PIMCO HIGH INCOME FUND
Form N-Q
August 17, 2006

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

OMB APPROVAL
OMB Number: 3235-0578
Expires: February 28, 2006
Estimated average burden hours per response........20.00

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21311

PIMCO High Income Fund
(Exact name of registrant as specified in charter)

1345 Avenue of the Americas New York, New York 10105
(Address of principal executive offices) (Zip code)

Lawrence G. Altadonna 1345 Avenue of the Americas New York, New York 10105
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-739-3371

Date of fiscal year end: 3/31/2007

Date of reporting period: 6/30/2006

Form N-Q is to be used by the registered management investment company, other than a small business investment company registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b 1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

PIMCO High Income Fund Schedule of Investments

June 30, 2006 (unaudited)

Principal Amount (000)			**Credit Rating (Moody s/S&P)**	**Value***
CORPORATE BONDS & NOTES 85.3%				
Aerospace 0.2%				
$	5,600	Armor Holdings, Inc., 8.25%, 8/15/13	B1/B+	$5,824,000
Airlines 1.1%				
	8,760	American Airlines, Inc., pass thru certificates, 8.608%, 4/1/11	Baa3/BB+	9,109,783
		Continental Airlines, Inc., pass thru certificates,		
	14,842	6.92%, 4/2/13, 97-5A 9 (a)(b)(g)	NR/NR	14,943,850
	4,439	7.373%, 6/15/17, Ser. 01-1	Ba1/BB+	4,230,740
	1,944	8.307%, 10/2/19, Ser. 00-2	Ba2/BB-	1,865,005
	50	Northwest Airlines, Inc., pass thru certificates, 6.841%, 4/1/11, Ser. 1A-2	Ba3/BB	49,781
	396	United Air Lines, Inc., pass thru certificates, 6.602%, 3/1/15, Ser. 01-1	NR/NR	397,733
	4,158	U.S. Airway Group, Inc., 9.625%, 9/1/24 (b)(f)(g)	NR/NR	14,970
				30,611,862
Automotive 4.0%				
	10,450	Arvin Capital I, 9.50%, 2/1/27	B1/B	10,606,750
	18,725	ArvinMeritor, Inc., 8.75%, 3/1/12	Ba3/BB-	18,350,500
	5,150	Cooper-Standard Automotive, Inc., 7.00%, 12/15/12	B3/B-	4,635,000
	15,000	Ford Motor Co., 7.45%, 7/16/31	Ba3/B+	10,912,500
		General Motors Corp.,		
	3,000	7.20%, 1/15/11	Caa1/B-	2,670,000
	10,000	8.25%, 7/15/23	Caa1/B-	7,925,000
		Goodyear Tire & Rubber Co.,		
	12,300	9.00%, 7/1/15	B3/B-	11,808,000
	7,000	11.00%, 3/1/11	B3/B-	7,717,500
		Tenneco Automotive, Inc.,		
	14,000	8.625%, 11/15/14	B3/B	14,035,000
	14,025	10.25%, 7/15/13, Ser. B	B2/B	15,445,031
	8,245	TRW Automotive, Inc., 9.375%, 2/15/13	Ba3/BB-	8,801,538
				112,906,819
Chemicals 3.2%				
		ARCO Chemical Co.,		
	3,808	9.80%, 2/1/20	Ba3/BB-	4,493,440
	2,000	10.25%, 11/1/10	Ba3/BB-	2,210,000
	15,000	Equistar Chemicals L.P., 10.125%, 9/1/08	B1/BB-	15,862,500
	21,925	Ineos Group Holdings PLC, 8.50%, 2/15/16 (d)	B2/B-	20,636,906
	15,300	Nalco Co., 8.875%, 11/15/13	Caa1/B-	15,491,250
	13,660	PQ Corp., 7.50%, 2/15/13	NR/B-	12,908,700
		Rhodia S.A.,		
	6,650	7.625%, 6/1/10	B3/B-	6,616,750
	980	8.875%, 6/1/11	Caa1/B-	981,225

10,500	Rockwood Specialties Group, Inc., 7.50%, 11/15/14	B3/B-	10,342,500
			89,543,271
Commercial Products 0.6%			
15,800	Hertz Corp., 8.875%, 1/1/14 (d)	B1/B	16,274,000
Computer Services 1.2%			
	Sungard Data Systems, Inc. (d),		
17,100	9.125%, 8/15/13	B3/B-	17,826,750
14,000	10.25%, 8/15/15	Caa1/B-	14,542,500
			32,369,250
Computer Software 0.4%			
9,500	UGS Corp., 10.00%, 6/1/12	B3/B-	10,260,000

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Consumer Products 0.6%				
		Buhrmann US, Inc.,		
$	500	7.875%, 3/1/15	B2/B	$496,250
	6,875	8.25%, 7/1/14	B2/B	6,875,000
	3,685	Russell Corp., 9.25%, 5/1/10	B2/B	3,873,856
	7,398	Spectrum Brands, Inc., 7.375%, 2/1/15	Caa2/CCC	6,047,865
				17,292,971
Consumer Services 0.3%				
	9,200	Education Management Corp., 10.25%, 6/1/16 (d)	Caa1/CCC+	9,200,000
Containers & Packaging 2.0%				
		Crown Americas LLC (d),		
	2,475	7.625%, 11/15/13	B1/B	2,444,062
	5,650	7.75%, 11/15/15	B1/B	5,593,500
		Jefferson Smurfit Corp.,		
	11,200	7.50%, 6/1/13	B2/CCC+	10,080,000
	10,263	8.25%, 10/1/12	B2/CCC+	9,672,878
		Smurfit-Stone Container,		
	14,000	8.375%, 7/1/12	B2/CCC+	13,300,000
	15,338	9.75%, 2/1/11	B2/CCC+	15,836,485
				56,926,925
Diversified Manufacturing 0.0%				
	1,000	Quiksilver, Inc., 6.875%, 4/15/15	B1/BB-	935,000
Electronics 1.1%				
	15,000	Sanmina-SCI Corp., 8.125%, 3/1/16	B1/B	14,700,000
	8,700	Sensata Technologies BV, 8.00%, 5/1/14 (d)	B2/B-	8,439,000
	6,400	Solectron Global Finance Ltd., 8.00%, 3/15/16 (d)	B3/B-	6,336,000
				29,475,000
Energy 1.5%				
	18,000	Dynergy, Inc., 8.375%, 5/1/16 (d)	B2/B-	17,820,000
	2,000	NRG Energy, Inc., 7.375%, 2/1/16	B1/B-	1,955,000
		Reliant Energy, Inc.,		
	600	6.75%, 12/15/14	B2/B	555,000
	7,025	9.25%, 7/15/10	B2/B	7,060,125
	15,525	9.50%, 7/15/13	B2/B	15,680,250
				43,070,375
Financial Services 12.7%				
	31,066	AES Ironwood LLC, 8.857%, 11/30/25	B2/B+	33,706,121
	8,196	AES Red Oak LLC, 8.54%, 11/30/19, Ser. A	B2/B+	8,688,044
	25,091	BCP Crystal U.S. Holding Corp., 9.625%, 6/15/14	B3/B	27,349,190
	17,700	Bluewater Finance Ltd., 10.25%, 2/15/12	B2/B-	18,009,750
	7,700		B2/BB-	7,786,625

		Chukchansi Economic Development Authority, 8.00%, 11/15/13 (d)		
	275	Cirsa Finance Luxembourg S.A., 8.75%, 5/15/14	B1/B+	369,210
$	9,977	Consolidated Communications Holdings, 9.75%, 4/1/12	B3/B	10,326,195
	6,500	Eircom Funding, 8.25%, 8/15/13	B1/BB-	6,922,500
		Ford Motor Credit Co.,		
	35,000	7.375%, 2/1/11	Ba2/B+	31,368,890
	55,225	7.875%, 6/15/10	Ba2/B+	50,986,316
		General Motors Acceptance Corp.,		
	2,729	6.00%, 4/1/11	Ba1/BB	2,485,311
	20,000	7.25%, 3/2/11	Ba1/BB	19,408,920
	29,800	7.75%, 1/19/10	Ba1/BB	29,668,850
	17,325	8.00%, 11/1/31	Ba1/BB	16,695,860

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Financial Services (continued)				
		JET Equipment Trust (d)(f)(g),		
$	211	7.63%, 8/15/12, Ser. 95-B	NR/NR	$164,517
	326	10.00%, 6/15/12, Ser. A11	NR/NR	316,932
	36,270	JSG Funding PLC, 9.625%, 10/1/12	B3/B-	37,539,450
	18,445	KRATON Polymers LLC, 8.125%, 1/15/14	B3/B-	18,398,887
	19,203	Universal City Development Partners Ltd., 11.75%, 4/1/10	B2/B-	21,003,281
	8,030	Universal City Florida Holding Co., 8.375%, 5/1/10	B3/B-	8,110,300
	4,300	UPC Holding BV, 8.625%, 1/15/14	B3/CCC+	5,415,721
				354,720,870
Food & Beverage 0.9%				
$	1	Dole Foods Co., Inc., 8.875%, 3/15/11	B3/B	766
	24,925	Ingles Markets, Inc., 8.875%, 12/1/11	B3/B	26,202,407
				26,203,173
Healthcare & Hospitals 2.5%				
	8,000	DaVita, Inc., 7.25%, 3/15/15	B3/B	7,720,000
		HCA, Inc.,		
	7,475	7.50%, 12/15/23	Ba2/BB+	6,966,379
	4,600	7.69%, 6/15/25	Ba2/BB+	4,369,949
	3,000	9.00%, 12/15/14	Ba2/BB+	3,275,091
	5,700	National Mentor Holdings, Inc., 11.25%, 7/1/14 (d)(g)	Caa1/CCC+	5,728,962
	19,990	Rotech Healthcare, Inc., 9.50%, 4/1/12 (k)	B3/CCC	16,741,625
		Tenet Healthcare Corp.,		
	12,000	7.375%, 2/1/13	B3/B	11,010,000
	13,925	9.875%, 7/1/14	B3/B	13,994,625
				69,806,631
Hotels/Gaming 1.6%				
	2,000	Gaylord Entertainment Co., 8.00%, 11/15/13	B3/B-	2,007,500
	5,000	Herbst Gaming, Inc., 8.125%, 6/1/12	B3/B-	5,062,500
	19,279	Mandalay Resort Group, 9.375%, 2/15/10	Ba3/B+	20,387,543
	8,948	Premier Entertainment LLC, 10.75%, 2/1/12	Caa1/CCC	9,283,550
	8,375	Wynn Las Vegas LLC, 6.625%, 12/1/14	B2/B+	7,935,312
				44,676,405
Machinery 0.1%				
	2,000	Chart Industries, Inc., 9.125%, 10/15/15 (d)	B3/B-	2,050,000
Manufacturing 0.7%				
	9,545	Dresser, Inc., 9.375%, 4/15/11	B2/CCC+	9,712,038
	9,850	Invensys PLC, 9.875%, 3/15/11 (d)	B3/B-	10,736,500
				20,448,538
Medical Products 0.8%				
	22,785	VWR International, Inc., 8.00%, 4/15/14	Caa1/B-	22,243,856

Miscellaneous 7.3%			
86,570	Dow Jones TRAC X North America High Yield Index, 8.625%, 6/29/11, Ser. 6-T1 (d)(h)(k)	B3/NR	85,055,025
120,600	Targeted Return Index Securities Trust, 7.548%, 5/1/16, VRN (d)(h)(k)	B1/B+	118,389,523
			203,444,548
Multi-Media 5.8%			
5,600	Cablevision Systems Corp., 8.00%, 4/15/12, Ser. B	B3/B+	5,551,000
39,300	CCO Holdings LLC, 8.75%, 11/15/13	B3/CCC-	38,514,000
4,605	Charter Communications Holdings II LLC, 10.25%, 9/15/10	Caa1/CCC-	4,639,538

