places and on such terms as it deems proper and proceed as if those new Deposited Securities had been Redeemed under paragraph (b) above, provided that the Depositary shall provide the Company with prior notice as promptly as practicable if the Depositary becomes aware that a Termination Option Event may take place. A Replacement shall be a Termination Option Event, provided that the Depositary shall provide the Company with prior notice as promptly as practicable if the Depositary becomes aware that a Termination Option Event may take place.

(d) In the case of a Replacement where the new Deposited Securities will continue to be held under the Deposit Agreement, the Depositary may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing the new Deposited Securities and the number of those new Deposited Securities represented by each American Depositary Share. If the number of Shares represented by each American Depositary Share decreases as a result of a Replacement, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

(e) If there are no Deposited Securities with respect to American Depositary Shares, including if the Deposited Securities are cancelled, or the Deposited Securities with respect to American Depositary Shares become apparently worthless, the Depositary may call for surrender of those American Depositary Shares or may cancel those American Depositary Shares, upon notice to Owners, and a Termination Option Event occurs.

## 18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder:

(i) if by reason of (A) any provision of any present or future law or regulation or other act of the government of the United States, any State of the United States or any other state or jurisdiction, or of any governmental or regulatory authority or stock exchange; (B) (in the case of the Depositary only) any provision, present or future, of the articles of association or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof; or (C) any event or circumstance, whether natural or caused by a person or persons, that is beyond the ability of the Depositary or the Company, as the case may be, to prevent or counteract by reasonable care or effort (including, but not limited to earthquakes, floods, severe storms, fires, explosions, war, terrorism, civil unrest, labor disputes or criminal acts; interruptions or malfunctions of utility services, Internet or other communications lines or systems; unauthorized access to or attacks on computer systems or websites; or other failures or malfunctions of computer hardware or software or other systems or equipment), the Depositary or the Company is, directly or indirectly, prevented from, forbidden to or delayed in, or could be subject to any civil or criminal penalty on account of doing or performing and therefore does not do or perform, any act or thing that, by the terms of the Deposit Agreement or the Deposited Securities, it is provided shall be done or performed;

(ii) for any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement (including any determination by the Depositary to take, or not take, any action that the Deposit Agreement provides the Depositary may take);

(iii) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or Holders; or

(iv) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement.

Where, by the terms of a distribution to which Section 4.1, 4.2 or 4.3 of the Deposit Agreement applies, or an offering to which Section 4.4 of that Agreement applies, or for any other reason, that distribution or offering may not be made available to Owners, and the Depositary may not dispose of that distribution or offering on behalf of Owners and make the net proceeds available to Owners, then the Depositary shall not make that distribution or offering available to Owners, and shall allow any rights, if applicable, to lapse.

Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or Holders, except that they agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or Holder or other person. Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or Holder, or any other person believed by it in good faith to be competent to give such advice or information. Each of the Depositary and the Company may rely, and shall be protected in relying upon, any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with a matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises, the Depositary performed its obligations without negligence

or bad faith while it acted as Depositary. The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of American Depositary Shares or Deposited Securities or otherwise. In the absence of bad faith on its part, the Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such vote is cast or the effect of any such vote. The Depositary shall have no duty to make any determination or provide any information as to the tax status of the Company or any liability for any tax consequences that may be incurred by Owners or Holders as a result of owning or holding American Depositary Shares. No disclaimer of liability under the Securities Act of 1933 is intended by any provision of the Deposit Agreement.

#### 19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN.

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its election so to do delivered to the Company, to become effective upon the appointment of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by 90 days' prior written notice of that removal, to become effective upon the later of (i) the 90th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depository and its acceptance of its appointment as provided in the Deposit Agreement. The Depositary in its discretion may at any time appoint a substitute or additional custodian or custodians.

#### 20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment that would impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that would otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of 30 days after notice of that amendment has been Disseminated to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to that amendment and to be bound by the Deposit Agreement as amended thereby. Upon the effectiveness of an amendment to the form of Receipt, including a change in the number of Shares represented by each American Depositary Share, the Depositary may call for surrender of Receipts to be replaced with new Receipts in the amended form or call for surrender of American Depositary Shares to effect that change of ratio. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive delivery of the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

#### 21. TERMINATION OF DEPOSIT AGREEMENT.

(a) The Company may initiate termination of the Deposit Agreement by notice to the Depositary. The Depositary may initiate termination of the Deposit Agreement if (i) at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and a successor depository has not been appointed and accepted its appointment as provided in Section 5.4 of that Agreement, (ii) an Insolvency Event or Delisting Event occurs with respect to the Company or (iii) a Termination Option Event has occurred. If termination of the Deposit Agreement is initiated, the Depositary shall Disseminate a notice of termination to the Owners of all American Depositary Shares then outstanding setting a date for termination (the "Termination Date"), which shall be at least 90 days after the date of that notice, and the Deposit Agreement shall terminate on that Termination Date.

