

MIZUHO FINANCIAL GROUP INC

Form 6-K

January 13, 2017

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of January 2017

Commission File Number 001-33098

Mizuho Financial Group, Inc.

(Translation of registrant's name into English)

5-5, Otemachi 1-chome

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Chiyoda-ku, Tokyo 100-8176

Japan

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Table of Contents

This report on Form 6-K shall be deemed to be incorporated by reference into the prospectus forming a part of Mizuho Financial Group, Inc.'s Registration Statement on Form F-3 (File No. 333-213187) and to be a part of such prospectus from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

EXHIBITS

Exhibit Number

15.	<u>Acknowledgment Letter of Ernst & Young ShinNihon LLC</u>
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

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 13, 2017

Mizuho Financial Group, Inc.

By: /s/ Yasuhiro Sato

Name: Yasuhiro Sato

Title: President & CEO

Table of Contents

Unless otherwise specified, for purposes of this report, we have presented our financial information in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

Table of Contents

	Page
<u>Recent Developments</u>	2
<u>Accounting Changes</u>	7
<u>Operating Results</u>	8
<u>Business Segments Analysis</u>	13
<u>Financial Condition</u>	16
<u>Liquidity</u>	24
<u>Capital Adequacy</u>	26
<u>Off-balance-sheet Arrangements</u>	32
<u>Consolidated Balance Sheets (Unaudited)</u>	F-1
<u>Consolidated Statements of Income (Unaudited)</u>	F-3
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	F-4
<u>Consolidated Statements of Equity (Unaudited)</u>	F-5
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	F-6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	F-7

Table of Contents**Recent Developments**

The following is a summary of significant business developments since March 31, 2016 relating to Mizuho Financial Group, Inc.

Operating Environment

As to the recent economic environment, the gradual recovery in the global economy has continued both in industrialized countries and in emerging countries. This recovery is expected to continue particularly in the United States, but it remains necessary to monitor the United States' policy direction under its new presidency, political concerns in Europe and the economic outlook for China. In the United States, the economy continued to recover due to such factors as generally improved employment conditions, steady consumer spending and increase in exports. It is expected that the gradual recovery in the economy will continue, supported by policies under the new presidency. However, increasing uncertainty about the effect of renewed monetary and trade policies by the new administration requires continued monitoring. In Europe, the economy continued to recover gradually, but the pace of the recovery has slowed due to the growing uncertainty related to the United Kingdom's referendum to leave the European Union. As for the future outlook, the recovery is expected to be weakening because of the prolonged cautious stance of companies in light of the various political issues in Europe. The political situation in Europe, including negotiations regarding the United Kingdom's withdrawal from the European Union, referendums and elections in some countries, and the effect of debt problems in southern Europe require further monitoring. In Asia, the pace of growth in the economy of China continued its gradual slowdown. While the resolution of excess capital assets in the manufacturing sector has been promoted, government policies have worked to mitigate such downward pressure on the Chinese economy. Although measures regarding the excess capital assets will continue to be a burden, the pace of the economic slowdown in China is likely to remain gradual due mainly to the continued improvement in exports and the successive support through government policies. The economies in emerging countries are becoming stabilized because of China's enduring economy and the recovery of crude oil prices. In the coming year, it is expected that the growth of their economies will remain gradual because of such factors as the strong U.S. dollar caused by the rise in interest rates, the depreciation of currencies in emerging countries and the increasing pressure of capital outflows. In Japan, the economy overcame the leveling off phase and has gradually been recovering due to such factors as the improvement in exports, the support of government policies and the bottoming out of consumer spending. As for the future outlook of the Japanese economy, it is expected to continue on its gradual recovery path, with the implementation of public investment by the government as a part of its economic measures and the expected increase in exports as a result of the depreciation of the yen, while increasing global economic uncertainty and foreign exchange trends require continued monitoring.

Japan's real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, increased by 1.1% in the third quarter of calendar 2016. Japan's real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, increased consecutively from the second quarter of calendar 2015 through the third quarter of calendar 2016.

The Japanese government has been stating in its monthly economic reports that the Japanese economy is on a moderate recovery, while noting that weakness can be seen recently from March 2016 through November 2016, which was revised to delayed improvement in part can be seen in December 2016. The report in December 2016 also partially revised other recent observations, noting that private consumption shows movements of picking up, corporate profits improvement appears to be pausing, although they remain at a

high level, firms judgment on current business conditions is improving slowly, the employment situation is improving, industrial production is picking up and exports show movements of picking up. The report also notes that business investment improvement appears to be pausing and consumer prices (excluding fresh food, petroleum products and other specific components) are flat.

In September 2016, the Bank of Japan decided to introduce quantitative and qualitative monetary easing with yield curve control by strengthening the two previous policy frameworks, quantitative and qualitative monetary easing (QQE) and QQE with a negative interest rate. The new policy

Table of Contents

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, (2) an inflation-overshooting commitment in which the Bank of Japan commits itself to expanding the monetary base until the year-on-year rate of increase in the observed consumer price index exceeds the price stability target of 2 percent 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 balance in current accounts held by financial institutions at the Bank of Japan, while for long-term interest rates, it would purchase Japanese government bonds so that the yield of 10-year Japanese government bonds will remain around 0% to control long-term interest rates. 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 (extending the longest maturity of the operation of one year).

The yield on newly issued 10-year Japanese government bonds was minus 0.029% as of March 31, 2016 and decreased to minus 0.089% as of September 30, 2016. Thereafter, the yield further increased to 0.046% as of December 30, 2016.

The Nikkei Stock Average, which is an index based on the average of the price of 225 stocks listed on the Tokyo Stock Exchange, decreased by 1.8% to ¥16,449.84 as of September 30, 2016 compared to March 31, 2016. Thereafter, the Nikkei Stock Average increased to ¥19,114.37 as of December 30, 2016.

According to Teikoku Databank, a Japanese research institution, there were 4,059 corporate bankruptcies in Japan in the six months ended September 30, 2016, involving approximately ¥0.7 trillion in total liabilities, 4,191 corporate bankruptcies in the six months ended March 31, 2016, involving approximately ¥1.1 trillion in total liabilities, and 4,217 corporate bankruptcies in the six months ended September 30, 2015, involving approximately ¥0.8 trillion in total liabilities.

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 and strengthened to ¥100.90 to \$1.00 as of September 30, 2016. Thereafter, the yen weakened to ¥117.11 to \$1.00 as of December 30, 2016.

Developments Relating to Our Capital

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.

In the six months ended September 30, 2016, we strengthened our capital base mainly as a result of earning ¥358.1 billion of profit attributable to owners of parent (under Japanese GAAP).

With respect to redemptions of previously issued securities, we have redeemed various securities that are eligible Tier1/Tier2 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 2016, we redeemed

\$600.0 million and ¥400.0 billion of non-dilutive Tier 1 preferred securities issued by our overseas special purpose companies in March 2006 and January 2007, respectively. In addition, 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 265,433,368 shares of our common stock, pursuant to Article 20, Paragraph 1 of our articles of incorporation and a provision in the terms and conditions of the preferred stock concerning mandatory acquisition in exchange for common stock. On July 13, 2016, we cancelled all of our treasury shares of eleventh series class XI preferred stock. With respect to Tier 2 capital, in November 2016, we redeemed ¥60.0 billion of dated subordinated bonds issued by our subsidiary bank.

Table of Contents

With respect to new issuances, in June 2016, we issued ¥155.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to retail investors in Japan. In July 2016, 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.

Our Common Equity Tier 1 capital ratio under Basel III as of September 30, 2016 was 10.98%.

Interim cash dividends for the fiscal year ending March 31, 2017 were ¥3.75 per share of common stock, which was the same amount as the interim cash dividends per share of the previous fiscal year.

Developments Relating to Our Business

Retail & Business Banking Company (RBC)

RBC engages in business with individual customers, small and medium-sized enterprises and middle market firms in Japan. Recent initiatives include:

Supporting customers to make the shift from Savings to Investment by providing highly specialized consulting to the banking, trust and securities customer base and strengthening the view that customers of one in-house company are customers of the entire Mizuho group;

Establishing a business model under which we grow together with our customers by identifying the latent issues faced by business owners and aiming to solve issues related to both their personal and corporate banking needs by providing support for their business succession planning and growth strategy;

Proactively incorporating new technologies in order to optimize services, including providing new services; and

Implementing the Area One MIZUHO promotion project, under which banking, trust and securities branches in the same area jointly provide financial services consulting in the region.

Corporate & Institutional Company (CIC)

CIC engages in business with large corporations, financial institutions and public corporations in Japan. Recent initiatives include:

Enabling business synergies of large corporations, financial institutions and public corporations by collaborating and cooperating with other in-house companies and units;

Enabling strategic and flexible staffing in focus areas through rebalancing the organization and human resources;

Proactive asset rebalancing by replacing assets through leveraging the disposal of cross-shareholdings; and

Progressive development of the One MIZUHO Strategy and strengthening of non-interest income by accelerating the collaboration between banking, trust and securities functions and the ability to provide services on a global basis.

Global Corporate Company (GCC)

GCC engages in business with overseas affiliates of Japanese corporate customers and non-Japanese corporate customers, etc. Recent initiatives include:

Expanding the Super 30/50 Strategy to the Global 300 Strategy; and

Strengthening non-interest income business through the collaboration between banking and securities functions.

Table of Contents

Global Markets Company (GMC)

GMC invests in interest rate, equity and credit products, etc., and is providing market related products to wide range of customers from individuals to institutional investors through sales and trading activities. Recent initiatives include:

Enhancing portfolio management by early warning control and portfolio diversification; and

Improving sales and trading business model by customer segment, based on increased collaboration among banking, trust and securities functions.

Asset Management Company (AMC)

AMC develops financial products and provides financial services that match the asset management needs of its wide range of customers from individuals to institutional investors. Recent initiatives include:

Enhancing product capabilities;

Focusing on investment trust business; and

Improving the profitability of pension business, including individual-type defined contribution pension plans.

Integration among Asset Management Companies

On October 1, 2016, DIAM Co., Ltd., Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. (collectively, the Integrating Companies) integrated their asset management functions pursuant to an integration agreement signed on July 13, 2016 and formed a new company named Asset Management One Co., Ltd.. Based on the strong commitment of us and Dai-ichi Life Holdings, Inc. (Dai-ichi Life) to strengthen and develop the 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 taking full advantage of the collaboration between the Mizuho group and the Dai-ichi Life group.

Table of Contents**Others***Exposure to Certain European Countries (GIIPS)*

In Europe, fiscal problems in certain countries, including Greece, Ireland, Italy, Portugal and Spain, have affected the financial system and the real economy, and the uncertainty concerning European economic activity continues to present a risk of a downturn in the world economy. As of September 30, 2016, our exposure to obligors in such countries was not significant. Specifically, our principal banking subsidiaries (including their overseas subsidiaries) had a total of approximately \$7.3 billion in exposure to obligors in such countries. The breakdown by country and by type of obligor was as follows:

	March 31, 2016	As of September 30, 2016 (in billions of U.S. dollars)	Increase (decrease)
Greece	\$	\$	\$
Sovereign			
Financial Institutions			
Others			
Ireland	3.3	1.6	(1.7)
Sovereign			
Financial Institutions			
Others	3.3	1.6	(1.7)
Italy	3.1	2.0	(1.1)
Sovereign	0.7	0.2	(0.5)
Financial Institutions	0.1		(0.1)
Others	2.3	1.8	(0.5)
Portugal	0.3	0.3	
Sovereign			
Financial Institutions			
Others	0.3	0.3	
Spain	3.1	3.4	0.3
Sovereign			
Financial Institutions	0.1	0.2	0.1
Others	3.0	3.2	0.2
Total	\$9.8	\$ 7.3	\$ (2.5)
Sovereign	0.7	0.2	(0.5)
Financial Institutions	0.2	0.2	
Others	8.9	6.9	(2.0)

Notes:

- (1) Figures in the above table are on a managerial accounting basis. The difference between the exposure based on U.S. GAAP and that based on managerial accounting is attributable mainly to the netting of derivatives exposure as described in footnote 2 below and does not have a material impact on total exposure amounts set forth in the

above table.

- (2) Figures in the above table represent gross exposure except for derivatives exposure which takes into consideration legally enforceable master netting agreements.

Exposure to Russia and Brazil

As for our exposure to obligors in Russia and Brazil, our principal banking subsidiaries (including their overseas subsidiaries) had a total of approximately \$2.6 billion and \$7.4 billion in exposure as of March 31, 2016, respectively, which decreased to \$2.1 billion and \$6.3 billion as of September 30, 2016, respectively. The exposure amounts are on a managerial accounting basis, and footnotes 1 and 2 to the table immediately above are similarly applicable to these amounts.