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Multi-Media (continued)				
		Charter Communications Operating LLC (d),		
$	13,000	8.00%, 4/30/12	B2/B-	$13,000,000
	14,325	8.375%, 4/30/14	B2/B-	14,414,531
		CSC Holdings, Inc.,		
	6,300	7.625%, 7/15/18	B2/B+	6,268,500
	1,485	7.875%, 2/15/18	B2/B+	1,488,712
	5,265	8.125%, 7/15/09, Ser. B	B2/B+	5,383,463
	2,175	8.125%, 8/15/09, Ser. B	B2/B+	2,223,938
	4,000	DirecTV Holdings LLC, 8.375%, 3/15/13	Ba2/BB-	4,210,000
	4,750	Iesy Repository GmbH, 10.375%, 2/15/15 (d)	Caa2/CCC+	4,560,000
	6,370	Lighthouse International Co. S.A., 8.00%, 4/30/14 (d)	B3/B	8,623,518
$	24,595	Mediacom Broadband LLC, 11.00%, 7/15/13	B2/B	26,039,956
	12,000	Rogers Cable, Inc., 8.75%, 5/1/32	Ba2/BB+	12,990,000
	3,735	Telenet Communications NV, 9.00%, 12/15/13 (d)	B2/B-	5,253,332
		Young Broadcasting, Inc.,		
$	7,300	8.75%, 1/15/14	Caa2/CCC-	6,132,000
	1,350	10.00%, 3/1/11	Caa2/CCC-	1,208,250
				160,500,738
Oil & Gas 8.3%				
		Dynergy-Roseton Danskammer, Inc., pass thru certificates,		
	5,050	7.27%, 11/8/10, Ser. A	B2/B	5,053,156
	25,500	7.67%, 11/8/16, Ser. B	B2/B	25,452,188
		El Paso Corp.,		
	29,150	7.80%, 8/1/31	B2/B	28,457,687
	27,850	8.05%, 10/15/30	B2/B	28,058,875
	19,615	El Paso Production Holding Co., 7.75%, 6/1/13	B1/B+	19,860,188
		Ferrellgas L.P.,		
	3,000	6.75%, 5/1/14	Ba3/B+	2,857,500
	14,325	8.75%, 6/15/12	B2/B-	14,611,500
	10,000	Gaz Capital S.A., 8.625%, 4/28/34	Baa1/BB+	11,500,000
	4,280	Gazprom AG, 9.625%, 3/1/13	NR/BB+	4,913,012
		Hanover Compressor Co.,		
	7,585	8.625%, 12/15/10	B3/B	7,888,400
	3,965	9.00%, 6/1/14	B3/B	4,163,250
	12,028	Hanover Equipment Trust, 8.50%, 9/1/08, Ser. A	B2/B+	12,388,840
	3,625	Newpark Resources, Inc., 8.625%, 12/15/07, Ser. B	B2/B	3,634,062
	4,000	Pogo Producing Co., 7.875%, 5/1/13 (d)	B2/B+	4,030,000
	14,375	SemGroup L.P., 8.75%, 11/15/15 (d)	B1/NR	14,375,000
	3,000	Sonat, Inc., 7.00%, 2/1/18	B2/B	2,805,000
	3,000	TransMontaigne, Inc., 9.125%, 6/1/10	B3/B-	3,202,500
	37,726	Williams Cos., Inc., 7.875%, 9/1/21	Ba2/BB-	38,480,520
				231,731,678
Paper/Paper Products 3.6%				

	Abitibi-Consolidated, Inc.,		
9,500	8.375%, 4/1/15 (k)	B1/B+	8,716,250
8,525	8.55%, 8/1/10	B1/B+	8,120,062
19,009	8.85%, 8/1/30	B1/B+	16,157,650
16,250	Bowater Canada Finance, 7.95%, 11/15/11	B1/B+	15,518,750
2,200	Bowater, Inc., 9.375%, 12/15/21	B1/B+	2,145,000
9,500	Cascades, Inc., 7.25%, 2/15/13	Ba3/BB-	8,835,000
	Georgia-Pacific Corp.,		
2,050	7.75%, 11/15/29	B2/B	1,886,000
27,775	8.00%, 1/15/24	B2/B	26,386,250
13,750	8.875%, 5/15/31	B2/B	13,750,000
			101,514,962

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June 30, 2006 (unaudited)

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Printing/Publishing 2.2%				
$	17,631	Dex Media West LLC, 9.875%, 8/15/13, Ser. B	B2/B	$19,195,663
	1,000	Hollinger, Inc., 11.875%, 3/1/11 (d)	B3/NR	985,000
	12,477	Primedia, Inc., 8.875%, 5/15/11	B2/B	12,040,305
	25,835	RH Donnelley Corp., 8.875%, 1/15/16 (d)	Caa1/B	26,190,231
	2,000	RH Donnelley, Inc., 10.875%, 12/15/12	B2/B	2,205,000
				60,616,199
Real Estate 1.3%				
	10,000	B.F. Saul REIT, 7.50%, 3/1/14	B2/BB-	10,200,000
	11,550	Bon-Ton Stores, Inc., 10.25%, 3/15/14 (d)	B2/B-	10,770,375
	3,000	Delhaize America, Inc., 9.00%, 4/15/31	Ba1/BB+	3,304,830
	5,000	Grupo Gigante SA de CV, 8.75%, 4/13/16 (d)	NR/BB	4,725,000
	6,950	NPC International, Inc., 9.50%, 5/1/14 (d)	Caa1/B-	6,758,875
				35,759,080
Telecommunications 14.1%				
	14,075	American Cellular Corp., 10.00%, 8/1/11, Ser. B	B3/B-	14,884,313
	11,555	Centennial Communications Corp., 8.125%, 2/1/14	B3/CCC	11,179,462
	31,800	Cincinnati Bell, Inc., 8.375%, 1/15/14	B3/B-	31,482,000
	12,000	Citizens Communications Co., 9.00%, 8/15/31	Ba3/BB+	12,210,000
		Hawaiian Telcom Communications, Inc., Ser. B,		
	10,225	9.75%, 5/1/13 (k)	B3/CCC+	10,455,062
	7,000	12.50%, 5/1/15	Caa1/CCC+	7,367,500
	19,775	Insight Midwest L.P., 10.50%, 11/1/10	B2/B	20,714,313
		Intelsat Bermuda Ltd. (d)(e),		
	20,000	9.25%, 6/15/16	B2/B+	20,750,000
	15,000	11.25%, 6/15/16	Caa1/B	15,450,000
		Intelsat Subsidiary Holding Co., Ltd.,		
	3,050	8.25%, 1/15/13	B2/B+	3,042,375
	18,250	8.625%, 1/15/15	B2/B+	18,386,875
	8,600	Nordic Telephone Co. Holdings ApS, 8.875%, 5/1/16 (d)	B2/B	8,879,500
	24,095	PanAmSat Corp., 6.875%, 1/15/28	B1/BB	21,324,075
		Qwest Capital Funding, Inc.,		
	14,200	7.25%, 2/15/11	B3/B	13,880,500
	46,500	7.90%, 8/15/10	B3/B	46,500,000
		Qwest Communications International, Inc.,		
	6,000	7.25%, 2/15/11	B2/B	5,850,000
	15,275	7.50%, 2/15/14	B2/B	14,969,500
	23,750	7.50%, 2/15/14, Ser. B	B2/B	23,275,000
	10,450	Qwest Corp., 8.875%, 3/15/12	Ba3/BB	11,077,000
	18,020	Rural Cellular Corp., 9.875%, 2/1/10	Caa1/CCC	18,628,175
	9,400	Suncom Wireless, Inc., 8.50%, 6/1/13	Caa2/CCC-	8,671,500
	12,400	Superior Essex Communications LLC, 9.00%, 4/15/12	B3/B	12,648,000
	17,575	Time Warner Telecom Holdings, Inc., 9.25%, 2/15/14	B3/CCC+	18,102,250
	13,000	Wind Acquisition Finance S.A., 10.75%, 12/1/15 (d)	B2/B-	13,877,500
	9,000	Windstream Corp., 8.625%, 8/1/16 (b)(d)(e)	Ba3/BB-	9,247,500
				392,852,400

Tobacco 0.8%

4,325	Alliance One International, Inc., 11.00%, 5/15/12	B3/B-	4,130,375
20,000	Reynolds American, Inc., 7.75%, 6/1/18 (d)	Ba2/BB	19,300,000
			23,430,375

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Transportation 0.3%				
		Grupo Transportacion Ferroviaria Mexicana S.A. De C.V.,		
$	2,400	9.375%, 5/1/12	B2/B+	$2,568,000
	5,000	12.50%, 6/15/12	B3/B-	5,537,500
				8,105,500
Utilities 5.2%				
	16,850	AES Corp., 8.75%, 5/15/13 (d)	Ba3/BB-	18,113,750
	3,220	Homer City Funding LLC, 8.137%, 10/1/19	Ba2/BB	3,437,350
	12,000	IPALCO Enterprises, Inc., 8.625%, 11/14/11	Ba1/BB-	12,780,000
	19,450	Legrand Holding S.A., 8.50%, 2/15/25	Baa3/BB+	22,318,875
		Midwest Generation LLC, pass thru certificates,		
	16,900	8.30%, 7/2/09, Ser. A	B1/B+	17,164,063
	26,521	8.56%, 1/2/16, Ser. B	B1/B+	27,864,092
	1,500	8.75%, 5/1/34	Ba3/B	1,597,500
		PSE&G Energy Holdings LLC,		
	21,500	8.50%, 6/15/11	Ba3/BB-	22,682,500
	3,500	10.00%, 10/1/09	Ba3/BB-	3,797,500
	3,147	Sithe Independence Funding Corp., 9.00%, 12/30/13, Ser. A	Ba2/B	3,400,264
	12,948	South Point Energy Center LLC, 8.40%, 5/30/12 (d)	Caa2/D	12,624,494
				145,780,388
Waste Disposal 0.9%				
		Allied Waste North America, Inc.,		
	13,000	7.25%, 3/15/15	B2/BB-	12,480,000
	11,823	9.25%, 9/1/12, Ser. B	B2/BB-	12,591,495
				25,071,495
		Total Corporate Bonds & Notes (cost $2,374,241,337)		2,383,646,309
SENIOR LOANS (a)(b)(c) 3.5%				
Chemicals 0.1%				
	2,000	Ineos Group Ltd. 7.339%, 10/7/12, Term A		2,009,000
Containers & Packaging 0.3%				
		JSG Packaging,		
	431	5.331%, 1/12/13, Term B		553,980
	287	5.413%, 1/12/13, Term B		369,320
	559	5.463%, 1/12/13, Term B (g)		718,841
	324	5.466%, 1/12/13, Term B		416,632
	287	5.80%, 1/12/14, Term B		369,320
	431	5.831%, 1/12/14, Term C		553,979
	559	5.963%, 1/12/14, Term C (g)		720,613
	324	5.966%, 1/12/14, Term C		416,632
	1,049	5.991%, 11/29/13, Term B (g)		1,349,368
	1,049	6.241%, 11/29/14, Term C (g)		1,352,695
$	750	7.398%, 1/12/13, Term B (g)		748,946

750	7.898%, 1/12/14, Term C (g)	748,946
		8,319,272
Diversified Manufacturing 0.2%		
	Invensys PLC,	
1,113	8.501%, 4/9/09, Term B1	1,121,020
3,000	9.431%, 12/30/09	3,037,500
		4,158,520

PIMCO High Income Fund Schedule of Investments

June 30, 2006 (unaudited)

Principal Amount (000)			Credit Rating (Moody s/S&P)	Value*
Financial Services 0.1%				
	1,200	UPC Holding BV, 7.75%, 1/15/14		$1,446,153
Healthcare & Hospitals 0.3%				
$	9,500	HealthSouth Corp., 8.52%, 3/10/13		9,511,029
Oil & Gas 0.7%				
	20,000	Ferrellgas L.P., 8.87%, 8/1/09 (g)		20,698,209
Recreation 0.2%				
		Amadeus Global Travel,		
	2,785	5.313%, 4/8/12, Term A (e)		3,556,667
$	1,250	7.729%, 4/8/13, Term B		1,263,839
	1,250	8.229%, 4/8/14, Term C		1,269,643
				6,090,149
Telecommunications 1.4%				
	6,500	Intersat Bridge, 4/24/16 (g)(l)		6,513,286
	7,300	Nordic Telephone, 8.25%, 5/1/16		9,590,832
		Nordic Telephone Co. Holdings ApS,		
	3,200	5.207%, 11/30/14, Term B		4,135,538
	3,200	5.707%, 11/30/15, Term C		4,151,991
	7,000	Nortel Networks, Inc., 8.625%, 2/15/07, Term B		6,995,625
	3,000	Weather Investments SARL, 4.955%, 6/17/12, Term A (e)		3,815,007
		Wind Acquisition Finance S.A. (e),		
	1,500	5.634%, 6/17/13, Term B		1,925,167
	1,500	6.134%, 6/17/14, Term C		1,934,757
				39,062,203
Wholesale 0.2%				
		Roundy s, Inc., Term B,		
$	12	8.15%, 10/27/11		12,595
	2,500	8.17%, 10/27/11		2,519,010
	2,475	8.29%, 11/3/11		2,493,820
				5,025,425
		Total Senior Loans (cost $94,793,830)		96,319,960
SOVEREIGN DEBT OBLIGATIONS 0.6%				
Brazil 0.6%				
		Federal Republic of Brazil,		
	6,000	8.25%, 1/20/34	Ba3/BB	6,315,000
	125	8.75%, 2/4/25	Ba3/BB	137,500
	125	8.875%, 10/14/19	Ba3/BB	139,562
	8,250	8.875%, 4/15/24	Ba3/BB	9,178,125
		Total Sovereign Debt Obligations (cost $12,243,520)		15,770,187