(b) After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depository under Sections 5.8 and 5.9 of that Agreement.

(c) At any time after the Termination Date, the Depository may sell the Deposited Securities then held under the Deposit Agreement (or, if such sale is not possible with respect to any portion of such Shares which is less than a full Share, or a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of Japanese law and the articles of association, or similar documents of the Company) and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depository Shares that remain outstanding, and those Owners will be general creditors of the Depository with respect to those net proceeds and that other cash. After making that sale, the Depository shall be discharged from all obligations under the Deposit Agreement, except (i) to account for the net proceeds and other cash (after deducting, in each case, the fee of the Depository for the surrender of American Depository Shares, any expenses for the account of the Owner of such American Depository Shares in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges) and (ii) for its obligations under Section 5.8 of that Agreement and (iii) to act as provided in paragraph (d) below.

(d) After the Termination Date, the Depository shall continue to receive dividends and other distributions pertaining to Deposited Securities (that have not been sold), may sell rights and other property as provided in the Deposit Agreement and shall deliver Deposited Securities (or sale proceeds) upon surrender of American Depository Shares (after payment or upon deduction, in each case, of the fee of the Depository for the surrender of American Depository Shares, any expenses for the account of the Owner of those American Depository Shares in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges). After the Termination Date, the Depository shall not accept deposits of Shares or deliver American Depository Shares. After the Termination Date, (i) the Depository may refuse to accept surrenders of American Depository Shares for the purpose of withdrawal of Deposited Securities (that have not been sold) if in its judgment the requested withdrawal would interfere with its efforts to sell the Deposited Securities, (ii) the Depository will not be required to deliver cash proceeds of the sale of Deposited Securities until all Deposited Securities have been sold and (iii) the Depository may discontinue the registration of transfers of American Depository Shares and suspend the distribution of dividends and other distributions on Deposited Securities to the Owners and need not give any further notices or perform any further acts under the Deposit Agreement except as provided in Section 6.2 of that Agreement.

## 22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.4 of the Deposit Agreement, the parties acknowledge that DTC's Direct Registration System ("DRS") and Profile Modification System ("Profile") apply to the American Depository Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC that facilitates interchange between registered holding of uncertificated securities and holding of security entitlements in those securities through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of an Owner of American Depository Shares, to direct the Depository to register a transfer of those American Depository Shares to DTC or its nominee and to deliver those American Depository Shares to the DTC account of that DTC participant without receipt by the Depository of prior authorization from the Owner to register that transfer.

(b) In connection with DRS/Profile, the parties acknowledge that the Depository will not determine whether the DTC participant that is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery described in paragraph (a) above has the actual authority to act on behalf of that Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 of the Deposit Agreement apply to the matters arising from the use of the DRS/Profile. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile system and otherwise in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depository.

23. APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

The Company has (i) appointed Mizuho Bank, Ltd., New York Branch, located in the State of New York with offices at 1251 Avenue of the Americas, New York, NY 10020, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

24. DISCLOSURE OF INTERESTS.

When required in order to comply with applicable laws and regulations or the articles of association or similar document of the Company, the Company may from time to time request each Owner and Holder to provide to the Depositary information relating to: (a) the capacity in which it holds American Depositary Shares, (b) the identity of any Holders or other persons or entities then or previously interested in those American Depositary Shares and the nature of those interests and (c) any other matter where disclosure of such matter is required for that compliance. Each Owner and Holder agrees to provide all information known to it in response to a request made pursuant to Section 3.4 of the Deposit Agreement. Each Holder consents to the disclosure by the Owner or other Holder through which it holds American Depositary Shares, directly or indirectly, of all information responsive to a request made pursuant to that Section relating to that Holder that is known to that Owner or other Holder.

**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 3, 2018

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 3, 2018

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, 2018 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 3, 2018

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 3, 2018, 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, 2018.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
July 3, 2018