Table of Contents

Enhancing Business Operation and Creating New Business by Utilizing FinTech

In March 2016, Mizuho Bank, Ltd., Fujitsu Limited, and Fujitsu Laboratories Ltd. announced that they have jointly conducted an operational trial using blockchain technology. The goal was to enable low-cost, low-risk cross-border securities transactions by building a system utilizing blockchain technology that can almost instantly share matched trade information in the post-trade process as data that cannot be tampered with, but without building a large-scale settlement system from scratch. This would thereby shorten the time from trade execution to final settlement from the previous three days to the same day. In September 2016, Mizuho Bank and SoftBank Corp. have agreed to set up a 50/50 joint company to provide FinTech-based personal lending services. Afterwards, in November 2016, Mizuho Bank and SoftBank announced that they have established the joint company named J. Score CO., LTD. The establishment of the company represents our enhanced efforts in the field of FinTech, through which we aim to develop a new approach to lending and offer customers ever more attractive financial services.

Strengthening Our Research & Consulting Functions

In April 2016, in order to provide customers with solutions and support our aim of becoming a financial services consulting group, we consolidated our research and consulting functions into One Think-tank, and we established the new Research & Consulting Unit. The Unit is made up of Mizuho Bank's Industry Research Department, Mizuho Trust & Banking's Consulting Department, Mizuho Securities Co., Ltd.'s Research and Consulting Unit, Mizuho Information & Research Institute Inc., Mizuho Research Institute Ltd. and Mizuho-DL Financial Technology Co., Ltd. In addition to research and analysis on a wide range of topics ranging from macroeconomics to industry trends, the research function offers policies based on such research and analysis.

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 ROE. According to our assessment results for the fiscal year ended March 31, 2016, we determined the necessary aggregate reduction amount to be approximately 40% of our total Japanese stock portfolio (included within other securities which have readily determinable fair value, and based on acquisition cost) as of March 31, 2015. Our total Japanese stock portfolio as of March 31, 2015 was approximately ¥1,962.9 billion, and we reduced such amount by ¥163.9 billion as of September 30, 2016.

Establishing Our U.S. Bank Holding Company

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

Accounting Changes

See note 2 Recently issued accounting pronouncements to our consolidated financial statements included elsewhere in this report.

Table of Contents**Operating Results**

The following table shows certain information as to our income, expenses and net income attributable to MHFG shareholders for the six months ended September 30, 2015 and 2016:

	Six months ended September 30,		Increase
	2015	2016	(decrease)
	(in billions of yen)		
Interest and dividend income	¥ 734	¥ 722	¥ (12)
Interest expense	228	268	40
Net interest income	506	454	(52)
Provision (credit) for loan losses	3	1	(2)
Net interest income after provision (credit) for loan losses	503	453	(50)
Noninterest income	854	847	(7)
Noninterest expenses	814	842	28
Income before income tax expense	543	458	(85)
Income tax expense	168	75	(93)
Net income	375	383	8
Less: Net income attributable to noncontrolling interests	9	3	(6)
Net income attributable to MHFG shareholders	¥ 366	¥ 380	¥ 14

Executive Summary

Net interest income decreased by ¥52 billion, or 10.3%, from the six months ended September 30, 2015 to ¥454 billion in the six months ended September 30, 2016 due to an increase in interest expense of ¥40 billion and a decrease in interest and dividend income of ¥12 billion. The increase in interest expense was due mainly to increases in interest expense on short-term borrowings and deposits, offset in part by a decrease in interest expense on long-term debt. The increase in interest expense on short-term borrowings was due mainly to a rise in the average interest rate of foreign short-term borrowings, reflecting a rise in short-term interest rate levels of the U.S. dollar, offset in part by a decrease in the average balance. The increase in interest expense on deposits was due mainly to a rise in the average rate of foreign deposits, offset in part by a decrease in the average balance. The decrease in interest expense on long-term debt was due mainly to a decrease in the average interest rate of long-term debt, offset in part by an increase in the average balance. The decrease in interest and dividend income was due mainly to decreases in interest income from loans and investments, offset in part by an increase in interest income from call loans and funds sold, and receivables under resale agreements and securities borrowing transactions. The decrease in interest income from loans was due mainly to a decrease in the average balance of foreign loans. The decrease in interest income from investments was due mainly to a decrease in the average balance of domestic investment assets, primarily as a result of sales and redemptions of Japanese government bonds. The increase in interest income from call loans and funds sold, and receivables under resale agreements and securities borrowing transactions was due mainly to a rise in foreign average yields, reflecting a rise in short-term interest rate levels of the U.S. dollar. Provision for loan losses decreased by ¥2 billion, or 66.7%, from the six months ended September 30, 2015 to ¥1 billion in the six months ended

September 30, 2016 against the backdrop of a continued gradual recovery in the domestic and global economy.

Noninterest income decreased by ¥7 billion, or 0.8%, from the six months ended September 30, 2015 to ¥847 billion in the six months ended September 30, 2016. The decrease was due mainly to decreases in other noninterest income of ¥42 billion, investment gains net of ¥20 billion, and fee and commission of ¥2 billion, offset in part by an increase in trading account gains net of ¥57 billion. The decrease in investment gains net was due mainly to a decrease in investment gains related to equity securities, offset in part by an increase in investment gains related to bonds. The increase in trading account gains net was due mainly to changes in the fair value of foreign currency denominated securities for which the fair value option was elected, reflecting a decline in long-term interest rates, offset in part by a decrease in gains related to changes in the fair value of derivative financial instruments used to hedge market risk, mainly interest rate risks, that are not eligible for hedge accounting under U.S. GAAP.

Table of Contents

Noninterest expenses increased by ¥28 billion, or 3.4%, from the six months ended September 30, 2015 to ¥842 billion in the six months ended September 30, 2016, due mainly to increases in other noninterest expenses of ¥17 billion, salaries and employee benefits of ¥11 billion, and general and administrative expenses of ¥6 billion, offset in part by a decrease in occupancy expenses of ¥7 billion. The increase in salaries and employee benefits was due mainly to increases in domestic personnel expenses and employee retirement benefit expenses, offset in part by the appreciation of the yen against other major currencies during the six months ended September 30, 2016. The increase in general and administrative expenses was due mainly to an increase in strategic expenses, offset in part by the appreciation of the yen against other major currencies during the six months ended September 30, 2016.

As a result of the foregoing, income before income tax expense decreased by ¥85 billion, or 15.7%, from the six months ended September 30, 2015 to ¥458 billion in the six months ended September 30, 2016. Income tax expense decreased by ¥93 billion, or 55.4%, from the six months ended September 30, 2015 to ¥75 billion in the six months ended September 30, 2016. The decrease in income tax expense was due to deferred tax benefit of ¥28 billion in the six months ended September 30, 2016, compared to deferred tax expense of ¥30 billion in the corresponding period in the previous fiscal year, and a decrease in current tax expense of ¥35 billion. Net income increased by ¥8 billion, or 2.1%, from the six months ended September 30, 2015 to ¥383 billion in the six months ended September 30, 2016. Net income attributable to noncontrolling interests decreased by ¥6 billion, or 66.7% from the six months ended September 30, 2015 to ¥3 billion in the six months ended September 30, 2016.

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥14 billion, or 3.8%, from the corresponding period in the previous fiscal year to ¥380 billion in the six months ended September 30, 2016.

Net Interest Income

The following table shows the average balance of interest-earning assets and interest-bearing liabilities, interest amounts and the annualized average interest rates on such assets and liabilities for the six months ended September 30, 2015 and 2016:

	Six months ended September 30, 2015			Six months ended September 30, 2016			Increase (decrease)		
	Average balance	Interest amount	Interest rate	Average balance	Interest amount	Interest rate	Average balance	Interest amount	Interest rate
	(in billions of yen, except percentages)								
Interest-bearing deposits in other banks	¥ 32,175	¥ 31	0.19%	¥ 41,949	¥ 35	0.17%	¥ 9,774	¥ 4	(0.02)%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	14,491	26	0.35	15,399	41	0.53	908	15	0.18
Trading account assets	17,075	72	0.84	15,297	72	0.94	(1,778)		0.10
Investments	29,476	94	0.64	24,341	79	0.65	(5,135)	(15)	0.01
Loans	77,529	511	1.31	75,522	495	1.31	(2,007)	(16)	0.00
Total interest-earning assets	170,746	734	0.86	172,508	722	0.83	1,762	(12)	(0.03)

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Deposits	102,378	96	0.19	99,840	116	0.23	(2,538)	20	0.04
Short-term borrowings ⁽¹⁾	33,957	33	0.19	31,461	57	0.36	(2,496)	24	0.17
Trading account liabilities	3,462	11	0.64	2,706	10	0.76	(756)	(1)	0.12
Long-term debt	15,420	88	1.14	16,083	85	1.06	663	(3)	(0.08)
Total interest-bearing liabilities	155,217	228	0.29	150,090	268	0.36	(5,127)	40	0.07
Net	¥ 15,529	¥ 506	0.57	¥ 22,418	¥ 454	0.47	¥ 6,889	¥ (52)	(0.10)

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.

Table of Contents

Interest and dividend income decreased by ¥12 billion, or 1.6%, from the six months ended September 30, 2015 to ¥722 billion in the six months ended September 30, 2016 due mainly to decreases in interest income from loans and investments, offset in part by an increase in interest income from call loans and funds sold, and receivables under resale agreements and securities borrowing transactions. The decrease in interest income from loans was due mainly to a decrease in the average balance of foreign loans. The decrease in interest income from investments was due mainly to a decrease in the average balance of domestic investment assets, primarily as a result of sales and redemptions of Japanese government bonds. The increase in interest income from call loans and funds sold, and receivables under resale agreements and securities borrowing transactions was due mainly to a rise in foreign average yields, reflecting a rise in short-term interest rate levels of the U.S. dollar. The changes in the average yields on interest-earning assets contributed to an overall increase in interest and dividend income of ¥14 billion, and the changes in average balances of interest-earning assets contributed to an overall decrease in interest and dividend income of ¥26 billion, resulting in the ¥12 billion decrease in interest and dividend income.

Interest expense increased by ¥40 billion, or 17.5%, from the six months ended September 30, 2015 to ¥268 billion in the six months ended September 30, 2016 due mainly to increases in interest expense on short-term borrowings and deposits, offset in part by a decrease in interest expense on long-term debt. The increase in interest expense on short-term borrowings was due mainly to a rise in the average interest rate of foreign short-term borrowings, reflecting a rise in short-term interest rate levels of the U.S. dollar, offset in part by a decrease in the average balance. The increase in interest expense on deposits was due mainly to a rise in the average rate of foreign deposits, offset in part by a decrease in the average balance. The decrease in interest expense on long-term debt was due mainly to a decrease in the average interest rate of long-term debt, offset in part by an increase in the average balance. The changes in average interest rates on interest-bearing liabilities contributed to an overall increase in interest expense of ¥59 billion, and the changes in average balances of interest-bearing liabilities contributed to an overall decrease in interest expense of ¥19 billion, resulting in the ¥40 billion increase in interest expense.

As a result of the foregoing, net interest income decreased by ¥52 billion, or 10.3%, from the six months ended September 30, 2015 to ¥454 billion in the six months ended September 30, 2016. Average interest rate spread declined by 0.10 percentage point from the six months ended September 30, 2015 to 0.47% in the six months ended September 30, 2016. The decline of the average interest rate spread was due mainly to rises in average interest rates on short-term borrowings and trading account liabilities, which more than offset the effect of a decline in average interest rates on long-term debt, as well as the slight decline in the average yield on interest-earning assets.

Provision (Credit) for Loan Losses

Provision for loan losses decreased by ¥2 billion, or 66.7%, from the six months ended September 30, 2015 to ¥1 billion in the six months ended September 30, 2016 against the backdrop of a continued gradual recovery in the domestic and global economy.