CALIFORNIA MUNICIPAL SECURITIES 0.5%			
	Los Angeles Community Redev. Agcy. Rev., Ser. H,		
380	8.25%, 9/1/07	NR/NR	377,276
725	9.00%, 9/1/12	NR/NR	731,967
1,160	9.75%, 9/1/17	NR/NR	1,214,717
1,375	9.75%, 9/1/22	NR/NR	1,441,179
2,170	9.75%, 9/1/27	NR/NR	2,265,046
3,480	9.75%, 9/1/32	NR/NR	3,625,742

PIMCO High Income Fund Schedule of Investments

June 30, 2006 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
CALIFORNIA MUNICIPAL SECURITIES (continued)			
	San Diego Redev. Agcy., Tax Allocation,		
$ 1,785	6.59%, 11/1/13	Baa3/NR	$1,712,886
1,435	7.49%, 11/1/18	Baa3/NR	1,439,563
1,885	7.74%, 11/1/21	Baa3/NR	1,874,670
	Total California Municipal Securities (cost $14,889,453)		14,683,046
ASSET-BACKED SECURITIES 0.2%			
3,547	Northwest Airlines, Inc., pass thru certificates, 7.691%, 4/1/17, Ser. 01-B	Caa1/CCC	3,383,150
788			8,532,246

Other industries [4]	1,873,137	591,109	3,535	1,906,756	4,613	410	41,179
Individuals		289,809	10,312,739	80,566	26,288	89,066	1,434
Total domestic	26,023,413	11,808,379	11,435,437	6,604,632	766,220	183,239	44,949
Foreign:							
Commercial and industrial	9,310,432	4,814,906	173	2,153,757	312,275		90,722
Banks and other financial institutions	5,628,387	592,380		480,806	58,348		
Government and public institutions	741,478	214,558		1,082	2,801		
Other [4]		6,535	9,439	173,464	124	8	753
Total foreign	15,680,297	5,628,379	9,612	2,809,109	373,548	8	91,475
Total	41,703,710	17,436,758	11,445,049	9,413,741	1,139,768	183,247	136,424

September 30, 2017							
Domestic:							
Manufacturing	5,302,937	2,718,865	85,978	46,881	225,293	10,880	239
Construction and real estate	4,341,519	2,583,327	533,436	8,471	174,429	16,592	
Services	2,802,307	1,647,922	181,122	125,114	89,500	21,722	
Wholesale and retail	2,241,712	2,395,149	190,225	13,830	110,009	31,369	669
Transportation and communications	2,511,302	753,838	79,972	1,948	30,502	9,275	
Banks and other financial institutions	3,462,891	592,365	1,774	160,314	22,659	220	
Government and public institutions	3,237,595	1,600		6,742,362			
Other industries (4)	2,376,483	188,887	3,634	1,918,680	2,368	289	8,927
Individuals		300,201	10,081,604	69,829	25,766	84,265	1,275
Total domestic	26,276,746	11,182,154	11,157,745	9,087,429	680,526	174,612	11,110
Foreign:							
Commercial and industrial	9,442,125	4,635,302	206	2,221,178	383,128		79,905
Banks and other financial institutions	5,867,251	563,445		411,234	54,835		927
Government and public institutions	865,441	220,632		861	1,800		
Other (4)		4,800	9,044	21,800	246	7	1,284
Total foreign	16,174,817	5,424,179	9,250	2,655,073	440,009	7	82,116
Total	42,451,563	16,606,333	11,166,995	11,742,502	1,120,535	174,619	93,226

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Notes:

(1) Special attention obligors are watch obligors with debt in TDR or 90 days or more delinquent debt. Loans to such obligors are considered impaired.
(2) Amounts represent small balance, homogeneous loans which are subject to pool allocations.
(3) Non-impaired loans held by subsidiaries other than MHBK and MHTB constitute Other, since their portfolio segments are not identical to those of MHBK and MHTB.
(4) Other industries of Domestic and Other of Foreign include trade receivables and lease receivables of consolidated VIEs.

Impaired loans

Loans are considered impaired when, based on current information and events, it is probable that the MHFG Group will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loans. Factors considered by management in determining if a loan is impaired include delinquency status and the ability of the debtor to make payment of the principal and interest when due. The Group classifies loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans. Impaired loans include loans past due for 90 days or more and restructured loans that meet the definition of a TDR in accordance with ASC 310, Receivables (ASC 310). The Group does not have any loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as impaired loans.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

All of the MHFG Group s impaired loans are designated as nonaccrual loans and thus interest accruals and the amortization of net origination fees are suspended and capitalized interest is written off. Cash received on nonaccrual loans is accounted for as a reduction of the loan principal if the ultimate collectibility of the principal amount is uncertain, otherwise, as interest income. Loans are not restored to accrual status until interest and principal payments are current and future payments are reasonably assured. Impaired loans are restored to non-impaired loans and accrual status, when the MHFG Group determines that the borrower poses no concerns regarding current certainty of debt fulfillment. In general, such determination is made if the borrower qualifies for an obligor rating of E2 or above and is not classified as a special attention obligor. With respect to loans restructured in a TDR, in general, such loans are restored to non-impaired loans, and accrual status, when the borrower qualifies for an obligor rating of D or above. The table below presents impaired loans information at March 31, 2017 and September 30, 2017:

	Recorded investment (1)						
	Requiring an allowance for loan losses	Not requiring an allowance for loan losses (2)	Total	Unpaid principal balance	Related allowance (3)	Average recorded investment	Interest income recognized (4)
				(in millions of yen)			
March 31, 2017							
Domestic:							
Manufacturing	372,241	6,815	379,056	383,812	148,777	375,895	2,859
Construction and real estate	46,130	11,346	57,476	66,006	6,367	66,796	877
Services	58,366	8,004	66,370	72,261	20,122	66,050	1,173
Wholesale and retail	133,466	13,435	146,901	155,023	52,341	148,865	2,261
Transportation and communications	19,386	3,229	22,615	23,568	5,968	24,035	371
Banks and other financial institutions	2,601	3,940	6,541	6,873	962	5,305	50
Other industries	6,484	126	6,610	6,740	1,999	6,053	91
Individuals	51,893	52,809	104,702	114,880	4,935	114,104	1,696
Total domestic	690,567	99,704	790,271	829,163	241,471	807,103	9,378
Foreign:							
Total foreign	160,563	30,050	190,613	209,129	61,102	169,192	2,040
Total	851,130	129,754	980,884	1,038,292	302,573	976,295	11,418

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

	Recorded investment (1)						
	Requiring an allowance for loan losses	Not requiring an allowance for loan losses (2)	Total	Unpaid principal balance	Related allowance (3)	Average recorded investment	Interest income recognized (4)
				(in millions of yen)			
September 30, 2017							
Domestic:							
Manufacturing	130,184	5,386	135,570	140,010	48,786	257,313	914
Construction and real estate	41,808	9,663	51,471	59,519	5,397	54,473	338
Services	46,498	9,653	56,151	63,777	12,280	61,260	432
Wholesale and retail	129,030	11,183	140,213	148,775	49,871	143,557	1,031
Transportation and communications	24,139	2,734	26,873	27,865	7,134	24,744	160
Banks and other financial institutions	3,100	3,962	7,062	7,395	1,433	6,802	29
Other industries	2,184	1,079	3,263	3,393	1,534	4,937	17
Individuals	46,492	50,856	97,348	102,916	4,657	101,025	729
Total domestic	423,435	94,516	517,951	553,650	131,092	654,111	3,650
Foreign:							
Total foreign	127,433	27,089	154,522	172,523	48,620	172,567	1,069
Total	550,868	121,605	672,473	726,173	179,712	826,678	4,719

Notes:

(1) Amounts represent the outstanding balances of nonaccrual loans. The MHFG Group s policy for placing loans in nonaccrual status corresponds to the Group s definition of impaired loans.

(2) These impaired loans do not require an allowance for loan losses because the MHFG Group has sufficient collateral to cover probable loan losses.

(3) The allowance for loan losses on impaired loans includes the allowance for groups of small balance, homogeneous loans which were collectively evaluated for impairment, in addition to the allowance for those loans that were individually evaluated for impairment. The total carrying amount of the groups of small balance, homogeneous loans at March 31, 2017 and September 30, 2017 was ¥302,251 million and ¥266,915 million, respectively.

(4) Amounts represent gross interest income on impaired loans which were included in Interest income on loans in the consolidated statements of income.

The remaining balance of impaired loans which had been partially charged off was ¥26,513 million and ¥19,275 million as of March 31, 2017 and September 30, 2017, respectively.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Troubled debt restructurings

The MHFG Group considers a TDR to be a restructuring in which it, for economic or legal reasons related to the obligor s financial difficulties, grants a concession to the obligor that it would not otherwise consider. The Group considers the relevant obligor to be in financial difficulty when its obligor rating is E2 or below. The following table presents TDRs that were entered into during the six months ended September 30, 2016 and 2017:

	Loan forgiveness or debt to equity swaps		Interest rate reduction and/or postponement of principal and/or interest
	Recorded investment (Note)	Charge-offs	
	(in millions of yen)		
September 30, 2016			
Domestic:			
Manufacturing			54,476
Construction and real estate			8,596
Services			21,951
Wholesale and retail			87,237
Transportation and communications			8,656
Banks and other financial institutions			3,198
Other industries			2,274
Individuals			9,205
Total domestic			195,593
Foreign:			
Total foreign			10,849
Total			206,442
September 30, 2017			
Domestic:			
Manufacturing			55,611
Construction and real estate			9,045
Services			18,740
Wholesale and retail			74,625
Transportation and communications			12,244

Banks and other financial institutions	3,461
Individuals	7,619
Total domestic	181,345
Foreign:	
Total foreign	13,303
Total	194,648

Note: Amounts represent the book values of loans immediately after the restructurings.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Payment default is deemed to occur when the loan becomes three months past due or the obligor is downgraded to the category of substantially bankrupt or bankrupt. The following table presents payment defaults which occurred during the six months ended September 30, 2016 and 2017 with respect to the loans modified as TDRs within the previous twelve months:

	Recorded investment	
	September 30, 2016	September 30, 2017
	(in millions of yen)	
Domestic:		
Manufacturing	1,801	2,006
Construction and real estate	1,621	70
Services	1,188	2,561
Wholesale and retail	4,614	13,396
Transportation and communications	771	201
Other industries		130
Individuals	1,366	904
Total domestic	11,361	19,268
Foreign:		
Total foreign	30	4,588
Total	11,391	23,856

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Age analysis of past due loans

The table below presents an analysis of the age of the recorded investment in loans that are past due at March 31, 2017 and September 30, 2017:

	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total
			(in millions of yen)			
March 31, 2017						
Domestic:						
Manufacturing	1,938	360	7,767	10,065	8,730,216	8,740,281
Construction and real estate	2,818	947	32,523	36,288	7,617,728	7,654,016
Services	917	217	5,914	7,048	4,752,177	4,759,225
Wholesale and retail	1,330	2,834	5,585	9,749	5,132,254	5,142,003
Transportation and communications	384	322	1,859	2,565	3,487,850	3,490,415
Banks and other financial institutions					4,006,401	4,006,401
Government and public institutions					8,532,246	8,532,246
Other industries			69	69	4,427,280	4,427,349
Individuals	32,995	12,291	34,846	80,132	10,824,472	10,904,604
Total domestic	40,382	16,971	88,563	145,916	57,510,624	57,656,540
Foreign:						
Total foreign	546	216	95,719	96,481	24,686,560	24,783,041
Total	40,928	17,187	184,282	242,397	82,197,184	82,439,581
September 30, 2017						
Domestic:						
Manufacturing	1,504	289	8,545	10,338	8,516,305	8,526,643
Construction and real estate	1,006	940	27,869	29,815	7,679,430	7,709,245
Services	2,076	1,537	4,898	8,511	4,915,327	4,923,838
Wholesale and retail	1,842	997	3,803	6,642	5,116,534	5,123,176
Transportation and communications	76	85	7,502	7,663	3,406,047	3,413,710
Banks and other financial institutions					4,247,285	4,247,285
Government and public institutions					9,981,557	9,981,557

Other industries	40		25	65	4,502,466	4,502,531
Individuals	31,787	11,185	34,554	77,526	10,582,762	10,660,288
Total domestic	38,331	15,033	87,196	140,560	58,947,713	59,088,273
Foreign:						
Total foreign	848	462	73,898	75,208	24,864,765	24,939,973
Total	39,179	15,495	161,094	215,768	83,812,478	84,028,246

Loans held for sale

Loans that have been identified for sale are classified as loans held for sale within Other assets and are accounted for at the lower of cost or fair value. The outstanding balance of loans held for sale was ¥26,689 million and ¥20,546 million at March 31, 2017 and September 30, 2017, respectively.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

6. Allowance for loan losses

The MHFG Group maintains an appropriate allowance for loan losses to absorb probable losses inherent in the loan portfolio and makes adjustments to such allowance through Provision (credit) for loan losses in the consolidated statements of income. Loan principal that management judges to be uncollectible, based on detailed loan reviews and a credit quality assessment, is charged off against the allowance for loan losses. In general, the MHFG Group charges off loans when the Group determines that the obligor should be classified as substantially bankrupt or bankrupt. See Note 5 Loans for the definitions of obligor categories. Obligors in the retail portfolio segment are generally determined to be substantially bankrupt when they are past due for more than six months, and as for other obligors, the Group separately monitors the credit quality of each obligor without using time-based triggers. Subsequent recoveries of previously charged-off loan balances are recorded as an increase to the allowance for loan losses as the recoveries are received.

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

The allowance for loan losses is determined in accordance with ASC 310 and ASC 450, Contingencies (ASC 450). The MHFG Group measures the impairment of a loan when it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the loan agreement, based on (1) the present value of expected future cash flows, after considering the restructuring effect and subsequent payment default with respect to TDRs, discounted at the loan s initial effective interest rate, or (2) the loan s observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. The collateral that the Group obtains for loans consists primarily of real estate or listed securities. In obtaining the collateral, the Group evaluates the fair value of the collateral and its legal enforceability. The Group also performs subsequent re-evaluations at least once a year. As it pertains to real estate collateral, valuation is generally performed by an appraising subsidiary which is independent from the Group s loan origination departments by using generally accepted valuation techniques such as (1) the replacement cost approach, or (2) the sales comparison approach or (3) the income approach. In the case of large real estate collateral, the Group generally engages third-party appraisers to perform the valuation. As it pertains to listed securities collateral, observable market prices are used for valuation.

At MHBK and MHTB, when management estimates probable credit losses to determine the allowance for loan losses, small balance, homogeneous loans are classified in the retail portfolio segment to which pool allocations apply, and loans other than these classified in the retail portfolio segment are classified in the corporate portfolio segment. The corporate portfolio segment consists of loans originated by MHBK and MHTB, and includes mainly business loans such as those used for working capital and capital expenditure, as well as loans for which the primary source of repayment of the obligation is income generated by the relevant assets such as project finance, asset finance and real estate finance. The retail portfolio segment consists mainly of residential mortgage loans, originated by MHBK. The other portfolio segment consists of loans of subsidiaries other than MHBK and MHTB, such as consolidated VIEs and overseas subsidiaries.

The formula allowance is applied to groups of small balance, homogeneous loans that are collectively evaluated for impairment and to non-homogeneous loans that have not been identified as impaired. The evaluation of the inherent loss in respect of these loans involves a high degree of uncertainty, subjectivity and judgment because

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

probable loan losses are not easily identifiable or measurable. In determining the formula allowance, the MHFG Group therefore relies on a statistical analysis that incorporates loss rates based on its own historical loss experience and third-party data such as the number of corporate default cases which is updated once a year. In determining the allowance amount, the Group analyzes (1) the probability of default: (a) by using the most recently available data from April 2008 for the corporate portfolio segment, and the most recently available data for the past six years for the retail portfolio segment, in the case of normal obligors; and (b) by using the most recently available data from April 2002, in the case of watch obligors; and (2) the loss given default by using the most recently available data for the past six years. As it pertains to TDR loans in the retail portfolio segment, which are subject to collective evaluation for impairment, the restructuring itself, as well as subsequent payment defaults, if any, are considered in determining obligor ratings.

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

Changes in Allowance for loan losses by portfolio segment for the six months ended September 30, 2016 and 2017 are shown below:

	Corporate	Retail	Other	Total
		(in millions of yen)		
Six months ended September 30, 2016				
Balance at beginning of period	367,739	44,221	39,287	451,247
Provision (credit) for loan losses	9,123	(7,983)	(571)	569
Charge-offs	(10,332)	(1,016)	(3,812)	(15,160)
Recoveries	8,877	4,725	2,139	15,741
Net charge-offs	(1,455)	3,709	(1,673)	581
Others (Note)	(10,404)		(4,813)	(15,217)
Balance at end of period	365,003	39,947	32,230	437,180

Six months ended September 30, 2017				
Balance at beginning of period	407,327	36,923	35,423	479,673
Provision (credit) for loan losses	(109,379)	(6,469)	(2,114)	(117,962)
Charge-offs	(17,366)	(745)	(3,107)	(21,218)
Recoveries	6,447	315	1,247	8,009
Net charge-offs	(10,919)	(430)	(1,860)	(13,209)
Others (Note)	2,552		(585)	1,967
Balance at end of period	289,581	30,024	30,864	350,469

Note: Others includes primarily foreign exchange translation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

The table below presents Allowance for loan losses and loans outstanding by portfolio segment disaggregated on the basis of impairment method at March 31, 2017 and September 30, 2017:

	Corporate	Retail	Other	Total
	(in millions of yen)			
March 31, 2017				
Allowance for loan losses	407,327	36,923	35,423	479,673
of which individually evaluated for impairment	272,714	2,922	13,306	288,942
of which collectively evaluated for impairment	134,613	34,001	22,117	190,731
Loans (Note)	61,120,654	11,722,726	9,596,201	82,439,581
of which individually evaluated for impairment	772,647	23,422	65,075	861,144
of which collectively evaluated for impairment	60,348,007	11,699,304	9,531,126	81,578,437
September 30, 2017				
Allowance for loan losses	289,581	30,024	30,864	350,469
of which individually evaluated for impairment	170,509	2,761	7,248	180,518
of which collectively evaluated for impairment	119,072	27,263	23,616	169,951
Loans (Note)	60,727,073	11,432,376	11,868,797	84,028,246
of which individually evaluated for impairment	673,081	22,734	61,318	757,133
of which collectively evaluated for impairment	60,053,992	11,409,642	11,807,479	83,271,113

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

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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(Unaudited) (Continued)

7. Other assets and liabilities

The following table sets forth the details of other assets and liabilities at March 31, 2017 and September 30, 2017:

	March 31, 2017	September 30, 2017
	(in millions of yen)	
Other assets:		
Accounts receivable from brokers, dealers and customers for securities transactions	1,564,295	2,000,669
Collateral provided for derivative transactions	973,404	1,110,240
Prepaid pension cost	682,592	707,464
Margins provided for futures contracts	276,398	363,325
Miscellaneous receivables	324,135	294,262
Security deposits	122,858	127,302
Loans held for sale	26,689	20,546
Other	1,021,958	1,484,483
Total	4,992,329	6,108,291
Other liabilities:		
Accounts payable to brokers, dealers and customers for securities transactions	1,400,141	2,710,819
Guaranteed trust principal	683,324	714,801
Collateral accepted for derivative transactions	671,691	568,881
Miscellaneous payables	481,809	456,138
Margins accepted for futures contracts	307,066	363,221
Unearned income	134,666	130,480
Factoring amounts owed to customers	53,488	22,810
Other	1,294,340	1,088,413
Total	5,026,525	6,055,563

Guaranteed trust principal

Guaranteed trust principal is the liability of certain consolidated trust arrangements, in respect of which the MHFG Group provides guarantees for the repayment of principal. See Note 17 Variable interest entities and securitizations for further discussion of the guaranteed principal money trusts.

Unearned income

Unearned income is primarily comprised of refundable fees received from consumer loan customers at the time the loan was made, which is being deferred and recognized in earnings as earned.

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8. Preferred and common stock

Preferred stock

The composition of preferred stock at March 31, 2017 and September 30, 2017 is as follows:

	March 31, 2017		September 30, 2017	
	Authorized	Issued	Authorized	Issued
Class of stock	(number of shares)			
Class XI preferred stock	914,752,000			
First series class XIV preferred stock (1)	900,000,000		900,000,000	
Second series class XIV preferred stock (1)	900,000,000		900,000,000	
Third series class XIV preferred stock (1)	900,000,000		900,000,000	
Fourth series class XIV preferred stock (1)	900,000,000		900,000,000	
First series class XV preferred stock (2)	900,000,000		900,000,000	
Second series class XV preferred stock (2)	900,000,000		900,000,000	
Third series class XV preferred stock (2)	900,000,000		900,000,000	
Fourth series class XV preferred stock (2)	900,000,000		900,000,000	
First series class XVI preferred stock (3)	1,500,000,000		1,500,000,000	
Second series class XVI preferred stock (3)	1,500,000,000		1,500,000,000	
Third series class XVI preferred stock (3)	1,500,000,000		1,500,000,000	
Fourth series class XVI preferred stock (3)	1,500,000,000		1,500,000,000	
Total	4,214,752,000		3,300,000,000	

Notes:

(1) The total number of authorized shares from first to fourth series class XIV preferred stock shall not exceed 900,000,000.

(2) The total number of authorized shares from first to fourth series class XV preferred stock shall not exceed 900,000,000.

(3) The total number of authorized shares from first to fourth series class XVI preferred stock shall not exceed 1,500,000,000.

Common stock

The number of issued shares of common stock at March 31, 2017 and September 30, 2017 was 25,386,307,945 shares and 25,389,644,945 shares, respectively. The increase of 3,337,000 shares was due to exercise of stock acquisition rights.

9. Dividends

The following table shows dividends on preferred stock and common stock during the six months ended September 30, 2016 and 2017:

September 30, 2016	**Cash dividends**	
	Per share	**In aggregate**
Class of stock	**(in yen)**	**(in millions of yen)**
Eleventh series class XI preferred stock	10	989
Common stock	3.75	93,839
Total		94,828

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(Unaudited) (Continued)

September 30, 2017	**Cash dividends**	
	Per share	**In aggregate**
Class of stock	**(in yen)**	**(in millions of yen)**
Common stock	3.75	95,174

10. Accumulated other comprehensive income

Changes in each component of Accumulated other comprehensive income, net of tax (AOCI) for the six months ended September 30, 2016 and 2017 are as follows:

	Six months ended September 30,	
	2016	**2017**
	(in millions of yen)	
AOCI, balance at beginning of period, previously reported	1,469,308	1,521,163
Cumulative effect of change in accounting principles (Note 17)	330	
AOCI, balance at beginning of period, adjusted	1,469,638	1,521,163
Net unrealized gains (losses) on available-for-sale securities:		
Balance at beginning of period, previously reported	1,409,459	1,461,302
Cumulative effect of change in accounting principles (Note 17)	(85)	
Balance at beginning of period, adjusted	1,409,374	1,461,302
Unrealized holding gains (losses) during period	(49,362)	247,493
Less: reclassification adjustments for losses (gains) included in net income	(86,761)	(78,659)
Change during period	(136,123)	168,834
Balance at end of period	1,273,251	1,630,136
Foreign currency translation adjustments:		
Balance at beginning of period, previously reported	6,310	(5,535)
Cumulative effect of change in accounting principles (Note 17)	415	
Balance at beginning of period, adjusted	6,725	(5,535)
Foreign currency translation adjustments during period	(59,893)	(4,322)
Less: reclassification adjustments for losses (gains) included in net income		
Change during period	(59,893)	(4,322)
Balance at end of period	(53,168)	(9,857)

Pension liability adjustments:		
Balance at beginning of period	53,539	65,396
Unrealized gains (losses) during period	533	32
Less: reclassification adjustments for losses (gains) included in net income	144	140
Change during period	677	172
Balance at end of period	54,216	65,568
Total other comprehensive income (loss), net of tax attributable to MHFG shareholders	(195,339)	164,684
AOCI, balance at end of period	1,274,299	1,685,847

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(Unaudited) (Continued)

The following table shows the amounts reclassified out of AOCI into net income during the six months ended September 30, 2017:

	Six months ended September 30, 2017					
	Before tax [1]	Tax effect [2]	Net of tax before allocation to noncontrolling interests	Net of tax attributable to noncontrolling interests [2]	Net of tax attributable to MHFG shareholders	
	(in millions of yen)					
Amounts reclassified out of AOCI into net income:						Affected line items in the consolidated statements of income:
Net unrealized gains (losses) on available-for-sale securities	113,819	(35,053)	78,766	(107)	78,659	Investment gains (losses) net
Pension liability adjustments	(233)	96	(137)	(3)	(140)	Salaries and employee benefits
Total	113,586	(34,957)	78,629	(110)	78,519	

Notes:

(1) The amounts in the Before tax column are recorded in each account presented under the heading Affected line items in the consolidated statements of income .