Table of Contents***Noninterest Income***

The following table shows a breakdown of noninterest income for the six months ended September 30, 2015 and 2016:

	Six months ended September 30,		Increase
	2015	2016	(decrease)
	(in billions of yen)		
Fee and commission	¥365	¥ 363	¥ (2)
Fee and commission from deposits and lending business	71	85	14
Fee and commission from securities-related business	90	75	(15)
Fee and commission from remittance business	55	54	(1)
Trust fees	25	23	(2)
Fees for other customer services	124	126	2
Foreign exchange gains (losses) net	48	57	9
Trading account gains (losses) net	149	206	57
Investment gains (losses) net	149	129	(20)
Investment gains (losses) related to bonds	25	59	34
Investment gains (losses) related to equity securities	115	73	(42)
Others	9	(3)	(12)
Equity in earnings (losses) of equity method investees net	20	17	(3)
Gains on disposal of premises and equipment	9	3	(6)
Other noninterest income	114	72	(42)
Total noninterest income	¥854	¥ 847	¥ (7)

Noninterest income decreased by ¥7 billion, or 0.8%, from the six months ended September 30, 2015 to ¥847 billion in the six months ended September 30, 2016. The decrease was due mainly to decreases in other noninterest income of ¥42 billion, investment gains net of ¥20 billion, and fee and commission of ¥2 billion, offset in part by an increase in trading account gains net of ¥57 billion.

Investment Gains (Losses) Net

Investment gains net decreased by ¥20 billion, or 13.4%, from the six months ended September 30, 2015 to ¥129 billion in the six months ended September 30, 2016. The decrease was due mainly to a decrease in investment gains related to equity securities of ¥42 billion, or 36.5%, from the six months ended September 30, 2015 to ¥73 billion in the six months ended September 30, 2016, offset in part by an increase in investment gains related to bonds of ¥34 billion from the six months ended September 30, 2015 to ¥59 billion in the six months ended September 30, 2016. The decrease in investment gains related to equity securities was due mainly to a decrease in gains on sales of equity securities for the six months ended September 30, 2016, which mostly reflected the relative weakness in market conditions during the six months ended September 30, 2016 compared to the corresponding period in the previous fiscal year. The increase in investment gains related to bonds was due mainly to an increase in gains on sales of bonds for the six months ended September 30, 2016, which reflected an increase in the sales of Japanese government bonds due to a decline in long-term interest rates during the six months ended September 30, 2016 compared to those in the corresponding period in the previous fiscal year.

Fee and Commission

Fee and commission decreased by ¥2 billion, or 0.5%, from the six months ended September 30, 2015 to ¥363 billion in the six months ended September 30, 2016. The decrease was due mainly to a decrease in fee and commission from securities-related business of ¥15 billion, or 16.7%, offset in part by an increase in fee and commission from deposits and lending business of ¥14 billion, or 19.7%. The decrease in fee and commission from securities-related business was due mainly to the weakness in market conditions during the six months

Table of Contents

ended September 30, 2016, compared to the corresponding period in the previous fiscal year. The increase in fee and commission from deposits and lending business was due mainly to an increase in fee from lending business during the six months ended September 30, 2016.

Trading Account Gains (Losses) Net

Trading account gains net increased by ¥57 billion, or 38.3%, from the six months ended September 30, 2015 to ¥206 billion in the six months ended September 30, 2016. The increase was due mainly to changes in the fair value of foreign currency denominated securities for which the fair value option was elected, reflecting a decline in long-term interest rates, offset in part by a decrease in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risks, that are not eligible for hedge accounting under U.S. GAAP. For further information on the fair value option, see note 17 to our consolidated financial statements included elsewhere in this report.

Noninterest Expenses

The following table shows a breakdown of noninterest expenses for the six months ended September 30, 2015 and 2016:

	Six months ended September 30,		Increase
	2015	2016	(decrease)
	(in billions of yen)		
Salaries and employee benefits	¥ 316	¥ 327	¥ 11
General and administrative expenses	269	275	6
Occupancy expenses	101	94	(7)
Fee and commission expenses	77	77	
Provision (credit) for losses on off-balance-sheet instruments	(9)	(8)	1
Other noninterest expenses	60	77	17
Total noninterest expenses	¥ 814	¥ 842	¥ 28

Noninterest expenses increased by ¥28 billion, or 3.4%, from the six months ended September 30, 2015 to ¥842 billion in the six months ended September 30, 2016. The increase was due mainly to increases in other noninterest expenses of ¥17 billion, salaries and employee benefits of ¥11 billion, and general and administrative expenses of ¥6 billion, offset in part by a decrease in occupancy expenses of ¥7 billion.

Salaries and Employee Benefits

Salaries and employee benefits increased by ¥11 billion, or 3.5%, from the six months ended September 30, 2015 to ¥327 billion in the six months ended September 30, 2016. The increase was due mainly to increases in domestic personnel expenses and employee retirement benefit expenses, offset in part by the appreciation of the yen against other major currencies during the six months ended September 30, 2016.

General and Administrative Expenses

General and administrative expenses increased by ¥6 billion, or 2.2%, from the six months ended September 30, 2015 to ¥275 billion in the six months ended September 30, 2016. The increase was due mainly to an increase in strategic expenses, offset in part by the appreciation of the yen against other major currencies during the six months ended September 30, 2016.

Table of Contents***Income Tax Expense***

Income tax expense decreased by ¥93 billion, or 55.4%, from the six months ended September 30, 2015 to ¥75 billion in the six months ended September 30, 2016. The decrease was due to deferred tax benefit of ¥28 billion in the six months ended September 30, 2016, compared to deferred tax expense of ¥30 billion in the corresponding period in the previous fiscal year, and a decrease in current tax expense of ¥35 billion. The change in deferred tax expense (benefit) was due mainly to the reversal of an outside basis difference related to the foreign subsidiaries. The decrease in current tax expense was due mainly to a decrease in the taxable income of our principal banking subsidiary and a decline in domestic tax rate.

	Six months ended September 30,		Increase
	2015	2016	(decrease)
	(in billions of yen)		
Income before income tax expense	¥ 543	¥ 458	¥ (85)
Income tax expense	168	75	(93)
Current tax expense	138	103	(35)
Deferred tax expense (benefit)	30	(28)	(58)
Net income	375	383	8
Less: Net income attributable to noncontrolling interests	9	3	(6)
Net income attributable to MHFG shareholders	¥ 366	¥ 380	¥ 14

We consider the sales of available-for-sale securities to be a qualifying tax-planning strategy that is a possible source of future taxable income to the extent necessary in the future mainly with respect to our principal banking subsidiaries in Japan. The reliance on this tax-planning strategy of our subsidiaries in Japan was at immaterial levels of overall deferred tax assets at both March 31, 2016 and September 30, 2016, which was at the same level as the six months ended September 30, 2015.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests decreased by ¥6 billion, or 66.7%, from the six months ended September 30, 2015 to ¥3 billion in the six months ended September 30, 2016.

Net Income Attributable to MHFG Shareholders

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥14 billion, or 3.8%, from the corresponding period in the previous fiscal year to ¥380 billion in the six months ended September 30, 2016.

Business Segments Analysis

We have introduced an in-house company system based on our diverse customer segments as of 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, the reportable segments have been changed from those based on the relevant principal consolidated subsidiaries to the five in-house companies.

Table of Contents

The reportable segment information, set forth below, is derived from the internal management reporting systems used by management to measure the performance of our 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 and are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation is provided for the total amount of each segment's net business profits with income before income tax expense under U.S. GAAP in note 20 to our consolidated financial statements included elsewhere in this report.

For a brief description of each of our business segments, see *Recent Developments* *Developments Relating to Our Business* and note 20 to our consolidated financial statements included elsewhere in this report.

Results of Operations by Business Segment*Consolidated Results of Operations*

Consolidated gross profits for the six months ended September 30, 2016 were ¥1,089.7 billion, a decrease of ¥42.1 billion compared to the six months ended September 30, 2015. Consolidated general and administrative expenses for the six months ended September 30, 2016 were ¥680.5 billion, an increase of ¥8.2 billion compared to the six months ended September 30, 2015. Consolidated net business profits for the six months ended September 30, 2016 were ¥403.2 billion, a decrease of ¥43.5 billion compared to the six months ended September 30, 2015.

	Mizuho Financial Group (Consolidated)							
	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others⁽³⁾	Total	
	(in billions of yen)							
Six months ended September 30, 2015⁽¹⁾:								
Gross profits	¥ 332.1	¥ 209.5	¥ 204.8	¥ 332.3	¥ 26.6	¥ 26.5	¥ 1,131.8	
General and administrative expenses	331.1	91.3	111.6	88.5	15.0	34.8	672.3	
Others						(12.8)	(12.8)	
Net business profits (losses) ⁽²⁾	¥ 1.0	¥ 118.2	¥ 93.2	¥ 243.8	¥ 11.6	¥ (21.1)	¥ 446.7	

	Mizuho Financial Group (Consolidated)							
	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others⁽³⁾	Total	
	(in billions of yen)							
Six months ended September 30, 2016:								
Gross profits	¥ 310.8	¥ 223.2	¥ 192.7	¥ 334.3	¥ 24.5	¥ 4.2	¥ 1,089.7	
	338.8	92.9	115.5	94.6	15.0	23.7	680.5	

General and administrative expenses							
Others						(6.0)	(6.0)
Net business profits (losses) ⁽²⁾							
	¥ (28.0)	¥ 130.3	¥ 77.2	¥ 239.7	¥ 9.5	¥ (25.5)	¥ 403.2

Notes:

- (1) Following the introduction of an in-house company system based on customer segments in April 2016, segment information for the earlier period was restated to reflect the relevant changes.
- (2) Net business profits is used in Japan as a measure of the profitability of core banking operations, and is defined as gross profits (or the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income) less general and administrative expenses. Measurement of net business profits is required for regulatory reporting to the Financial Services Agency.
- (3) Others includes items which should be eliminated as internal transactions between each segment on a consolidated basis.

Table of Contents

Retail & Business Banking Company

Gross profits for the six months ended September 30, 2016 were ¥310.8 billion, a decrease of ¥21.3 billion, or 6.4%, compared to the six months ended September 30, 2015. 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 six months ended September 30, 2016 increased by ¥7.7 billion, or 2.3%, compared to the six months ended September 30, 2015 to ¥338.8 billion.

As a result, we recorded net business losses of ¥28.0 billion for the six months ended September 30, 2016 compared to net business profits of ¥1.0 billion for the six months ended September 30, 2015.

Corporate & Institutional Company

Gross profits for the six months ended September 30, 2016 were ¥223.2 billion, an increase of ¥13.7 billion, or 6.5%, compared to the six months ended September 30, 2015. 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 six months ended September 30, 2016 increased by ¥1.6 billion, or 1.8%, compared to the six months ended September 30, 2015 to ¥92.9 billion.

As a result, net business profits for the six months ended September 30, 2016 increased by ¥12.1 billion, or 10.2%, compared to the six months ended September 30, 2015 to ¥130.3 billion.

Global Corporate Company

Gross profits for the six months ended September 30, 2016 were ¥192.7 billion, a decrease of ¥12.1 billion, or 5.9%, compared to the six months ended September 30, 2015. 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 reflecting regional economic trends.

General and administrative expenses for the six months ended September 30, 2016 increased by ¥3.9 billion, or 3.5%, compared to the six months ended September 30, 2015 to ¥115.5 billion.

As a result, net business profits for the six months ended September 30, 2016 decreased by ¥16.0 billion, or 17.2%, compared to the six months ended September 30, 2015 to ¥77.2 billion.

Global Markets Company

Gross profits for the six months ended September 30, 2016 were ¥334.3 billion, an increase of ¥2.0 billion, or 0.6%, compared to the six months ended September 30, 2015.

General and administrative expenses for the six months ended September 30, 2016 increased by ¥6.1 billion, or 6.9%, compared to the six months ended September 30, 2015 to ¥94.6 billion.

As a result, net business profits for the six months ended September 30, 2016 decreased by ¥4.1 billion, or 1.7%, compared to the six months ended September 30, 2015 to ¥239.7 billion.

Asset Management Company

Gross profits for the six months ended September 30, 2016 were ¥24.5 billion, a decrease of ¥2.1 billion, or 7.9%, compared to the six months ended September 30, 2015. The decrease was attributable mainly to the sluggish growth of assets under management reflecting the weakness in market conditions.

Table of Contents

General and administrative expenses for the six months ended September 30, 2016 was ¥15.0 billion, unchanged from the six months ended September 30, 2015.

As a result, net business profits for the six months ended September 30, 2016 decreased by ¥2.1 billion, or 18.1%, compared to the six months ended September 30, 2015 to ¥9.5 billion.