(2) The amounts in the Tax effect column and Net of tax attributable to noncontrolling interests column are recorded in Income tax expense and Net income (loss) attributable to noncontrolling interests in the consolidated statements of income, respectively.

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11. Regulatory matters

Regulatory capital requirements

MHFG, MHBK, and MHTB are subject to regulatory capital requirements administered by the Financial Services Agency in accordance with the provisions of the Banking Act and related regulations.

Capital adequacy ratios of MHFG, MHBK, and MHTB as of March 31, 2017 and September 30, 2017 calculated in accordance with Japanese GAAP and the guidelines established by the Financial Services Agency are set forth in the following table:

	March 31, 2017		September 30, 2017	
	Amount	Ratio	Amount	Ratio
	(in billions of yen, except percentages)			
Consolidated:				
MHFG:				
Common Equity Tier 1 capital:				
Required (Note)	3,857	6.25	3,856	6.25
Actual	7,002	11.34	7,281	11.80
Tier 1 capital:				
Required (Note)	4,783	7.75	4,781	7.75
Actual	8,212	13.30	9,005	14.59
Total risk-based capital:				
Required (Note)	6,017	9.75	6,015	9.75
Actual	10,051	16.28	10,947	17.74
MHBK:				
Common Equity Tier 1 capital:				
Required	2,541	4.50	2,525	4.50
Actual	6,304	11.16	6,604	11.76
Tier 1 capital:				
Required	3,388	6.00	3,366	6.00
Actual	7,536	13.34	8,349	14.87
Total risk-based capital:				
Required	4,517	8.00	4,489	8.00
Actual	9,149	16.20	10,193	18.16
MHTB:				
Common Equity Tier 1 capital:				
Required	112	4.50	110	4.50

Actual	466	18.73	487	19.95
Tier 1 capital:				
Required	149	6.00	146	6.00
Actual	466	18.73	487	19.95
Total risk-based capital:				
Required	199	8.00	195	8.00
Actual	485	19.47	505	20.68

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	March 31, 2017		September 30, 2017	
	Amount	Ratio	Amount	Ratio
	(in billions of yen, except percentages)			
Non-consolidated:				
MHBK:				
Common Equity Tier 1 capital:				
Required	2,432	4.50	2,417	4.50
Actual	6,057	11.20	6,347	11.81
Tier 1 capital:				
Required	3,243	6.00	3,223	6.00
Actual	7,316	13.53	8,101	15.08
Total risk-based capital:				
Required	4,324	8.00	4,298	8.00
Actual	8,938	16.53	9,949	18.52
MHTB:				
Common Equity Tier 1 capital:				
Required	113	4.50	110	4.50
Actual	475	18.98	494	20.28
Tier 1 capital:				
Required	150	6.00	146	6.00
Actual	475	18.98	494	20.28
Total risk-based capital:				
Required	200	8.00	195	8.00
Actual	493	19.70	511	20.99

Note: The required ratios disclosed above, at March 31, 2017 and September 30, 2017, include the transitional capital conservation buffer of 1.25% and the transitional additional loss absorbency requirements for global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs) of 0.5%, which are both in addition to the regulatory minima. The respective required amounts are determined by applying the ratios to the sum of the risk weighted assets and certain other risk amounts.

MHFG s 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.

Management believes, as of September 30, 2017, that MHFG, MHBK, MHTB, and their securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

12. Earnings per common share

Basic earnings per common share are computed by dividing net income attributable to MHFG common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflect all dilutive potential common shares such as stock options and convertible preferred stock.

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(Unaudited) (Continued)

The following table sets forth the computation of basic and diluted earnings per common share for the six months ended September 30, 2016 and 2017:

	Six months ended September 30, 2016	Six months ended September 30, 2017
	(in millions of yen)	
Net income:		
Net income attributable to MHFG shareholders	379,558	372,549
Less: Net income attributable to preferred shareholders		
Net income attributable to common shareholders	379,558	372,549
Effect of dilutive securities:		
Convertible preferred stock		
Net income attributable to common shareholders after assumed conversions	379,558	372,549

	Six months ended September 30, 2016	Six months ended September 30, 2017
	(thousands of shares)	
Shares:		
Weighted average common shares outstanding	25,204,801	25,366,347
Effect of dilutive securities:		
Convertible preferred stock (Note)	165,533	
Stock options	11,997	7,933
Weighted average common shares after assumed conversions	25,382,331	25,374,280

	Six months ended September 30, 2016	Six months ended September 30, 2017

	(in yen)	
Amounts per common share:		
Basic net income per common share	15.06	14.69
Diluted net income per common share	14.95	14.68

Note: The number of common shares after assumed conversion of the convertible preferred stock is based on the applicable conversion prices.

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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(Unaudited) (Continued)

13. Income taxes

The following table presents the components of Income tax expense for the six months ended September 30, 2016 and 2017:

	Six months ended September 30,	
	2016	2017
	(in millions of yen)	
Current tax expense	102,390	99,238
Deferred tax expense (benefit)	(27,875)	20,095
Total income tax expense	74,515	119,333

The preceding table does not reflect the tax effects of items recorded directly in Equity for the six months ended September 30, 2016 and 2017. The detailed amounts recorded directly in Equity are as follows:

	Six months ended September 30,	
	2016	2017
	(in millions of yen)	
Net unrealized gains (losses) on available-for-sale securities:		
Unrealized gains (losses)	(21,562)	105,819
Less: reclassification adjustments	(38,351)	(35,053)
Total	(59,913)	70,766
Foreign currency translation adjustments:		
Unrealized gains (losses)	(126)	
Less: reclassification adjustments		
Total	(126)	
Pension liability adjustments:		
Unrealized gains (losses)	239	11
Less: reclassification adjustments	87	96
Total	326	107

Total tax effect before allocation to noncontrolling interests	(59,713)	70,873

The statutory tax rates were both 30.86% as of September 30, 2016 and 2017. The effective tax rates, 16.30% and 23.27% for the six months ended September 30, 2016 and 2017, respectively, differed from the statutory tax rates. The significant difference of the tax rates for the six months ended September 30, 2016 resulted mainly from the reversal of an outside basis difference related to foreign subsidiaries due to their organizational restructuring and was partially offset by an increase in the valuation allowance. The difference of the tax rates for the six months ended September 30, 2017 consisted of numbers of tax beneficial items including a decrease in valuation allowance related to the MHFG s foreign subsidiaries in the United States and a change in deferred tax liabilities related to undistributed earnings of subsidiaries.

At September 30, 2017, the MHFG Group had net operating loss carryforwards totaling ¥1,602 billion, of which ¥861 billion expires by March 31, 2018, and the remaining amount expires in 2023 and thereafter.

The total amount of unrecognized tax benefits was ¥1,992 million at September 30, 2017, which would, if recognized, affect the Group s effective tax rate. The Group classifies interest and penalties accrued relating to unrecognized tax benefits as Income tax expense.

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A portion of unrecognized tax benefits at March 31, 2017 was resolved in the six months period ended September 30, 2017, of which the amount was immaterial. The amount of additional unrecognized tax benefits for the period related to the tax positions taken was also immaterial. The MHFG Group does not anticipate that increases or decreases of unrecognized tax benefits within the next twelve months would have a material effect on its consolidated results of operations or financial condition.

14. Pension and other employee benefit plans

The following table summarizes the components of net periodic benefit cost of the severance indemnities and pension plans of the MHFG Group for the six months ended September 30, 2016 and 2017:

	Six months ended September 30,	
	2016	2017
	(in millions of yen)	
Service cost-benefits earned during the period	22,219	21,643
Interest costs on projected benefit obligations	2,716	3,609
Expected return on plan assets	(17,860)	(17,353)
Amortization of prior service benefits	(97)	102
Amortization of net actuarial loss (gain)	385	214
Special termination benefits	1,744	2,128
Net periodic benefit cost	9,107	10,343

As previously disclosed in the consolidated financial statements for the fiscal year ended March 31, 2017, the total contribution of approximately ¥51 billion is expected to be paid to the pension plans during the fiscal year ending March 31, 2018. For the six months ended September 30, 2017, the total contribution of ¥25 billion has been paid to the pension plans. The additional contribution of ¥26 billion is expected to be paid during the remainder of the fiscal year ending March 31, 2018 for a total of ¥51 billion.

15. Derivative financial instruments

The MHFG Group enters into derivative financial instruments in response to the diverse needs of customers, to control the risk related to the assets and liabilities of the MHFG Group, as part of its asset and liability management, and for proprietary trading purposes. The MHFG Group is exposed primarily to market risk associated with interest rate, commodity, foreign currency, and equity products. Market risk arises from changes in market prices or indices, interest rates and foreign exchange rates that may result in an adverse change in the market value of the financial instrument or an increase in its funding costs. Exposure to market risk is managed by imposing position limits and monitoring procedures and by initiating hedging transactions. In addition to market risk, the MHFG Group is exposed to credit risk associated with counterparty default or nonperformance in respect of transactions. Credit risk arises when a counterparty fails to perform according to the terms and conditions of the contract and the value of the underlying collateral held, if applicable, is not sufficient to recover resulting losses. The exposure to credit risk is measured by the fair value of all derivatives in a gain position and its potential increase at the balance sheet dates. The exposure to credit risk is managed by entering into legally enforceable master netting agreements to mitigate the overall counterparty credit risk, requiring underlying collateral and guarantees based on an individual credit analysis of each obligor and evaluating the credit features of each instrument. In addition, credit approvals, limits and monitoring procedures are also imposed.

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Notional and fair value amounts of derivative instruments

The following table summarizes the notional and fair value amounts of derivative instruments outstanding as of March 31, 2017 and September 30, 2017. The fair values of derivatives are presented on a gross basis and not offset against the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting agreements in the consolidated balance sheets, or the table below.

		Fair value			
		Derivative receivables (2)		Derivative payables (2)	
March 31, 2017	**Notional amount (1)**	**Designated as hedges**	**Not designated as hedges**	**Designated as hedges**	**Not designated as hedges**
			(in billions of yen)		
Interest rate contracts	961,518		8,506		8,473
Foreign exchange contracts	167,698	2	2,743		2,611
Equity-related contracts	4,177		134	5	224
Credit-related contracts	3,696		35		36
Other contracts	360		23		22
Total	1,137,449	2	11,441	5	11,366

		Fair value			
		Derivative receivables (2)		Derivative payables (2)	
September 30, 2017	**Notional amount (1)**	**Designated as hedges**	**Not designated as hedges**	**Designated as hedges**	**Not designated as hedges**
			(in billions of yen)		
Interest rate contracts	956,180		7,662		7,658
Foreign exchange contracts	169,964		2,484	5	2,393
Equity-related contracts	5,396		151	14	258
Credit-related contracts	3,273		29		31
Other contracts	388		18		17
Total	1,135,201		10,344	19	10,357

Notes:

(1) Notional amount includes the sum of gross long and gross short third-party contracts.
(2) Derivative receivables and payables are recorded in Trading account assets and Trading account liabilities, respectively.