Financial Condition**Assets**

Our assets as of March 31, 2016 and September 30, 2016 were as follows:

	March 31, 2016	As of September 30, 2016 (in billions of yen)	Increase (decrease)
Cash and due from banks	¥ 1,323	¥ 1,409	¥ 86
Interest-bearing deposits in other banks	35,327	41,845	6,518
Call loans and funds sold	894	950	56
Receivables under resale agreements	7,806	9,259	1,453
Receivables under securities borrowing transactions	3,407	3,196	(211)
Trading account assets	30,021	30,953	932
Investments	30,885	25,153	(5,732)
Loans	77,555	76,382	(1,173)
Allowance for loan losses	(451)	(437)	14
Loans, net of allowance	77,104	75,945	(1,159)
Premises and equipment net	1,838	1,882	44
Due from customers on acceptances	110	143	33
Accrued income	273	247	(26)
Goodwill	19	19	
Intangible assets	49	46	(3)
Deferred tax assets	57	93	36
Other assets	4,697	4,875	178
Total assets	¥ 193,810	¥ 196,015	¥ 2,205

Total assets increased by ¥2,205 billion from ¥193,810 billion as of March 31, 2016 to ¥196,015 billion as of September 30, 2016. This increase was due mainly to an increase of ¥6,518 billion in interest-bearing deposits in other banks, primarily those in the Bank of Japan and an increase of ¥1,453 billion in receivables under resale agreements, offset in part by a decrease of ¥5,732 billion in investments and a decrease of ¥1,159 billion in loans, net of allowance.

Table of Contents*Loans**Loans Outstanding*

The following table shows our loans outstanding as of March 31, 2016 and September 30, 2016 based on classifications by domicile and industry segment:

	As of		As of		Increase	
	March 31, 2016		September 30, 2016		(decrease)	
	(in billions of yen, except percentages)					
Domestic:						
Manufacturing	¥ 8,345	10.7%	¥ 8,086	10.6%	¥ (259)	(0.1)%
Construction and real estate	7,734	9.9	7,666	9.9	(68)	0.0
Services	4,656	6.0	4,560	6.0	(96)	0.0
Wholesale and retail	5,409	7.0	5,101	6.7	(308)	(0.3)
Transportation and communications	3,268	4.2	3,529	4.6	261	0.4
Banks and other financial institutions	3,632	4.7	3,579	4.7	(53)	0.0
Government and public institutions	3,395	4.4	5,683	7.4	2,288	3.0
Other industries ⁽¹⁾	4,619	5.9	4,244	5.5	(375)	(0.4)
Individuals	11,514	14.8	11,153	14.6	(361)	(0.2)
Mortgage loans	10,590	13.6	10,241	13.4	(349)	(0.2)
Other	924	1.2	912	1.2	(12)	0.0
Total domestic	52,572	67.6	53,601	70.0	1,029	2.4
Foreign:						
Commercial and industrial	17,320	22.3	15,784	20.6	(1,536)	(1.7)
Banks and other financial institutions	6,382	8.2	6,022	7.9	(360)	(0.3)
Government and public institutions	1,175	1.5	922	1.2	(253)	(0.3)
Other ⁽¹⁾	274	0.4	203	0.3	(71)	(0.1)
Total foreign	25,151	32.4	22,931	30.0	(2,220)	(2.4)
Subtotal	77,723	100.0%	76,532	100.0%	(1,191)	
Less: Unearned income and deferred loan fees net	(168)		(150)		18	
Total loans before allowance for loan losses	¥77,555		¥ 76,382		¥(1,173)	

Note:

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

Total loans before allowance for loan losses decreased by ¥1,173 billion from the end of the previous fiscal year to ¥76,382 billion as of September 30, 2016. Loans to domestic borrowers increased by ¥1,029 billion from the end of

the previous fiscal year to ¥53,601 billion as of September 30, 2016 due primarily to an increase in loans to government and public institutions, offset in part by decreases in loans to almost all industries.

Loans to foreign borrowers decreased by ¥2,220 billion from the end of the previous fiscal year to ¥22,931 billion as of September 30, 2016. The decrease in loans to foreign borrowers was due primarily to a decrease in commercial and industrial in almost all regions. The decrease in loans to foreign borrowers also reflected the appreciation of the yen against other major currencies.

Within our loan portfolio, the proportion of loans to domestic borrowers against gross total loans increased from 67.6% to 70.0% while that of loans to foreign borrowers against gross total loans decreased from 32.4% to 30.0%, and loans to foreign borrowers were regionally diversified.

Table of Contents*Impaired Loans**Balance of Impaired Loans*

The following table shows our impaired loans as of March 31, 2016 and September 30, 2016 based on classifications by domicile and industry segment:

	As of March 31, 2016		As of September 30, 2016		Increase (decrease)	
	Ratio to gross Impaired total loans to loans industry		Ratio to gross Impaired total loans to loans industry		Ratio to gross Impaired total loans to loans industry	
	(in billions of yen, except percentages)					
Domestic:						
Manufacturing	¥ 374	4.5%	¥ 375	4.6%	¥ 1	0.1%
Construction and real estate	77	1.0	66	0.9	(11)	(0.1)
Services	66	1.4	66	1.4		0.0
Wholesale and retail	147	2.7	153	3.0	6	0.3
Transportation and communications	29	0.9	20	0.6	(9)	(0.3)
Banks and other financial institutions	3	0.1	6	0.2	3	0.1
Other industries	4	0.0	7	0.1	3	0.1
Individuals	123	1.1	115	1.0	(8)	(0.1)
Total domestic	823	1.6	808	1.5	(15)	(0.1)
Foreign	167	0.7	150	0.7	(17)	0.0
Total impaired loans	¥990	1.3	¥958	1.3	¥(32)	0.0

Impaired loans decreased by ¥32 billion, or 3.2%, from the end of the previous fiscal year to ¥958 billion as of September 30, 2016. Impaired loans to domestic borrowers decreased by ¥15 billion. Impaired loans to foreign borrowers decreased by ¥17 billion due primarily to the strengthening of the yen against other major currencies, with the effect of the appreciation of the yen against other major currencies contributing to approximately two-thirds of the ¥17 billion decrease.

Reflecting the aforementioned change, the percentage of impaired loans within gross total loans as of September 30, 2016 was almost the same level compared to that as of March 31, 2016. The percentage of impaired loans net of allowance for loan losses to gross total loans net of allowance for loan losses decreased from 0.70% as of March 31, 2016 to 0.68% as of September 30, 2016 due to a decrease in impaired loans net of allowance for loan losses.

Table of Contents*Allowance for Loan Losses**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, 2016 and September 30, 2016:

	As of		
	March 31, 2016	September 30, 2016	Increase (decrease)
	(in billions of yen, except percentages)		
Allowance for loan losses on impaired loans ⁽¹⁾ (A)	¥ 289	¥ 293	¥ 4
Allowance for loan losses on non-impaired loans (B)	162	144	(18)
Total allowance for loan losses (C)	451	437	(14)
Impaired loans requiring an allowance for loan losses (D)	861	837	(24)
Impaired loans not requiring an allowance for loan losses (E)	129	121	(8)
Non-impaired loans ⁽²⁾ (F)	76,733	75,574	(1,159)
Gross total loans (G)	¥ 77,723	¥ 76,532	¥ (1,191)
Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D)x100	33.59%	35.01%	1.42%
Percentage of allowance for loan losses on non-impaired loans against the balance of non-impaired loans (B)/(F)x100	0.21	0.19	(0.02)
Percentage of total allowance for loan losses against gross total loans (C)/(G)x100	0.58	0.57	(0.01)

Notes:

- (1) The allowance for loan losses on impaired loans includes the allowance for groups of small balance, homogeneous loans totaling ¥331 billion as of September 30, 2016 which were collectively evaluated for impairment, in addition to the allowance for those loans that were individually evaluated for impairment.
- (2) Non-impaired loans refer to loans categorized as normal obligors and watch obligors (excluding special attention obligors) under our internal rating system.

Allowance for loan losses decreased by ¥14 billion from the end of the previous fiscal year to ¥437 billion as of September 30, 2016. This decrease was due to a decrease of ¥18 billion in allowance for loan losses on non-impaired loans. The allowance for loan losses on impaired loans was almost the same level compared to that as of March 31, 2016. As a result, the percentage of total allowance for loan losses against gross total loans decreased by 0.01 percentage point to 0.57% and the percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance increased by 1.42 percentage point to 35.01%.

Impaired loans decreased by 3.2% from the end of the previous fiscal year due mainly to a decrease in impaired loans requiring an allowance for loan losses. Allowance for loan losses on impaired loans increased by 1.3%.

The coverage ratio for impaired loans increased by 0.03% as of September 30, 2016 compared to March 31, 2016.

Table of Contents*Provision (credit) for loan losses*

The following table summarizes changes in our allowance for loan losses in the six months ended September 30, 2015 and 2016:

	Six months ended		Increase (decrease)
	September 30, 2015	2016	
	(in billions of yen)		
Allowance for loan losses at beginning of fiscal year	¥520	¥451	¥ (69)
Provision (credit) for loan losses	3	1	(2)
Charge-offs	(67)	(15)	52
Recoveries	10	15	5
Net charge-offs	(57)		57
Others ⁽¹⁾	(1)	(15)	(14)
Balance at end of six-month period	¥465	¥437	¥ (28)

Note:

(1) Others includes primarily foreign exchange translation.

Provision for loan losses decreased by ¥2 billion from the six months ended September 30, 2015 to ¥1 billion for the six months ended September 30, 2016 against the backdrop of a continued gradual recovery in the domestic and global economy.

Charge-offs decreased by ¥52 billion from the six months ended September 30, 2015 to ¥15 billion for the six months ended September 30, 2016. The decrease was due primarily to a decrease in charge-offs of domestic loans.

Investments

The majority of our investments are available-for-sale and held-to-maturity securities, which as of March 31, 2016 and September 30, 2016 were as follows:

As of		As of		Increase (decrease)	
March 31, 2016		September 30, 2016		Net unrealized	
Amortized	Fair	Amortized	Fair	Amortized	Fair
cost	value	cost	value	cost	value
		Net	Net		
		unrealized	unrealized		
		gains	gains		
		(losses)	(losses)		
		(in billions of yen)			

Available-for-sale securities:

Debt securities	¥ 21,516	¥ 21,672	¥ 156	¥ 16,542	¥ 16,665	¥ 123	¥ (4,974)	¥ (5,007)	¥ (33)
Japanese government bonds	15,672	15,763	91	10,323	10,370	47	(5,349)	(5,393)	(44)
Other than Japanese government bonds	5,844	5,909	65	6,219	6,295	76	375	386	11
Equity securities (marketable)	1,664	3,781	2,117	1,693	3,647	1,954	29	(134)	(163)
Total	¥ 23,180	¥ 25,453	¥ 2,273	¥ 18,235	¥ 20,312	¥ 2,077	¥ (4,945)	¥ (5,141)	¥ (196)

Held-to-maturity securities:

Debt securities:									
Japanese government bonds	3,760	3,817	57	3,460	3,515	55	(300)	(302)	(2)
Agency mortgage-backed securities	1,059	1,056	(3)	800	803	3	(259)	(253)	6
Total	¥ 4,819	¥ 4,873	¥ 54	¥ 4,260	¥ 4,318	¥ 58	¥ (559)	¥ (555)	¥ 4

Table of Contents

Available-for-sale securities measured at fair value decreased by ¥5,141 billion from the end of the previous fiscal year to ¥20,312 billion as of September 30, 2016. This decrease was due primarily to a decrease in Japanese government bonds due to the sales and redemptions as a result of our risk management activities related to our bond portfolio. Held-to-maturity securities measured at amortized cost decreased by ¥559 billion from the end of the previous fiscal year to ¥4,260 billion as of September 30, 2016. See note 3 to our consolidated financial statements for details of other investments included within investments.

Cash and Due from Banks

Cash and due from banks increased by ¥86 billion from the end of the previous fiscal year to ¥1,409 billion as of September 30, 2016. The increase was due to net cash provided by financial activities of ¥5,293 billion and net cash provided by operating activities of ¥1,859 billion, offset in part by net cash used in investing activities of ¥7,005 billion.

Liabilities

The following table shows our liabilities as of March 31, 2016 and September 30, 2016:

	March 31, 2016	As of September 30, 2016 (in billions of yen)	Increase (decrease)
Deposits	¥ 117,937	¥ 120,307	¥ 2,370
Due to trust accounts	4,467	3,425	(1,042)
Call money and funds purchased	2,521	1,792	(729)
Payables under repurchase agreements	16,833	17,739	906
Payables under securities lending transactions	2,845	1,535	(1,310)
Other short-term borrowings	2,080	1,556	(524)
Trading account liabilities	17,111	18,970	1,859
Bank acceptances outstanding	110	143	33
Income taxes payable	97	78	(19)
Deferred tax liabilities	202	151	(51)
Accrued expenses	181	171	(10)
Long-term debt	14,766	15,241	475
Other liabilities	6,477	6,642	165
Total liabilities	¥ 185,627	¥ 187,750	¥ 2,123

Total liabilities increased by ¥2,123 billion from the end of the previous fiscal year to ¥187,750 billion as of September 30, 2016. This increase was due primarily to increases of ¥2,370 billion in deposits and ¥1,859 billion in trading account liabilities, offset in part by a decrease of ¥2,699 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.

Table of Contents*Deposits*

The following table shows a breakdown of our deposits as of March 31, 2016 and September 30, 2016:

	March 31, 2016	As of September 30, 2016 (in billions of yen)	Increase (decrease)
Domestic:			
Noninterest-bearing deposits	¥ 16,108	¥ 16,787	¥ 679
Interest-bearing deposits	79,596	82,101	2,505
Total domestic deposits	95,704	98,888	3,184
Foreign:			
Noninterest-bearing deposits	1,601	1,727	126
Interest-bearing deposits	20,632	19,692	(940)
Total foreign deposits	22,233	21,419	(814)
Total deposits	¥ 117,937	¥ 120,307	¥ 2,370

Deposits increased by ¥2,370 billion from the end of the previous fiscal year to ¥120,307 billion as of September 30, 2016. Domestic deposits increased by ¥3,184 billion from the end of the previous fiscal year to ¥98,888 billion as of September 30, 2016. Domestic interest-bearing deposits increased by ¥2,505 billion from the end of the previous fiscal year to ¥82,101 billion as of September 30, 2016 due mainly to an increase in ordinary deposits, offset in part by decreases in time deposits and certificates of deposit. Foreign deposits decreased by ¥814 billion from the end of the previous fiscal year to ¥21,419 billion as of September 30, 2016 due mainly to a decrease in certificates of deposit, offset in part by an increase in time deposits. The decrease in foreign deposits also reflected the appreciation of the yen against other major currencies.

Short-term Borrowings

The following table shows a breakdown of our short-term borrowings as of March 31, 2016 and September 30, 2016:

	March 31, 2016			As of September 30, 2016			Increase (decrease)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Due to trust accounts	¥ 4,467	¥	¥ 4,467	¥ 3,425	¥	¥ 3,425	¥ (1,042)	¥	¥ (1,042)
Call money and funds purchased, and	7,182	15,017	22,199	5,618	15,448	21,066	(1,564)	431	(1,133)

payables under
repurchase agreements
and securities lending
transactions

Other short-term borrowings	981	1,099	2,080	621	935	1,556	(360)	(164)	(524)
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Total short-term borrowings	¥12,630	¥16,116	¥28,746	¥9,664	¥16,383	¥26,047	¥(2,966)	¥267	¥(2,699)
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Short-term borrowings decreased by ¥2,699 billion from the end of the previous fiscal year to ¥26,047 billion as of September 30, 2016. Domestic short-term borrowings decreased by ¥2,966 billion due mainly to decreases in payables under securities lending transactions and due to trust accounts. Foreign short-term borrowings increased by ¥267 billion due mainly to an increase in payables under repurchase agreements, offset in part by a decrease in other short-term borrowings.

Table of Contents*Trading account liabilities*

Trading account liabilities increased by ¥1,859 billion from the end of the previous fiscal year to ¥18,970 billion as of September 30, 2016. The increase was due to a reduction in market value of receive-variable, pay-fixed interest-rate swaps reflecting a decline in long-term interest rates.

Equity

The following table shows a breakdown of equity as of March 31, 2016 and September 30, 2016:

	March 31, 2016	As of September 30, 2016 (in billions of yen)	Increase (decrease)
MHFG shareholders equity:			
Preferred stock ⁽¹⁾	¥ 99	¥	¥ (99)
Common stock	5,703	5,803	100
Retained earnings	747	1,031	284
Accumulated other comprehensive income, net of tax	1,469	1,274	(195)
Treasury stock, at cost	(4)	(5)	(1)
Total MHFG shareholders equity	8,014	8,103	89
Noncontrolling interests	169	162	(7)
Total equity	¥ 8,183	¥ 8,265	¥ 82

Note:

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

Equity increased by ¥82 billion from the end of the previous fiscal year to ¥8,265 billion as of September 30, 2016 due mainly to an increase in retained earnings, offset in part by a decrease in accumulated other comprehensive income, net of tax.

Common stock increased by ¥100 billion from the end of the previous fiscal year to ¥5,803 billion as of September 30, 2016 primarily as a result of the conversion of preferred stock to common stock and the exercise of stock acquisition rights.

Retained earnings increased by ¥284 billion from the end of the previous fiscal year to ¥1,031 billion as of September 30, 2016. This increase was due primarily to net income attributable to MHFG shareholders for the six months ended September 30, 2016 of ¥380 billion, offset in part by dividend payments of ¥95 billion.

Accumulated other comprehensive income, net of tax decreased by ¥195 billion from the end of the previous fiscal year to ¥1,274 billion as of September 30, 2016 due primarily to a decrease in net unrealized gains on

available-for-sale securities of ¥136 billion.

Treasury stock, at cost as of September 30, 2016 was almost the same level compared to that as of March 31, 2016.

Noncontrolling interests decreased by ¥7 billion from the end of the previous fiscal year to ¥162 billion as of September 30, 2016.

Table of Contents**Liquidity**

We continuously endeavor to enhance the management of our liquidity profile to meet our customers' loan demand and deposit withdrawals and respond to unforeseen situations such as adverse movements in stock, foreign currencies, interest rates and other markets or changes in general domestic or international conditions. We manage our liquidity profile through the continuous monitoring of our cash flow situation, the enforcement of upper limits on funds raised in financial markets and other means as further set forth in Item 11. Quantitative and Qualitative Disclosures about Market Risk—Market and Liquidity Risk Management—Liquidity Risk Management Structure in our most recent Form 20-F filed with the U.S. Securities and Exchange Commission.

Deposits, based on our broad customer base and brand recognition in Japan, have been our primary source of liquidity. Our total deposits increased by ¥2,370 billion, or 2.0%, from the end of the previous fiscal year to ¥120,307 billion as of September 30, 2016. Our average balance of deposits for the six months ended September 30, 2016 of ¥119,208 billion exceeded our average balance of loans for the same period by ¥43,686 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 December 31, 2016:

	As of December 31, 2016						Baseline credit assessment
	S&P		Stand-alone credit profile	Moody's			
	Long-term	Short-term		Long-term	Short-term		
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 including customer deposits, under terms and pricing commensurate with our credit ratings above. In the event of future declines in our credit quality or that of Japan in general, we expect to be able to purchase foreign currencies in sufficient amounts using the yen funds raised through our domestic customer base. As further measures to support our foreign currency liquidity, we hold foreign debt securities, maintain credit lines and swap facilities denominated in foreign currencies and pledge collateral to the U.S. Federal Reserve Bank to support future credit extensions.

In order to maintain appropriate funding liquidity, our principal banking subsidiaries hold highly liquid investment assets such as Japanese government bonds as liquidity reserve assets. We monitor the amount of liquidity reserve assets and report such amount to the monthly risk management committee. Minimum regulatory reserve amounts, or the reserve amount deposited with the Bank of Japan pursuant to applicable regulations that is calculated as a specified percentage of the amount of deposits held by our principal banking subsidiaries, are excluded in connection

with our management of liquidity reserve asset levels. We established and apply classifications for the cash flow conditions affecting the group, including the amount of liquidity reserve assets, that range from Normal to Anxious and Crisis categories, and take appropriate actions based on such conditions. As of September 30, 2016, the balance of Japanese government bonds included within our investments was ¥10.4 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.

Table of Contents

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 70% applicable for the period between January 1 and December 31, 2016. The Basel Committee on Banking Supervision (BCBS) issued final requirements for LCR-related disclosures on January 12, 2014, and the LCR disclosure guidelines of the Financial Service Agency, which reflect such requirements, have been applied to banks and bank holding companies with international operations from June 30, 2015. The LCR disclosure guidelines require such banks and bank holding companies to disclose their LCR in common templates starting from information as of June 30, 2015. Set forth below are the averages of the month-end balances of consolidated LCR data of Mizuho Financial Group, and consolidated and non-consolidated LCR data of our principal banking subsidiaries, for the three months ended September 30, 2016. All yen figures in this table are truncated.

	Three months ended September 30, 2016 (in billions of yen, except percentages)	
Mizuho Financial Group (Consolidated)		
Total high-quality liquid assets (HQLA) allowed to be included in the calculation (weighted)	¥	57,090
Net cash outflows (weighted)		41,562
LCR		137.4%
Mizuho Bank (Consolidated)		
Total HQLA allowed to be included in the calculation (weighted)	¥	49,682
Net cash outflows (weighted)		34,260
LCR		145.0%
Mizuho Bank (Non-consolidated)		
Total HQLA allowed to be included in the calculation (weighted)	¥	49,160
Net cash outflows (weighted)		33,441
LCR		147.0%
Mizuho Trust and Banking (Consolidated)		
Total HQLA allowed to be included in the calculation (weighted)	¥	2,195
Net cash outflows (weighted)		1,623
LCR		135.6%
Mizuho Trust and Banking (Non-Consolidated)		
Total HQLA allowed to be included in the calculation (weighted)	¥	2,177
Net cash outflows (weighted)		1,613
LCR		135.2%

For more information on LCR, see Item 4. Information on the Company Supervision and Regulation Liquidity in our most recent Form 20-F.

Table of Contents**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. Effective March 31, 2007, guidelines were implemented by the Financial Services Agency to comply with the capital adequacy requirements set by BCBS called Basel II. The framework of Basel II is based on the following three pillars: minimum capital requirements; supervisory review; and market discipline.

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

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

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

counterparty credit risk, such as a capital charge for credit valuation adjustment risk.

Table of Contents

With regard to risk-based capital, the guidelines based on Basel III set out higher and better-quality capital standards compared to those under Basel II. The guidelines based on Basel III require a target minimum standard capital adequacy ratio of 8%, Tier 1 capital ratio of 6% and Common Equity Tier 1 capital ratio of 4.5%, on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Bank and Mizuho Trust & Banking, or on a consolidated basis for bank holding companies with international operations, such as Mizuho Financial Group.

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. We were included in the list of G-SIBs updated in November 2016 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 Global systemically important bank and a Domestic systemically important bank, and the additional loss absorption capacity requirement applicable to us was 1.0% on a fully effective basis. The additional loss absorption capacity requirement was the same as that imposed by the FSB, which is being phased in starting in March 2016 at 0.25% until becoming fully effective in March 2019 at 1.0%.

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

As part of its ongoing review of the calculation of risk-weighted assets, in December 2014, BCBS published two consultative documents on revisions to the standardized approach for credit risk (later revised in December 2015) and on the design of a capital floor framework based on standardized, non-internal modeled approach. The

Table of Contents

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

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

Following the publication of the final TLAC standards for G-SIBs by the FSB, in April 2016, the Financial Services Agency published an explanatory paper outlining its approach for the introduction of the TLAC framework in Japan. According to the Financial Services Agency s approach, which is subject to change based on future international discussions, the preferred resolution strategy for G-SIBs in Japan is Single Point of Entry (SPE), resolution, in which resolution powers are applied to the top of a group by a single national resolution authority, although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant Japanese G-SIB in crisis. To implement this SPE resolution strategy effectively, the Financial Services Agency plans to require bank holding companies of Japanese G-SIBs, which will be the resolution entities, to (i) meet the minimum external TLAC requirements provided under the FSB s TLAC standard, and (ii) cause their material subsidiaries that are designated as systemically important by the Financial Services Agency, including but not limited to certain material sub-groups as provided in the FSB s TLAC standard, to maintain a certain level of capital and debt recognized by the Financial Services Agency as having loss-absorbing and recapitalization capacity, or Internal TLAC. In addition, under the approach, Japanese G-SIBs would be allowed to count the Japanese Deposit Insurance Fund Reserves in an amount equivalent to 2.5% of their consolidated risk-weighted assets from 2019 and 3.5% of their consolidated risk-weighted assets from 2022 as their external TLAC.

Japanese banks are also required to comply with the supervisory review process (second pillar) and disclosure requirements for market discipline (third pillar). Under the second pillar, banks are required to maintain adequate capital to support all of the major risks in their business and are encouraged to develop and use better risk management techniques in monitoring and managing such risks. Under the third pillar, banks are required to enhance disclosure, including disclosure of details of the capital adequacy ratio, the amount of each type of risk and the method of calculation used so that the market may make more effective evaluations. Further, the revisions to the Financial Services Agency s guidelines relating to the third pillar, which reflect the enhanced disclosure requirements under Basel III and became effective on March 31, 2013, require banks to disclose, among other things, the components of their regulatory capital and the main features of their regulatory capital instruments in common templates.