The MHFG Group provided and/or accepted cash collateral for derivative transactions under master netting agreements. The cash collateral, which was not offset against derivative positions, was included in Other assets and Other liabilities, respectively, of which the amounts were ¥973 billion and ¥672 billion at March 31, 2017, and ¥1,110 billion and ¥569 billion at September 30, 2017, respectively.

Hedging activities

In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, and how effectiveness is to be assessed prospectively and retrospectively. The extent to which a hedging instrument is effective at achieving offsetting changes in fair value or cash flows must be assessed at least quarterly. Any ineffectiveness must be reported immediately in earnings. The MHFG Group s hedging activities include fair value and net investment hedges.

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Fair value hedges

The MHFG Group primarily uses forward contracts to modify exposure to changes in the fair value of available-for-sale securities. For qualifying fair value hedges, all changes in the fair value of the derivative and the corresponding hedged item relating to the risk being hedged are recognized in earnings in Investment gains (losses) net. The change in fair value of the portion of the hedging instruments excluded from the assessment of hedge effectiveness is recorded in Trading account gains (losses) net. No ineffectiveness exists because the MHFG Group chooses to exclude changes in the differences between the spot and the forward prices from the effectiveness test. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item. The fair value adjustment is recognized in earnings upon the sale of the hedged item.

The following table summarizes gains and losses information related to fair value hedges for the six months ended September 30, 2016 and 2017:

	Gains (losses) recorded in income			
Six months ended September 30, 2016	**Derivatives**	**Hedged items**	**Hedge ineffectiveness**	**Net gain (loss) excluded from assessment of effectiveness**
	(in millions of yen)			
Equity-related contracts	6,002	(7,807)		(1,805)
Total	6,002	(7,807)		(1,805)

	Gains (losses) recorded in income			
Six months ended September 30, 2017	**Derivatives**	**Hedged items**	**Hedge ineffectiveness**	**Net gain (loss) excluded from assessment of effectiveness**
	(in millions of yen)			
Equity-related contracts	(22,493)	20,208		(2,285)
Total	(22,493)	20,208		(2,285)

Net investment hedges

The MHFG Group uses forward foreign exchange contracts and foreign currency-denominated debt instruments to protect the value of net investments in non-Japanese subsidiaries from foreign currency exposure. Under net investment hedges, both derivatives and nonderivative financial instruments qualify as hedging instruments. The foreign currency-denominated debt instruments qualifying as hedging instruments include deposits and long-term debt, of which the carrying amounts of the portion designated as net investment hedges are included within the respective items in the consolidated balance sheets as well as relevant accompanying notes. For net investment hedges, the change in the fair value of a hedging derivative instrument or nonderivative hedging financial instrument is recorded in Foreign currency translation adjustments within Accumulated other comprehensive income, provided that the hedging instrument is designated and is effective as a hedge of the net investment. The change in fair value of the ineffective portion is recorded in Foreign exchange gains (losses) net in earnings. No amount is excluded from the assessment of hedge effectiveness of net investment hedges.

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The following table summarizes gains and losses information related to net investment hedges for the six months ended September 30, 2016 and 2017:

	Gains (losses) recorded in income and other comprehensive income (OCI) for six months ended September 30,			
	2016		2017	
	Effective portion recorded in OCI	Ineffective portion recorded in income	Effective portion recorded in OCI	Ineffective portion recorded in income
	(in millions of yen)			
Financial instruments hedging foreign exchange risk	107,528	890	3,487	196
Total	107,528	890	3,487	196

Note: No amount related to the effective portion of net investment hedges was reclassified from Accumulated other comprehensive income to earnings for the six months ended September 30, 2016 and 2017, respectively.

Derivative instruments not designated or qualifying as hedges

The MHFG Group enters into the following derivative transactions that do not qualify for hedge accounting with a view to implementing risk management hedging strategies: (1) interest-rate swap transactions for the purpose of hedging the interest-rate risks in deposits, loans etc., (2) currency swap transactions for the purpose of hedging the foreign exchange risk of these assets, and (3) credit derivatives for the purpose of hedging the credit risk in loans, residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO) and other similar assets. Such derivatives are accounted for as trading positions. The changes in fair value of these instruments are primarily recorded in Trading account gains (losses) net, even though they are used to mitigate or transform the risk of exposures arising from banking activities. The net gain (loss) resulting from changes in the fair value of certain credit derivatives where the Group purchases protection to mitigate its credit risk exposure, related to its corporate loan portfolio, is recorded in Other noninterest income (expenses).

The following table summarizes gains and losses on derivatives not designated or qualifying as hedges during the six months ended September 30, 2016 and 2017:

	Gains (losses) recorded in income for six months ended September 30, 2016	2017
	(in millions of yen)	
Interest rate contracts	80,040	26,648
Foreign exchange contracts	11,173	(4,511)
Equity-related contracts [(1)]	11,049	(41,869)
Credit-related contracts [(2)]	(4,827)	(3,371)
Other contracts	564	494
Total	97,999	(22,609)

Notes:

(1) The net gain (loss) excluded from the assessment of the effectiveness of fair value hedges is not included in the above table.

(2) Amounts include the net gain (loss) of ¥(5,698) million and ¥(273) million on the credit derivatives hedging the credit risk of loans during the six months ended September 30, 2016 and 2017, respectively.

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Credit derivatives

A credit derivative is a bilateral contract between a seller and a buyer of protection against the credit risk of a particular entity. Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events, which include bankruptcy, dissolution or insolvency of the referenced entity. The MHFG Group either purchases or writes protection on either a single name or a portfolio of reference credits. The Group enters into credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

The notional amount of credit derivatives represents the maximum potential amount of future payments the seller could be required to make. If the predefined credit event occurs, the seller will generally have a right to collect on the underlying reference credit and the related cash flows, while being liable for the full notional amount of credit protection to the buyer. The Group manages credit risk associated with written protection by purchasing protection with identical or similar underlying reference credits, which substantially offsets its exposure. Thus, the notional amount is not necessarily a reliable indicator of the Group s actual loss exposure.

The following table summarizes the notional and fair value amounts of credit derivatives at March 31, 2017 and September 30, 2017:

	March 31, 2017		September 30, 2017	
	Notional amount	Fair value	Notional amount	Fair value
	(in billions of yen)			
Credit protection written:				
Investment grade	1,546	21	1,371	23
Non-investment grade	298	1	202	1
Total	1,844	22	1,573	24
Credit protection purchased	1,994	(23)	1,727	(26)

Note: The rating scale is based upon either the external ratings or the internal ratings of the underlying reference credit. The lowest investment grade rating is considered to be BBB$^-$, while anything below or unrated is considered to be non-investment grade. Non-investment grade credit derivatives primarily consist of unrated credit default swap indices such as CDX and iTraxx.

The following table shows the maximum potential amount of future payments for credit protection written by expiration period at March 31, 2017 and September 30, 2017:

	Maximum payout/Notional amount	
	March 31, 2017	September 30, 2017
	(in billions of yen)	
One year or less	507	406
After one year through five years	1,020	926
After five years	317	241
Total	1,844	1,573

Note: The maximum potential amount of future payments is the aggregate notional amount of the credit derivatives where the Group wrote the credit protection, and it has not been reduced by the effect of any amounts that the Group may possibly collect on the underlying assets and the related cash flows, nor netted against that of credit protection purchased.

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Credit-related contingent features

Certain of the MHFG Group s derivative instruments contain provisions that require the Group s debt to maintain an investment grade credit rating from the major credit rating agencies. If the Group s debt credit rating were to fall below investment grade, the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments which are in net liability positions for the Group.

The following table shows the quantitative information about derivative instruments with credit-risk-related contingent features at March 31, 2017 and September 30, 2017:

	March 31, 2017	September 30, 2017
	(in billions of yen)	
Aggregate fair value of derivative instruments with credit-risk-related contingent features in net liability positions	698	755
Collateral provided to counterparties in the normal course of business	658	729
Amount required to be posted as collateral or settled immediately if credit-risk-related contingent features were triggered	40	26

16. Commitments and contingencies

Obligations under guarantees

The MHFG Group provides guarantees or indemnifications to counterparties to enhance their credit standing and enable them to complete a variety of business transactions. A guarantee represents an obligation to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

The Group records all guarantees and similar obligations subject to ASC 460, Guarantees (ASC 460) at fair value in the consolidated balance sheets at the inception of the guarantee.

The table below summarizes the maximum potential amount of future payments by type of guarantee at March 31, 2017 and September 30, 2017. The maximum potential amount of future payments disclosed below represents the contractual amounts that could be required to be repaid in the event of the guarantees being executed, without consideration of possible recoveries under recourse provisions or from collateral held. With respect to written options included in derivative financial instruments in the table below, in theory, the MHFG Group is exposed to unlimited losses; therefore, the table shows the notional amounts of the contracts as a substitute for the maximum exposure.

	March 31, 2017	September 30, 2017
	(in billions of yen)	
Performance guarantees	2,243	2,363
Guarantees on loans	278	259
Guarantees on securities	175	174
Other guarantees	1,823	1,933
Guarantees for the repayment of trust principal	730	642
Liabilities of trust accounts	15,177	15,288
Derivative financial instruments	14,415	13,080

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The table below presents the maximum potential amount of future payments of performance guarantees, guarantees on loans, guarantees on securities and other guarantees classified based on internal ratings at March 31, 2017 and September 30, 2017:

	March 31, 2017	September 30, 2017
	(in billions of yen)	
Investment grade	3,477	3,808
Non-investment grade	1,042	921
Total	4,519	4,729

Note: Investment grade in the internal rating scale generally corresponds to BBB- or above in the external rating scale.

Other off-balance-sheet instruments

In addition to guarantees, the MHFG Group issues other off-balance-sheet instruments to its customers, such as lending-related commitments and commercial letters of credit. Under the terms of these arrangements, the MHFG Group is required to extend credit or make certain payments upon the customers requests.

The table below summarizes the contractual amounts with regard to these undrawn commitments at March 31, 2017 and September 30, 2017:

	March 31, 2017	September 30, 2017
	(in billions of yen)	
Commitments to extend credit (Note)	76,678	77,100
Commercial letters of credit	522	622
Total	77,200	77,722

Note: Commitments to extend credit include commitments to invest in securities.

Legal proceedings

The MHFG Group is involved in normal collection proceedings initiated by the Group and other legal proceedings in the ordinary course of business.

The Group s Indonesian subsidiary acts as the collateral agent for the trustee of bond issuances made by subsidiaries of Asia Pulp & Paper Company Ltd. (APP). In that role, the subsidiary is involved in a dispute between the bondholders and such APP subsidiaries in their capacities as the issuers, guarantors and/or pledgors of security for the bonds relating to foreclosure proceedings in respect of the collateral and the subsidiary has been named as a defendant in a lawsuit brought by the obligors under the bonds in Indonesia. The Group s consolidated financial statements do not include a reserve in relation to this dispute and the Group does not believe that the resolution of this matter will have a significant impact on the consolidated financial condition or results of operations of the Group, although there can be no assurance as to the foregoing.

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17. Variable interest entities and securitizations

Variable interest entities

In the normal course of business, the MHFG Group is involved with VIEs primarily through the following types of transactions: asset-backed commercial paper/loan programs, asset-backed securitizations, investments in securitization products, investment funds, trust arrangements, and structured finance. The Group consolidates certain of these VIEs, where the Group is deemed to be the primary beneficiary because it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The MHFG Group reassesses whether it is the primary beneficiary on an ongoing basis as long as the Group has any continuing involvement with the VIE. There are also other VIEs, where the Group has determined that it is not the primary beneficiary but has significant variable interests. In evaluating the significance of the variable interests, the Group comprehensively takes into consideration the extent of its involvement with each VIE, such as the seniority of its investments, the share of its holding in each tranche and the variability it expects to absorb, as well as other relevant facts and circumstances. The likelihood of loss is not necessarily relevant to the determination of significance, and therefore, significant does not imply that there is high likelihood of loss. The maximum exposure to loss that is discussed in this section refers to the maximum loss that the Group could possibly be required to record in its consolidated statements of income as a result of its involvement with the VIEs. This represents exposures associated with both on-balance-sheet assets and off-balance-sheet liabilities related to the VIEs. Further, this maximum potential loss is disclosed regardless of the probability of such losses and, therefore, it is not indicative of the ongoing exposure which is managed within the Group s risk management framework.