Table of Contents

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

Consolidated Capital Adequacy Ratios

Our capital adequacy ratios and leverage ratios as of March 31, 2016 and September 30, 2016, calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency, were as set forth in the following table:

	As of		
	March 31, 2016	September 30, 2016	Increase (decrease)
(in billions of yen, except percentages)			
Common Equity Tier 1 capital	¥ 6,566.4	¥ 6,769.3	¥ 202.9
Additional Tier 1 capital	1,338.6	1,213.1	(125.4)
Tier 1 capital	7,905.0	7,982.5	77.4
Tier 2 capital	1,733.5	1,785.3	51.7
Total capital	¥ 9,638.6	¥ 9,767.8	¥ 129.2
Risk-weighted assets	¥ 62,531.1	¥ 61,648.4	¥ (882.6)
Common Equity Tier 1 capital ratio	10.50%	10.98%	0.48%
Required Common Equity Tier 1 capital ratio ⁽¹⁾	5.375	5.375	
Tier 1 capital ratio	12.64	12.94	0.30
Required Tier 1 capital ratio ⁽¹⁾	6.875	6.875	
Total capital ratio	15.41	15.84	0.43
Required total capital ratio ⁽¹⁾	8.875	8.875	
Leverage ratio ⁽²⁾	3.98	4.05	0.07

Notes:

- (1) The required ratios as of March 31, 2016 and September 30, 2016 include those equivalent to a transitional capital conservation buffer of 0.625% and transitional additional loss absorbency requirements for a G-SIB and D-SIB of 0.25%. These buffer and additional loss absorbency requirements are applied to us but not to our banking subsidiaries.
- (2) Due to the implementation of the leverage ratio requirements in Japan, public disclosure of the leverage ratio became required from March 31, 2015. Any final adjustments to the definition and calibration of the leverage ratio will be made by BCBS by 2017.

Our total capital ratio as of September 30, 2016 was 15.84%, an increase of 0.43% compared to March 31, 2016. Our Tier 1 capital ratio as of September 30, 2016 was 12.94%, an increase of 0.30% compared to March 31, 2016. Our Common Equity Tier 1 capital ratio as of September 30, 2016 was 10.98%, an increase of 0.48% compared to March 31, 2016. The increases in each ratio were due mainly to a decrease in risk-weighted assets and to an increase in Common Equity Tier 1 capital. We believe that we were in compliance with all capital adequacy requirements to

which we were subject as of September 30, 2016.

Table of Contents**Capital**

The following table shows a breakdown of our total risk-based capital as of March 31, 2016 and September 30, 2016:

	March 31, 2016	As of September 30, 2016 (in billions of yen)	Increase (decrease)
Common Equity Tier 1 capital	¥6,566.4	¥ 6,769.3	¥ 202.9
Capital and stock surplus	3,267.0	3,367.5	100.5
Retained earnings	3,196.9	3,463.4	266.5
Treasury stock	(3.6)	(5.0)	(1.4)
Earnings to be distributed	(94.8)	(95.1)	(0.3)
Subscription rights to common shares	2.7	1.7	(1.0)
Accumulated other comprehensive income and other disclosed reserves	964.7	856.4	(108.2)
Common share capital issued by subsidiaries and held by third parties	14.7	14.9	0.2
Instruments and reserves subject to phase-out arrangements	32.4	33.2	0.7
Regulatory adjustments	(813.7)	(867.7)	(54.0)
Additional Tier 1 capital⁽¹⁾⁽²⁾⁽³⁾	1,338.6	1,213.1	(125.4)
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards ⁽¹⁾	300.0	760.0	460.0
Additional Tier 1 instruments issued by subsidiaries and held by third parties	30.8	30.8	
Eligible Tier 1 capital instruments subject to phase-out arrangements ⁽²⁾⁽³⁾	1,144.0	577.5	(566.5)
Instruments subject to phase-out arrangements	(21.4)	(34.3)	(12.8)
Regulatory adjustments	(114.8)	(120.8)	(6.0)
Tier 1 capital⁽¹⁾⁽²⁾⁽³⁾	7,905.0	7,982.5	77.4
Tier 2 capital⁽⁴⁾	1,733.5	1,785.3	51.7
Directly issued qualifying Tier 2 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards ⁽⁴⁾	324.5	495.8	171.3
Tier 2 instruments plus related stock surplus issued by special purpose vehicles and other equivalent entities	169.0	151.6	(17.3)
Tier 2 instruments issued by subsidiaries and held by third parties	10.2	10.4	0.2
Eligible Tier 2 capital instruments subject to phase-out arrangements	962.9	884.0	(78.8)
General allowance for loan losses and eligible provisions included in Tier 2	6.0	5.7	(0.3)
Instruments and provisions subject to phase-out arrangements	374.0	333.1	(40.8)
Regulatory adjustments	(113.2)	(95.5)	17.6

Total capital ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	¥9,638.6	¥	9,767.8	¥	129.2
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Notes:

- (1) In July 2016, 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.
- (2) On July 1, 2016, we acquired ¥75.1 billion of eleventh series class XI preferred stock, in respect of which a request for acquisition was not made by June 30, 2016 and delivered 265,433,368 shares of our common stock, pursuant to Article 20, Paragraph 1 of our articles of incorporation and a provision in the terms and conditions of the preferred stock concerning mandatory acquisition in exchange for common stock. On July 13, 2016, we cancelled all of our treasury shares of eleventh series class XI preferred stock.
- (3) We redeemed \$600.0 million and ¥400.0 billion of non-dilutive preferred securities in June 2016.

Table of Contents

(4) In June 2016, we issued ¥155.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to retail investors in Japan. Our Common Equity Tier 1 capital increased by ¥202.9 billion from ¥6,566.4 billion as of March 31, 2016 to ¥6,769.3 billion as of September 30, 2016. The increase was due mainly to an increase in retained earnings as a result of recording net income for the six months ended September 30, 2016, offset in part by a decrease in accumulated other comprehensive income. Our Additional Tier 1 capital decreased by ¥125.4 billion from ¥1,338.6 billion as of March 31, 2016 to ¥1,213.1 billion as of September 30, 2016. The decrease was due mainly to the redemption of non-dilutive preferred securities subject to phase-out arrangements and the conversion of preferred stock into common stock, offset in part by the issuance of perpetual subordinated bonds. As a result, our Tier 1 capital increased by ¥77.4 billion from ¥7,905.0 billion as of March 31, 2016 to ¥7,982.5 billion as of September 30, 2016.

Non-dilutive preferred securities issued by our overseas special purpose companies to investors are included within Additional Tier 1 capital and subject to phase-out arrangements. As of September 30, 2016, the outstanding balance of these securities was ¥577.5 billion. Although such non-dilutive preferred securities are perpetual in term, they are redeemable at our option, subject to prior approval from regulatory authorities, on, and on specified dates after, the relevant initial optional redemption date. The following table shows the initial optional redemption dates for the non-dilutive preferred securities included within our Additional Tier 1 capital as of September 30, 2016 and the total outstanding balance of non-dilutive preferred securities with each such initial optional redemption date. The non-dilutive preferred securities are denominated in yen, unless otherwise noted.

Initial optional redemption date	Outstanding balance of non-dilutive preferred securities included within Additional Tier 1 capital (in billions of yen)	
June 2018	¥	274.5
June 2019		303.0

Our Tier 2 capital as of September 30, 2016 was ¥1,785.3 billion, an increase of ¥51.7 billion compared to March 31, 2016. The increase was due mainly to the issuance of dated subordinated bonds, offset in part by the redemptions of eligible Tier 2 capital instruments subject to phase-out arrangements.

As a result of the above, total capital as of September 30, 2016 was ¥9,767.8 billion, an increase of ¥129.2 billion compared to March 31, 2016.

Risk-weighted Assets

The following table shows a breakdown of our risk-weighted assets as of March 31, 2016 and September 30, 2016:

	March 31, 2016	As of September 30, 2016	Increase (decrease)
		(in billions of yen)	
Risk-weighted assets:			
Credit risk assets	¥ 57,588.4	¥ 56,576.9	¥ (1,011.5)

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Market risk equivalent assets	1,696.0	1,917.2	221.1
Operational risk equivalent assets	3,246.6	3,154.3	(92.3)
Total	¥62,531.1	¥ 61,648.4	¥ (882.6)

Table of Contents

Risk-weighted assets as of September 30, 2016 were ¥61,648.4 billion, a decrease of ¥882.6 billion compared to March 31, 2016. Credit risk assets decreased by ¥1,011.5 billion to ¥56,576.9 billion. Market risk equivalent assets increased by ¥221.1 billion to ¥1,917.2 billion. Operational risk equivalent assets decreased by ¥92.3 billion to ¥3,154.3 billion.

Principal Banking Subsidiaries

Capital adequacy ratios and leverage ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2016 and September 30, 2016, calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency, were as set forth in the following table:

	March 31, 2016	As of September 30, 2016	Increase (decrease)
Mizuho Bank			
Common Equity Tier 1 capital ratio	10.81%	11.02%	0.21%
Tier 1 capital ratio	12.75	13.22	0.47
Total capital ratio	15.46	16.01	0.55
Leverage ratio ⁽¹⁾	4.19	4.26	0.07
Mizuho Trust & Banking			
Common Equity Tier 1 capital ratio	18.21	18.80	0.59
Tier 1 capital ratio	18.21	18.80	0.59
Total capital ratio	19.52	19.95	0.43
Leverage ratio ⁽¹⁾	5.86	6.45	0.59

Note:

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

We believe each of our principal banking subsidiaries was in compliance with all capital adequacy requirements to which it was subject as of September 30, 2016.

Our securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Act. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. We believe, as of September 30, 2016, that our securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

Off-balance-sheet Arrangements

See note 15 Commitments and contingencies and note 16 Variable interest entities and securitizations to our consolidated financial statements included elsewhere in this report.

Table of Contents**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Unaudited)**

	March 31, 2016	September 30, 2016
	(in millions of yen)	
Assets:		
Cash and due from banks	1,322,597	1,408,537
Interest-bearing deposits in other banks	35,327,408	41,845,190
Call loans and funds sold	893,545	950,071
Receivables under resale agreements (Note 18)	7,805,643	9,258,713
Receivables under securities borrowing transactions (Note 18)	3,407,391	3,195,978
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥7,020,645 million at March 31, 2016 and ¥5,563,467 million at September 30, 2016) (Notes 17 and 18)	30,020,743	30,952,945
Investments (Notes 3 and 17):		
Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥513,054 million at March 31, 2016 and ¥430,463 million at September 30, 2016)	25,452,525	20,312,495
Held-to-maturity securities (including assets pledged that secured parties are permitted to sell or repledge of ¥1,238,965 million at March 31, 2016 and ¥1,063,891 million at September 30, 2016)	4,818,961	4,260,096
Other investments	613,446	580,854
Loans (Notes 4, 5 and 17)	77,555,369	76,381,908
Allowance for loan losses	(451,247)	(437,180)
Loans, net of allowance	77,104,122	75,944,728
Premises and equipment net	1,837,990	1,882,224
Due from customers on acceptances	109,567	142,654
Accrued income	274,226	247,252
Goodwill	19,097	18,822
Intangible assets	48,651	46,218
Deferred tax assets	57,349	93,186
Other assets (Notes 4, 6, 14 and 17)	4,696,890	4,874,760
Total assets	193,810,151	196,014,723

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.

March 31, 2016	September 30, 2016
---------------------------	-------------------------------

	(in millions of yen)	
Assets of consolidated VIEs:		
Cash and due from banks	51,304	125,819
Interest-bearing deposits in other banks	85,976	96,236
Trading account assets	1,639,050	1,688,698
Investments	40,732	44,967
Loans, net of allowance	2,255,409	2,011,933
Other	620,008	654,292
 Total assets	 4,692,479	 4,621,945

See the accompanying Notes to the Consolidated Financial Statements.

F-1

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited) (Continued)

	March 31, 2016	September 30, 2016
	(in millions of yen)	
Liabilities and equity:		
Deposits:		
Domestic:		
Noninterest-bearing deposits	16,108,032	16,787,438
Interest-bearing deposits	79,596,483	82,101,015
Foreign:		
Noninterest-bearing deposits	1,601,417	1,727,268
Interest-bearing deposits	20,631,790	19,691,579
Due to trust accounts	4,467,305	3,425,497
Call money and funds purchased	2,521,009	1,791,651
Payables under repurchase agreements (Notes 18 and 19)	16,833,263	17,739,124
Payables under securities lending transactions (Notes 18 and 19)	2,844,653	1,534,505
Other short-term borrowings	2,080,039	1,556,156
Trading account liabilities (Notes 17 and 18)	17,111,142	18,970,314
Bank acceptances outstanding	109,567	142,654
Income taxes payable	96,710	77,593
Deferred tax liabilities	201,859	151,400
Accrued expenses	181,441	171,302
Long-term debt (including liabilities accounted for at fair value of ¥1,055,626 million at March 31, 2016 and ¥1,529,681 million at September 30, 2016) (Note 17)	14,765,527	15,240,696
Other liabilities (Notes 6, 14 and 17)	6,476,723	6,641,554
Total liabilities	185,626,960	187,749,746
Commitments and contingencies (Note 15)		
Equity:		
MHFG shareholders' equity:		
Preferred stock (Note 7)	98,924	
Common stock (Note 7) no par value, authorized 48,000,000,000 shares at March 31, 2016 and September 30, 2016, and issued 25,030,525,657 shares at March 31, 2016, and 25,386,307,945 shares at September 30, 2016	5,703,144	5,802,796
Retained earnings	746,785	1,031,186
Accumulated other comprehensive income, net of tax (Note 9)	1,469,308	1,274,299
Less: Treasury stock, at cost Common stock 10,929,211 shares at March 31, 2016, and 21,895,432 shares at September 30, 2016	(3,610)	(5,098)
Total MHFG shareholders' equity	8,014,551	8,103,183

Noncontrolling interests	168,640	161,794
Total equity	8,183,191	8,264,977
Total liabilities and equity	193,810,151	196,014,723

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.

	March 31, 2016	September 30, 2016
	(in millions of yen)	
Liabilities of consolidated VIEs:		
Other short-term borrowings	292,614	206,341
Long-term debt	411,679	509,964
Other	967,141	1,009,861
Total liabilities	1,671,434	1,726,166

See the accompanying Notes to the Consolidated Financial Statements.

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Six months ended September 30,	
	2015	2016
	(in millions of yen)	
Interest and dividend income:		
Loans, including fees	510,782	494,309
Investments:		
Interest	54,785	41,303
Dividends	39,287	38,348
Trading account assets	71,701	71,746
Call loans and funds sold	3,460	2,550
Receivables under resale agreements and securities borrowing transactions	22,211	38,428
Deposits	31,382	35,383
Total interest and dividend income	733,608	722,067
Interest expense:		
Deposits	96,334	116,237
Trading account liabilities	11,163	10,245
Call money and funds purchased	3,897	1,534
Payables under repurchase agreements and securities lending transactions	25,808	50,494
Other short-term borrowings	2,788	4,946
Long-term debt	87,963	85,312
Total interest expense	227,953	268,768
Net interest income	505,655	453,299
Provision (credit) for loan losses (Notes 4 and 5)	3,030	569
Net interest income after provision (credit) for loan losses	502,625	452,730
Noninterest income:		
Fee and commission income	365,411	362,913
Foreign exchange gains (losses) net	47,938	57,090
Trading account gains (losses) net	149,142	206,061
Investment gains (losses) net (Note 3)	149,312	128,749
Equity in earnings (losses) of equity method investees net	20,151	16,726
Gains on disposal of premises and equipment	8,756	3,486
Other noninterest income (Note 14)	113,386	71,980
Total noninterest income	854,096	847,005

Noninterest expenses:		
Salaries and employee benefits (Note 13)	315,826	326,676
General and administrative expenses	268,901	274,572
Occupancy expenses	100,777	93,958
Fee and commission expenses	77,303	76,822
Provision (credit) for losses on off-balance-sheet instruments	(9,324)	(7,895)
Other noninterest expenses (Note 14)	60,708	78,329
Total noninterest expenses	814,191	842,462
Income before income tax expense	542,530	457,273
Income tax expense (Note 12)	167,261	74,515
Net income	375,269	382,758
Less: Net income attributable to noncontrolling interests	9,396	3,200
Net income attributable to MHFG shareholders	365,873	379,558

(in yen)

Earnings per common share (Note 11):		
Basic net income per common share	14.74	15.06
Diluted net income per common share	14.41	14.95

See the accompanying Notes to the Consolidated Financial Statements.

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Six months ended September 30,	
	2015	2016
	(in millions of yen)	
Net income	375,269	382,758
Other comprehensive income (loss), net of tax	(297,397)	(196,229)
Total comprehensive income	77,872	186,529
Less: Total comprehensive income attributable to noncontrolling interests	8,069	2,310
Total comprehensive income attributable to MHFG shareholders	69,803	184,219

See the accompanying Notes to the Consolidated Financial Statements.

F-4

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

	Six months ended September 30,	
	2015	2016
	(in millions of yen)	
Preferred stock (Note 7):		
Balance at beginning of period	213,121	98,924
Conversion to common stock	(69,048)	(98,924)
Balance at end of period	144,073	
Common stock (Note 7):		
Balance at beginning of period	5,590,396	5,703,144
Issuance of new shares of common stock due to conversion of preferred stock	69,048	98,924
Issuance of new shares of common stock due to exercise of stock acquisition rights	772	969
Gains (losses) on disposal of treasury stock	82	(55)
Stock-based compensation related to stock option	(1,058)	(1,009)
Performance-based stock compensation program		118
Change in ownership interest in consolidated subsidiaries		706
Cancellation of treasury stock		(1)
Balance at end of period	5,659,240	5,802,796
Retained earnings:		
Balance at beginning of period, previously reported	89,432	746,785
Cumulative effect of change in accounting principles, net of tax (Notes 2 and 16)		(329)
Balance at beginning of period, adjusted	89,432	746,456
Net income attributable to MHFG shareholders	365,873	379,558
Dividends declared	(100,584)	(94,828)
Balance at end of period	354,721	1,031,186
Accumulated other comprehensive income, net of tax (Note 9):		
Balance at beginning of period, previously reported	2,041,005	1,469,308
Cumulative effect of change in accounting principles (Notes 2 and 16)		330
Balance at beginning of period, adjusted	2,041,005	1,469,638
Change during period	(296,070)	(195,339)
Balance at end of period	1,744,935	1,274,299

Treasury stock, at cost:

Balance at beginning of period	(3,616)	(3,610)
Purchases of treasury stock	(684)	(1,869)
Disposal of treasury stock	269	380
Cancellation of treasury stock		1
Balance at end of period	(4,031)	(5,098)
Total MHFG shareholders' equity	7,898,938	8,103,183

Noncontrolling interests:

Balance at beginning of period, previously reported	259,506	168,640
Cumulative effect of change in accounting principles (Notes 2 and 16)		(10,441)
Balance at beginning of period, adjusted	259,506	158,199
Effect of other increase (decrease) in consolidated subsidiaries	(25,819)	3,256
Dividends paid to noncontrolling interests	(2,246)	(1,971)
Net income attributable to noncontrolling interests	9,396	3,200
Net unrealized gains (losses) on available-for-sale securities attributable to noncontrolling interests	(1,168)	108
Foreign currency translation adjustments attributable to noncontrolling interests	(146)	(1,000)
Pension liability adjustments attributable to noncontrolling interests	(14)	2
Balance at end of period	239,509	161,794
Total equity	8,138,447	8,264,977

Note: The amounts that have been reclassified out of Accumulated other comprehensive income, net of tax into net income are presented in Note 9 – Accumulated other comprehensive income .

See the accompanying Notes to the Consolidated Financial Statements.

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended September 30,	
	2015	2016
	(in millions of yen)	
Cash flows from operating activities:		
Net income	375,269	382,758
Less: Net income attributable to noncontrolling interests	9,396	3,200
Net income attributable to MHFG shareholders	365,873	379,558
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	82,608	81,650
Provision (credit) for loan losses	3,030	569
Investment losses (gains) net	(149,312)	(128,749)
Equity in losses (earnings) of equity method investees net	(20,151)	(16,726)
Foreign exchange losses (gains) net	(43,487)	(367,495)
Deferred income tax expense (benefit)	29,890	(27,875)
Net change in trading account assets	1,249,754	(575,402)
Net change in trading account liabilities	(771,660)	2,358,095
Net change in loans held for sale	(32,588)	(8,892)
Net change in accrued income	11,601	13,947
Net change in accrued expenses	(48,749)	(15,230)
Other net	385,330	165,321
Net cash provided by operating activities	1,062,139	1,858,771
Cash flows from investing activities:		
Proceeds from sales of investments	10,581,839	18,374,011
Proceeds from maturities of investments	6,161,992	3,307,892
Purchases of investments	(14,099,866)	(17,554,272)
Proceeds from sales of loans	62,849	126,768
Net change in loans	(1,141,961)	(1,598,393)
Net change in interest-bearing deposits in other banks	(6,148,274)	(7,061,266)
Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	108,419	(2,389,471)
Proceeds from sales of premises and equipment	34,379	3,883
Purchases of premises and equipment	(217,527)	(214,606)
Net cash used in investing activities	(4,658,150)	(7,005,454)
Cash flows from financing activities:		
Net change in deposits	2,563,948	5,292,468
	577,560	672,490

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Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions

Net change in due to trust accounts	155,418	(1,041,808)
Net change in other short-term borrowings	333,078	(411,765)
Proceeds from issuance of long-term debt	1,326,988	3,567,497
Repayment of long-term debt	(1,271,652)	(2,688,095)
Proceeds from noncontrolling interests	283	361
Payment to noncontrolling interests	(5)	
Proceeds from issuance of common stock	5	6
Proceeds from sales of treasury stock	2	1
Purchases of treasury stock	(8)	(1,430)
Dividends paid	(100,659)	(94,782)
Dividends paid to noncontrolling interests	(2,246)	(1,971)
Net cash provided by financing activities	3,582,712	5,292,972
Effect of exchange rate changes on cash and due from banks	(4,645)	(60,349)
Net increase (decrease) in cash and due from banks	(17,944)	85,940
Cash and due from banks at beginning of period	1,528,306	1,322,597
Cash and due from banks at end of period	1,510,362	1,408,537

Supplemental disclosure of cash flow information:

Noncash investing activities:

Transfer of loans into other investments	63,420	
Investment in capital leases	12,618	4,987

See the accompanying Notes to the Consolidated Financial Statements.

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of presentation

Mizuho Financial Group, Inc. (MHFG) is a joint stock corporation with limited liability under the laws of Japan. MHFG, through its subsidiaries (the MHFG Group , or the Group), provides domestic and international financial services in Japan and other countries. For a discussion of the Group s segment information, see Note 20 Business segment information .

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements are stated in Japanese yen, the currency of the country in which MHFG is incorporated and principally operates.

The accompanying consolidated financial statements include the accounts of MHFG and its subsidiaries. MHFG s interim financial reporting period ends on September 30 and certain subsidiaries interim financial reporting period ends on June 30. The necessary adjustments have been made to the consolidated financial statements if significant transactions took place during the three-month period. When determining whether to consolidate investee entities, the MHFG Group performed a careful analysis of the facts and circumstances of the particular relationships between the MHFG Group and the investee entities as well as the ownership of voting shares. The consolidated financial statements also include the accounts of the VIEs for which MHFG or its subsidiaries have been determined to be the primary beneficiary in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation (ASC 810). All significant intercompany transactions and balances have been eliminated upon consolidation. The MHFG Group accounts for investments in entities over which it has significant influence by using the equity method of accounting. These investments are included in Other investments and the Group s proportionate share of income or loss is included in Equity in earnings (losses) of equity method investees net.

The unaudited consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the annual financial statements for the fiscal year ended March 31, 2016.

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. GAAP, but is not required for interim reporting purposes, has been condensed or omitted.

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.

2. Recently issued accounting pronouncements

Recently adopted accounting pronouncements

In November 2014, the FASB issued Accounting Standards Update (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

F-7

Table of Contents**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited) (Continued)**

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 and 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: (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 Accumulated other comprehensive income of ¥330 million, respectively. See Note 16 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 and financial condition. The retrospective adoption of ASU No.2015-03 resulted in the reduction of Other assets and Long-term debt in the comparative consolidated balance sheet.

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 and financial condition.

F-8

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Accounting pronouncements issued but not yet effective

In May 2014, the FASB issued ASU No.2014-09, Revenue from Contracts with Customers (Topic 606) (ASU No.2014-09). The ASU provides comprehensive guidance of revenue recognition, in convergence with International Financial Reporting Standards (IFRS), to improve financial reporting in U.S. GAAP by replacing the current complex guidance for recognizing revenue. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU was effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. In August 2015, the FASB issued ASU No.2015-14, Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date (ASU No.2015-14) to defer the effective date of ASU No.2014-09 by one year. Therefore, ASU No.2014-09 is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2017. Earlier 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 expects to adopt ASU No.2014-09 on April 1, 2018 and is currently evaluating the potential impact that the adoption of ASU No.2014-09 and ASU No.2015-14 will have on its consolidated results of operations and financial condition.