The table below shows the consolidated assets of the Group s consolidated VIEs as well as total assets and maximum exposure to loss for its significant unconsolidated VIEs, as of March 31, 2017 and September 30, 2017:

	Consolidated VIEs	Significant unconsolidated VIEs	
March 31, 2017	**Consolidated assets**	**Total assets**	**Maximum exposure to loss**
		(in billions of yen)	
Asset-backed commercial paper/loan programs	2,031		
Asset-backed securitizations	629	108	11
Investments in securitization products	375	445	154
Investment funds	2,188	3,895	463
Trust arrangements and other	23		
Total	5,246	4,448	628

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September 30, 2017	**Consolidated VIEs**	**Significant unconsolidated VIEs**	
	Consolidated assets	**Total assets**	**Maximum exposure to loss**
	(in billions of yen)		
Asset-backed commercial paper/loan programs	1,863		
Asset-backed securitizations	626	66	11
Investments in securitization products	374	136	80
Investment funds	2,249	4,281	614
Trust arrangements and other	22		
Total	5,134	4,483	705

The Group has not provided financial or other support to consolidated or unconsolidated VIEs that the Group was not previously contractually required to provide.

The tables below present the carrying amounts and classification of assets and liabilities on the MHFG Group s balance sheets that relate to its variable interests in significant unconsolidated VIEs, as of March 31, 2017 and September 30, 2017:

Assets on balance sheets related to unconsolidated VIEs:	**March 31, 2017**	**September 30, 2017**
	(in billions of yen)	
Trading account assets	85	100
Investments	254	386
Loans	237	168
Total	576	654

Liabilities on balance sheets and maximum exposure to loss related to unconsolidated VIEs:	**March 31, 2017**	**September 30, 2017**
	(in billions of yen)	
Payables under securities lending transactions	31	37
Trading account liabilities	1	1

Total	32	38
Maximum exposure to loss (Note)	628	705

Note: This represents the maximum amount the Group could possibly be required to record in its consolidated statements of income associated with on-balance-sheet exposures and off-balance-sheet liabilities such as undrawn commitments.

Asset-backed commercial paper/loan programs

The MHFG Group manages several asset-backed commercial paper/loan programs that provide its clients with off-balance-sheet and/or cost-effective financing. The VIEs used in the programs purchase financial assets, primarily receivables, from clients participating in the programs and provide liquidity through the issuance of commercial paper or borrowings from the MHFG Group backed by the financial assets. While customers normally continue to service the transferred receivables, the MHFG Group underwrites, distributes, and makes a market in commercial paper issued by the conduits. The MHFG Group typically provides program-wide liquidity

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and credit support facilities and, in some instances, financing to the VIEs. The MHFG Group has the power to determine which assets will be held by the VIEs and has an obligation to monitor these assets. The Group is also responsible for liability management. In addition, through the liquidity and credit support facilities provided to the VIEs, the Group has the obligation to absorb losses that could potentially be significant to the VIEs. Therefore, the Group consolidates such VIEs.

Asset-backed securitizations

The MHFG Group acts as an arranger of various types of structured finance to meet its clients needs for off-balance-sheet financing. In substantially all of these structured financing transactions, the transfer of the financial asset by the client is structured to be bankruptcy remote by use of a bankruptcy remote entity, which is deemed to be a VIE because its equity holder does not have decision making rights. The MHFG Group receives fees for structuring and/or distributing the securities sold to investors. In some cases, the MHFG Group itself purchases the securities issued by the entities and/or provides loans to the VIEs.

In addition, the MHFG Group establishes several single-issue and multi-issue special purpose entities that issue collateralized debt obligations (CDO) or CLO, synthetic CDO/CLO or other repackaged instruments to meet clients and investors financial needs. The MHFG Group also arranges securitization transactions including CMBS, RMBS and others. In these transactions, the MHFG Group acts as an underwriter, placement agent, asset manager, derivatives counterparty, and/or investor in debt and equity instruments.

In certain VIEs, where the MHFG Group provides liquidity and credit support facilities, writes credit protection or invests in debt or equity instruments in its role as an arranger, servicer, administrator or asset manager, etc., the Group has the power to determine which assets will be held by the VIEs or to manage and monitor these assets. In addition, through the variable interests above, the Group has the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIEs. Therefore, the Group consolidates such VIEs.

The MHFG Group established certain VIEs to securitize its own mortgage loans. The Group provides servicing for and holds retained subordinated beneficial interests in the securitized mortgage loans. In addition, the Group retains credit exposure in the form of guarantees on these loans. In its role as a servicer, the Group has the power to direct the entity s activities that most significantly impact the entity s economic performance by managing defaulted mortgage loans. In addition, through its retained interests and its aforementioned involvement as a guarantor, the Group has the obligation to absorb losses and the right to receive benefits that could potentially be significant to the entity. Therefore, the Group consolidates such VIEs.

Investments in securitization products

The MHFG Group invests in, among other things, various types of CDO/CLO, synthetic CDO/CLO and repackaged instruments, CMBS and RMBS arranged by third parties for the purpose of generating current income or capital appreciation, which all utilize entities that are deemed to be VIEs. By design, such investments were investment grade at issuance and held by a diverse group of investors. The potential loss amounts of the securities and the loans are generally limited to the amounts invested because the Group has no contractual involvement in such VIEs beyond its investments. Since the Group is involved in these VIEs only as an investor, the Group does not ordinarily have the power to direct the VIEs activities that most significantly impact the VIEs economic performance. However, the Group consolidates VIEs, where the transactions are tailored by the third party arrangers to meet the Group s needs as a main investor, who is ultimately deemed to have the power

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to determine which assets are to be held by the VIEs. The Group also invests in certain beneficial interests issued by VIEs which hold real estate that the Group utilizes. In addition to these variable interests, when the Group has the power including the sole unilateral ability to liquidate the VIEs, the Group consolidates such VIEs.

Investment funds

The MHFG Group invests in various investment funds, including securities investment trusts, which collectively invest in equity and debt securities that include listed Japanese securities and investment grade bonds. Investment advisory companies or fund management companies, including the Group s subsidiaries and affiliates, administer and make investment decisions about such investment funds. The Group consolidates certain investment funds where it is deemed to be the primary beneficiary.

Prior to April 1, 2016, the Group determined that certain investment funds managed by the Group that had attributes of an investment company (or similar entity) qualified for the deferral from certain requirements of ASC 810 that originated from Statement of Financial Accounting Standards (SFAS) No.167 Amendments to FASB Interpretation No.46(R) (SFAS No.167). For these funds, the Group determined whether it was the primary beneficiary by evaluating whether it absorbed the majority of expected losses, received the majority of expected residual returns, or both.

On April 1, 2016, the Group adopted ASU No.2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis (ASU No.2015-02), which eliminated the deferral. The Group determines whether it is the primary beneficiary by evaluating whether it has both (1) the power to make investment decisions about the investment funds and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the investment funds.

The Group adopted ASU No.2015-02 using a modified retrospective approach on April 1, 2016. The adoption of the ASU No.2015-02 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. Upon the adoption of ASU No.2015-02, the Group newly consolidated certain investment funds that had not been consolidated prior to April 1, 2016, which had the impact of increasing total assets primarily consisting of Trading account assets by ¥16 billion, and noncontrolling interests by ¥16 billion, respectively. On the other hand, the Group deconsolidated certain investment funds that had been consolidated prior to April 1, 2016, which had the impact of decreasing total assets by ¥54 billion, total liabilities by ¥27 billion, and noncontrolling interests by ¥27 billion, respectively. In addition, the Group determined that certain limited partnerships and similar entities that had been voting interest entities prior to April 1, 2016 are significant unconsolidated VIEs. The amounts relating to significant unconsolidated VIEs as of March 31, 2017 and September 30, 2017 in the tables above include the amounts of these limited partnerships and similar entities.

Trust arrangements

The MHFG Group offers a variety of asset management and administration services under trust arrangements including security investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. The Group receives trust fees for providing services as an agent or fiduciary on behalf of beneficiaries.

With respect to guaranteed principal money trust products, the MHFG Group assumes certain risks by providing guarantees for the repayment of principal as required by the trust agreements or relevant Japanese legislation. The MHFG Group manages entrusted funds primarily through the origination of high quality loans and other credit-related products, investing in investment grade marketable securities such as Japanese government bonds

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and placing cash with the MHFG Group s subsidiary trust banks. The Group has the power to determine which assets will be held by the VIEs or to manage these assets. In addition, through the principal guarantee agreements, the Group has the obligation to absorb losses that could potentially be significant to the VIEs. Therefore, the Group consolidates such VIEs. However, the MHFG Group does not consolidate certain guaranteed principal money trusts, which invest all the entrusted funds in the MHFG Group itself, as the Group has determined that it has no variable interests. See Note 16 Commitments and contingencies for the balances of guaranteed trust principal that are not consolidated at March 31, 2017 and September 30, 2017.

With respect to non-guaranteed trust arrangements, the MHFG Group manages and administers assets on behalf of its customers (trust beneficiaries) in the capacity of a trustee and fiduciary. For substantially all non-guaranteed trust arrangements, the Group generally does not have the power to direct the activities of the VIEs that most significantly impact the VIEs economic performance or has neither the obligation to absorb losses nor the right to receive benefits that could potentially be significant to the VIEs. Therefore, such trust accounts are not included in the consolidated financial statements of the MHFG Group.

Special purpose entities created for structured finance

The MHFG Group is involved in real estate, commercial aircraft and other vessel and machinery and equipment financing to VIEs. As the Group typically only provides senior financing with credit enhanced by subordinated interests and may sometimes act as an interest rate swap counterparty, the Group has determined that it does not have the power to direct the activities of the VIEs that most significantly impact the VIEs economic performance, or it does not have significant variable interests.

Securitization

The MHFG Group engages in securitization activities and securitizes mortgage loans, other loans, government and corporate securities and other types of financial assets in the normal course of business. In these securitization transactions, the Group records the transfer of a financial asset as a sale when all the accounting criteria for a sale under ASC 860, Transfers and Servicing (ASC 860) are met. These criteria are (1) the transferred financial assets are legally isolated from the Group s creditors, (2) the transferee or beneficial interest holder has the right to pledge or exchange the transferred financial assets, and (3) the Group does not maintain effective control over the transferred financial assets. If all the criteria are not met, the transfer is accounted for as a secured borrowing.

For the six months ended September 30, 2016 and 2017, the MHFG Group neither made significant transfers of financial assets nor recognized significant gains or losses in securitization transactions accounted for as sales. The Group did not retain significant interests in securitization transactions accounted for as sales as of March 31, 2017 and September 30, 2017.

There are certain transactions where transfers of financial assets do not qualify for the aforementioned sales criteria and are accounted for as secured borrowings. These transferred assets continue to be carried on the consolidated balance sheets of the MHFG Group. Such assets are associated with securitization transactions and loan participation transactions, which amounted to ¥244 billion and ¥91 billion as of March 31, 2017, and ¥235 billion and ¥113 billion as of September 30, 2017, respectively. Liabilities associated with securitization and loan participation transactions are presented as Payables under securities lending transactions and Other short-term borrowings or Long-term debt, respectively, on the consolidated balance sheets.

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18. Fee and commission income

Details of Fee and commission income for the six months ended September 30, 2016 and 2017 are as follows:

	Six months ended September 30,	
	2016	2017
	(in millions of yen)	
Securities-related business	75,145	85,897
Deposits and lending business	85,340	65,081
Remittance business	53,858	54,166
Asset management business	29,548	50,322
Trust fees	23,134	25,966
Fees for other customer services	125,437	119,799
Total	392,462	401,231

Securities-related business fees consist of broker s fees and markups on securities underwriting and other securities related activities. Remittance business fees consist of service charges for funds transfer and collections. Asset management business fees consist of investment trust management fees and investment advisory fees. Trust fees are earned primarily by fiduciary asset management and administration services for corporate pension plans, investment funds, and other. Fees for other customer services include fees related to the MHFG Group s agency business, guarantee related business, and other.