In January 2016, the FASB issued ASU No.2016-01, Financial Instruments Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities (ASU No.2016-01). The ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The ASU also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and should be applied using a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early application by public business entities is permitted for financial statements of fiscal years or interim periods that have not yet been issued. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2016-01 will have on its consolidated results of operations and financial condition.

In February 2016, the FASB issued ASU No.2016-02, Leases (Topic 842) (ASU No.2016-02). The ASU requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. Lessees should recognize liabilities to make lease payments and right-of-use assets representing its right to use the underlying assets for the lease term. This recognition applies to leases classified as operating leases and finance leases, and the update retains a distinction between finance leases and operating leases. However, the ASU has not changed the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee significantly. The ASU also requires qualitative disclosures along with specific quantitative disclosures including the amount, timing, and uncertainty of cash flows arising from leases. In transition, an entity is required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is

permitted. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2016-02 will have on its consolidated results of operations and financial condition.

In June 2016, the FASB issued ASU No.2016-13, Financial Instruments Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments (ASU No.2016-13). The ASU replaces the incurred

F-9

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

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 as an exceptional treatment. 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 is currently evaluating the potential impact that the adoption of ASU No.2016-16 will have on its consolidated results of operations and financial condition.

Table of Contents**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited) (Continued)****3. Investments***Available-for-sale and held-to-maturity securities*

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale and held-to-maturity securities at March 31, 2016 and September 30, 2016 are as follows:

	Amortized cost	Gross unrealized gains (in millions of yen)	Gross unrealized losses	Fair value
March 31, 2016				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds	15,672,171	91,420	1,015	15,762,576
Japanese local government bonds	234,587	6,097	3	240,681
U.S. Treasury bonds and federal agency securities	436,792	1,720	32	438,480
Other foreign government bonds	939,808	2,740	153	942,395
Agency mortgage-backed securities ⁽¹⁾	920,375	29,804	1,293	948,886
Residential mortgage-backed securities	206,882	4,254	878	210,258
Commercial mortgage-backed securities	186,525	788	523	186,790
Japanese corporate bonds and other debt securities ⁽²⁾	2,079,599	15,688	420	2,094,867
Foreign corporate bonds and other debt securities ⁽³⁾	839,981	8,744	1,421	847,304
Equity securities (marketable)	1,663,486	2,121,379	4,577	3,780,288
Total	23,180,206	2,282,634	10,315	25,452,525
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds	3,760,032	56,620		3,816,652
Agency mortgage-backed securities ⁽⁴⁾	1,058,929	3,894	6,266	1,056,557
Total	4,818,961	60,514	6,266	4,873,209

September 30, 2016

Available-for-sale securities:				
Debt securities:				
Japanese government bonds	10,322,825	52,600	4,836	10,370,589
Japanese local government bonds	274,890	6,449	28	281,311
U.S. Treasury bonds and federal agency securities	904,552	50	767	903,835
Other foreign government bonds	926,996	1,707	110	928,593
Agency mortgage-backed securities ⁽¹⁾	887,307	25,285	647	911,945
Residential mortgage-backed securities	166,837	3,165	688	169,314
Commercial mortgage-backed securities	197,481	998	300	198,179
Japanese corporate bonds and other debt securities ⁽²⁾	2,071,260	37,099	1,394	2,106,965
Foreign corporate bonds and other debt securities ⁽³⁾	789,496	6,387	1,072	794,811
Equity securities (marketable)	1,693,665	1,956,294	3,006	3,646,953
Total	18,235,309	2,090,034	12,848	20,312,495
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds	3,459,999	54,852		3,514,851
Agency mortgage-backed securities ⁽⁴⁾	800,097	4,714	1,743	803,068
Total	4,260,096	59,566	1,743	4,317,919

Notes:

- (1) Agency mortgage-backed securities presented in the above table consist of U.S. agency securities and Japanese agency securities, of which the fair values were ¥168,604 million and ¥780,282 million, respectively, at March 31, 2016, and ¥167,585 million and ¥744,360 million, respectively, at September 30, 2016. U.S. agency securities primarily consist of Government National Mortgage Association (Ginnie Mae) securities, which are guaranteed by the United States government. All Japanese agency securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) Other debt securities presented in the above table primarily consist of certificates of deposit (CDs) and asset-backed securities (ABS), of which the total fair values were ¥158,446 million at March 31, 2016, and ¥146,851 million at September 30, 2016.
- (3) Other debt securities presented in the above table primarily consist of CDs, ABS, and collateralized loan obligations (CLO), of which the total fair values were ¥201,952 million at March 31, 2016, and ¥212,641 million at September 30, 2016.
- (4) All Agency mortgage-backed securities presented in the above table are Ginnie Mae securities.

Table of Contents**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited) (Continued)***Contractual maturities*

The amortized cost and fair value of available-for-sale and held-to-maturity debt securities at September 30, 2016 by contractual maturity are shown in the table below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their contractual maturities.

Amortized cost	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
	(in millions of yen)				
Available-for-sale securities:					
Debt securities:					
Japanese government bonds	1,396,343	7,400,210	1,462,976	63,296	10,322,825
Japanese local government bonds	33,648	99,991	140,591	660	274,890
U.S. Treasury bonds and federal agency securities	823,997		74,569	5,986	904,552
Other foreign government bonds	720,168	201,202	5,626		926,996
Agency mortgage-backed securities				887,307	887,307
Residential mortgage-backed securities				166,837	166,837
Commercial mortgage-backed securities	1,250	128,468	67,763		197,481
Japanese corporate bonds and other debt securities	406,988	1,088,491	399,102	176,679	2,071,260
Foreign corporate bonds and other debt securities	204,995	428,081	68,458	87,962	789,496
Total	3,587,389	9,346,443	2,219,085	1,388,727	16,541,644
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds	999,979	1,980,160	479,860		3,459,999
Agency mortgage-backed securities				800,097	800,097
Total	999,979	1,980,160	479,860	800,097	4,260,096

Fair value	Due after one				Total
	Due in one year or less	year through five years	Due after five years through ten years	Due after ten years	
(in millions of yen)					
Available-for-sale securities:					
Debt securities:					
Japanese government bonds	1,396,500	7,432,623	1,478,096	63,370	10,370,589
Japanese local government bonds	33,716	101,444	145,352	799	281,311
U.S. Treasury bonds and federal agency securities	824,007		74,062	5,766	903,835
Other foreign government bonds	720,490	202,207	5,896		928,593
Agency mortgage-backed securities				911,945	911,945
Residential mortgage-backed securities				169,314	169,314
Commercial mortgage-backed securities	1,250	128,443	68,486		198,179
Japanese corporate bonds and other debt securities	407,503	1,095,194	403,617	200,651	2,106,965
Foreign corporate bonds and other debt securities	206,085	432,423	68,370	87,933	794,811
Total	3,589,551	9,392,334	2,243,879	1,439,778	16,665,542
Held-to-maturity securities:					
Debt securities:					
Japanese government bonds	1,003,550	2,001,089	510,212		3,514,851
Agency mortgage-backed securities				803,068	803,068
Total	1,003,550	2,001,089	510,212	803,068	4,317,919

Table of Contents**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited) (Continued)***Other-than-temporary impairment*

The MHFG Group performs periodic reviews to identify impaired securities in accordance with ASC 320,

Investments Debt and Equity Securities (ASC 320). For debt securities, in the cases where the MHFG Group has the intent to sell a debt security or more likely than not will be required to sell a debt security before the recovery of its amortized cost basis, the full amount of an other-than-temporary impairment loss is recognized immediately through earnings. In other cases, the MHFG Group evaluates expected cash flows to be received and determines if a credit loss exists, and if so, the amount of an other-than-temporary impairment related to the credit loss is recognized in earnings, while the remaining decline in fair value is recognized in other comprehensive income, net of applicable taxes. For equity securities, impairment is evaluated considering the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuers, as well as the MHFG Group's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value. If an equity security is deemed other-than-temporarily impaired, it shall be written down to fair value, with the full decline recognized in earnings.

The following table shows the other-than-temporary impairment on available-for-sale securities for the six months ended September 30, 2015 and 2016. No impairment losses were recognized on held-to-maturity securities for the periods.

	Six months ended September 30,	
	2015	2016
	(in millions of yen)	
Available-for-sale securities:		
Debt securities	40	56
Equity securities	6,060	10,016
Total	6,100	10,072

For the six months ended September 30, 2016, 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 of these securities was recognized in earnings. There has never been any instance related to credit losses on debt securities recognized in earnings where a portion of an other-than-temporary impairment 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.

Table of Contents**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited) (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, 2016 and September 30, 2016:

	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
	(in millions of yen)					
March 31, 2016						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds	1,531,400	692	74,427	323	1,605,827	1,015
Japanese local government bonds	3,434	3			3,434	3
U.S. Treasury bonds and federal agency securities	315,425	32			315,425	32
Other foreign government bonds	225,493	139	225	14	225,718	153
Agency mortgage-backed securities ⁽¹⁾	15,965	86	58,147	1,207	74,112	1,293
Residential mortgage-backed securities	2,417	3	39,984	875	42,401	878
Commercial mortgage-backed securities	40,471	300	22,465	223	62,936	523
Japanese corporate bonds and other debt securities	360,782	348	20,109	72	380,891	420
Foreign corporate bonds and other debt securities	186,478	972	22,090	449	208,568	1,421
Equity securities (marketable)	71,262	4,515	180	62	71,442	4,577
Total	2,753,127	7,090	237,627	3,225	2,990,754	10,315
Held-to-maturity securities:						
Debt securities:						
Agency mortgage-backed securities ⁽²⁾	394,673	5,384	101,892	882	496,565	6,266
Total	394,673	5,384	101,892	882	496,565	6,266

September 30, 2016

Available-for-sale securities:

Debt securities:

Japanese government bonds	2,112,158	4,391	90,433	445	2,202,591	4,836
Japanese local government bonds	8,182	28			8,182	28
U.S. Treasury bonds and federal agency securities	190,983	767			190,983	767
Other foreign government bonds	277,723	107	3,299	3	281,022	110
Agency mortgage-backed securities ⁽¹⁾	41,607	232	47,609	415	89,216	647
Residential mortgage-backed securities	7,037	8	35,004	680	42,041	688
Commercial mortgage-backed securities	22,635	117	32,620	183	55,255	300
Japanese corporate bonds and other debt securities	288,591	1,177	87,971	217	376,562	1,394
Foreign corporate bonds and other debt securities	130,937	699	53,956	373	184,893	1,072
Equity securities (marketable)	159,314	1,972	4,292	1,034	163,606	3,006
Total	3,239,167	9,498	355,184	3,350	3,594,351	12,848

Held-to-maturity securities:

Debt securities:

Agency mortgage-backed securities ⁽²⁾			280,284	1,743	280,284	1,743
Total			280,284	1,743	280,284	1,743

Notes:

- (1) Agency mortgage-backed securities presented in the above table consist of U.S. agency securities and Japanese agency securities, of which the fair values were ¥69,805 million and ¥4,307 million, respectively, at March 31, 2016, and ¥54,473 million and ¥34,743 million, respectively, at September 30, 2016. U.S. agency securities primarily consist of Ginnie Mae securities, which are guaranteed by the United States government. All Japanese agency securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) All Agency mortgage-backed securities presented in the above table are Ginnie Mae securities.

Table of Contents

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

At September 30, 2016, the MHFG Group did not intend to sell the debt securities in an unrealized loss position and it was not more likely than not that the MHFG Group would be required to sell them before the recovery of their amortized cost bases. For Japanese government bonds, U.S. Treasury bonds and federal agency securities and Agency mortgage-backed securities, their entire amortized cost bases were expected to be recovered since the unrealized losses had not resulted from credit deterioration, but primarily from changes in interest rates. For the debt securities other than those described above, including Japanese corporate bonds with similar credit risks as the other-than-temporarily impaired securities, the MHFG Group determined that their entire amortized cost bases were expected to be recovered, after considering various factors such as the extent to which their fair values were below their amortized cost bases, the external and/or internal ratings and the present values of cash flows expected to be collected. Based on the 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 six months ended September 30, 2015 and 2016. See Consolidated Statements of Cash Flows (Unaudited) for the proceeds from sales of investments, the vast majority of which consists of the proceeds from sales of available-for-sale securities.