19. Fair value

Fair value measurements

ASC 820, Fair Value Measurements (ASC 820), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, ASC 820 precludes (1) the deferral of gains and losses at inception of certain derivative contracts whose fair value was not evidenced by market-observable data, and (2) the use of block discounts when measuring the fair value of instruments traded in an active market, which were previously applied to large holdings of publicly traded financial instruments.

Fair value hierarchy

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

Level 1	Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently

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	than exchange-traded instruments. If no quoted market prices are available, the fair values of debt securities and over-the-counter derivative contracts in this category are determined using pricing models with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Valuation process

The MHFG Group has established valuation policies which govern the principles of fair value measurements and the authority and duty of each department. The Group has also established procedure manuals which describe valuation techniques and related inputs for determining the fair values of various financial instruments. The policies require that the measurement of fair values be carried out in accordance with the procedures performed by the risk management departments or the back offices which are independent from the front offices. The policies also require the risk management departments to check and verify whether the valuation methodologies defined in the procedure manuals are fair and proper and the internal audit departments to periodically review the compliance with the procedures throughout the Group. Although the valuation methodologies and related inputs are consistently used from period to period, a change in the market environment sometimes leads to a change in the valuation methodologies and the inputs. For instance, a change in market liquidity due to a delisting or a new listing is one of the key drivers of revisions to the valuation methodologies and the inputs. The key drivers also include the availability or the lack of market observable inputs and the development of new valuation methodologies. Price verification performed through the Group s internal valuation process has an important role in identifying whether the valuation methodologies and the inputs need to be changed. The internal valuation process over the prices broker-dealers provide, primarily for Japanese securitization products, is described in more detail below in *Investments* . A change in the valuation methodologies and/or the inputs requires the revision of the valuation policies and procedure manuals, which is required to be approved by the appropriate authority, either the CEO, the head of risk management, and/or the head of accounting, depending on the nature and characteristics of the change.

The following is a description of valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such instruments pursuant to the fair value hierarchy and the MHFG Group s valuation techniques used to measure fair values. During the six months ended September 30, 2017, there were no significant changes made to the Group s valuation techniques and related inputs.

Trading securities and trading securities sold, not yet purchased

When quoted prices for identical securities are available in an active market, the Group uses the quoted prices to measure the fair values of securities and such securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid government bonds and Ginnie Mae securities. When quoted prices for identical securities are available, but not actively traded, such securities are classified in Level 2 of the fair value hierarchy. When no quoted market prices are available, the Group estimates fair values by using pricing models with inputs that are observable in the market and such securities are classified in Level 2 of the fair value hierarchy. Level 2 securities include Japanese local government bonds, corporate bonds, and commercial paper.

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When less liquid market conditions exist for securities, the quoted prices are stale or the prices from independent sources vary significantly, such securities are generally classified in Level 3 of the fair value hierarchy. The fair values of foreign currency denominated securitization products such as RMBS, CMBS, and ABS are determined primarily by using a discounted cash flow model. The key inputs used for the model include default rates, recovery rates, prepayment rates, and discount rates. In the event that certain key inputs are unobservable or cannot be corroborated by observable market data, these financial instruments are classified in Level 3.

As it pertains to investment funds, exchange-traded funds (ETF) are generally classified in Level 1. Hedge funds the Group invests in are primarily multi strategy funds that employ a fundamental bottom-up investment approach across various asset classes globally. Hedge funds are measured at the net asset value (NAV) per share and the Group has the ability to redeem its investment with the investees at the NAV per share at the measurement date or within the near term. Private equity funds have specific investment objectives in connection with their acquisition of equity interests in new and emerging firms in need of capital. Employing venture capital strategies, they provide financing and other support to start-up businesses, medium and small entities in particular geographical areas, and to companies with certain technologies or companies in high-growth industries. Real estate funds invest globally and primarily in real estate companies, debt recapitalizations and direct property. Private equity funds and real estate funds are measured at the NAV per share and the Group does not have the ability to redeem its investment in the investees at the NAV per share at the measurement date or within the near term. It is estimated that the underlying assets of the funds would be liquidated within a ten-year period.

Derivative financial instruments

Exchange-traded derivatives are valued using quoted market prices and consequently are classified in Level 1 of the fair value hierarchy. However, the majority of derivatives entered into by the Group are executed over-the-counter and are valued using internal valuation techniques as no quoted market prices are available for such instruments. The valuation techniques depend on the type of derivatives. The principal techniques used to value these instruments are discounted cash flow models and the Black-Scholes option pricing model, which are widely accepted in the financial services industry. The key inputs vary by the type of derivatives and the nature of the underlying instruments and include interest rate yield curves, foreign exchange rates, the spot price of the underlying, volatility and correlation. Each item is classified in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Level 2 derivatives include plain vanilla interest rate and currency swaps and option contracts. Derivative contracts valued using significant unobservable correlation or volatility are classified in Level 3 of the fair value hierarchy.

Investments

The fair values of available-for-sale securities are determined primarily using the same procedures described for trading securities above. Since private placement bonds have no quoted market prices, the fair values of such bonds are estimated based on a discounted cash flow model using interest rates approximating the current rates for instruments with similar maturities and credit risk. Private placement bonds are classified in either Level 2 or Level 3 depending on the observability of the significant inputs to the model, such as credit risk. The fair values of Japanese securitization products such as RMBS, CMBS, CDO, ABS, and CLO are generally based upon single non-binding quoted prices from broker-dealers. Such quotes are validated through the Group s internal processes and controls. In rare instances where the Group finds the quoted prices to be invalid through its internal valuation process, it adjusts those prices or alternatively estimates their fair values by using a discounted cash flow model to incorporate the Group s estimates of key inputs such as the most recent value of each underlying asset, cash

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flows of the underlying assets, and discount margin. The validation of such prices varies depending on the nature and type of the products. For the majority of RMBS, CDO, ABS and CLO, broker quotes are validated by investigating significant unusual monthly valuation fluctuations and comparing to prices internally computed through discounted cash flow models using assumptions and parameters provided by brokers such as the cash flows of underlying assets, yield curve, prepayment speed and credit spread. For the majority of CMBS, the Group validates broker quotes through a review process that includes the investigation of significant unusual monthly valuation fluctuations and/or a review of underlying assets with significant differences between the valuations of the Group and the broker-dealers being identified. Though most Japanese securitization products are classified in Level 3, certain securitization products such as Japanese RMBS are classified in Level 2, if the quoted prices are verified through either recent market transactions or a pricing model that can be corroborated by observable market data.

Other investments, except for investments held by consolidated investment companies, have not been measured at fair value on a recurring basis. Investments held by consolidated investment companies mainly consist of marketable and non-marketable equity securities and debt securities. The fair value of the marketable equity securities is based upon quoted market prices. The fair value of the non-marketable equity securities is based upon significant management judgment, as very limited quoted prices exist. When evaluating such securities, the Group firstly considers recent market transactions of identical securities, if applicable. Thereafter, the Group uses commonly accepted valuation techniques such as earnings multiples based on comparable public securities. Non-marketable equity securities are generally classified in Level 3 of the fair value hierarchy. The fair value of the debt securities is estimated using a discounted cash flow model, since they have no quoted market prices. Those debt securities are classified in Level 3, because the credit risk is unobservable.

Long-term debt

Where fair value accounting has been elected for structured notes, the fair values are determined by incorporating the fair values of embedded derivatives that are primarily derived by using the same procedures described for derivative financial instruments above. Such instruments are classified in Level 2 or Level 3 depending on the observability of significant inputs to the model used in determining the fair value of the embedded derivatives.

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Items measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis at March 31, 2017 and September 30, 2017, including those for which the MHFG Group has elected the fair value option, are summarized below:

March 31, 2017	Level 1	Level 2	Level 3	Assets/ Liabilities measured at fair value
		(in billions of yen)		
Assets:				
Trading securities [1]:				
Japanese government bonds	1,485	23		1,508
Japanese local government bonds		69		69
U.S. Treasury bonds and federal agency securities	2,883	80		2,963
Other foreign government bonds	1,127	457		1,584
Agency mortgage-backed securities	1,335	638		1,973
Residential mortgage-backed securities			15	15
Commercial mortgage-backed securities		3		3
Certificates of deposit and commercial paper		554		554
Corporate bonds and other	3	1,449	1,052	2,504
Equity securities	1,661	20	23	1,704
Trading securities measured at net asset value [2]				678
Derivatives:				
Interest rate contracts	37	8,442	27	8,506
Foreign exchange contracts	28	2,709	8	2,745
Equity-related contracts	31	89	14	134
Credit-related contracts		33	2	35
Other contracts	1	11	11	23
Available-for-sale securities:				
Japanese government bonds	9,543	720		10,263
Japanese local government bonds		284		284
U.S. Treasury bonds and federal agency securities	1,144			1,144
Other foreign government bonds	346	589		935
Agency mortgage-backed securities	134	709		843
Residential mortgage-backed securities		67	77	144
Commercial mortgage-backed securities			224	224
Japanese corporate bonds and other debt securities		1,834	174	2,008

Foreign corporate bonds and other debt securities		801	110	911
Equity securities (marketable)	3,717	84		3,801
Other investments			37	37
Total assets measured at fair value on a recurring basis	23,475	19,665	1,774	45,592
Liabilities:				
Trading securities sold, not yet purchased	1,993	228		2,221
Derivatives:				
Interest rate contracts	46	8,426	1	8,473
Foreign exchange contracts	20	2,591		2,611
Equity-related contracts	129	61	39	229
Credit-related contracts		34	2	36
Other contracts	1	10	11	22
Long-term debt (3)		903	593	1,496
Total liabilities measured at fair value on a recurring basis	2,189	12,253	646	15,088

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September 30, 2017	Level 1	Level 2	Level 3	Assets/ Liabilities measured at fair value
		(in billions of yen)		
Assets:				
Trading securities (1):				
Japanese government bonds	3,012	29		3,041
Japanese local government bonds		48		48
U.S. Treasury bonds and federal agency securities	3,832	295		4,127
Other foreign government bonds	1,368	449		1,817
Agency mortgage-backed securities	1,264	742		2,006
Residential mortgage-backed securities			14	14
Certificates of deposit and commercial paper		708		708
Corporate bonds and other	9	1,929	1,086	3,024
Equity securities	1,625		22	1,647
Trading securities measured at net asset value (2)				681
Derivatives:				
Interest rate contracts	40	7,600	22	7,662
Foreign exchange contracts	20	2,458	6	2,484
Equity-related contracts	40	93	18	151
Credit-related contracts		27	2	29
Other contracts	2	7	9	18
Available-for-sale securities:				
Japanese government bonds	8,926	732		9,658
Japanese local government bonds		254		254
U.S. Treasury bonds and federal agency securities	850			850
Other foreign government bonds	364	608		972
Agency mortgage-backed securities	161	730		891
Residential mortgage-backed securities		69	68	137
Commercial mortgage-backed securities			257	257
Japanese corporate bonds and other debt securities		1,785	165	1,950
Foreign corporate bonds and other debt securities		793	97	890
Equity securities (marketable)	4,236	57		4,293
Other investments			39	39
Total assets measured at fair value on a recurring basis	25,749	19,413	1,805	47,648
Liabilities:				
Trading securities sold, not yet purchased	2,296	269	4	2,569

Derivatives:				
Interest rate contracts	39	7,618	1	7,658
Foreign exchange contracts	16	2,382		2,398
Equity-related contracts	161	67	44	272
Credit-related contracts		29	2	31
Other contracts	2	7	8	17
Long-term debt (3)		1,381	563	1,944
Total liabilities measured at fair value on a recurring basis	2,514	11,753	622	14,889

Notes:

(1) Trading securities include foreign currency denominated securities for which the MHFG Group elected the fair value option.

(2) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented for these classes of assets are intended to permit the reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position. The amounts of unfunded commitments related to these investments at March 31, 2017 and September 30, 2017 were ¥33 billion and ¥29 billion, respectively.

(3) Amounts represent items for which the Group elected the fair value option.

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(Unaudited) (Continued)

Items measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

The following table presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended September 30, 2016 and 2017:

Six months ended September 30, 2016	April 1, 2016	Gains (losses) in Earnings	Gains (losses) in OCI	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Issuances	Settlements	September 30, 2016	Change in unrealized gains (losses) still held [6]
	(in billions of yen)										
Assets:											
Trading securities:											
Residential mortgage-backed securities	21	[2]							(4)	17	
Commercial mortgage-backed securities	2	[2]							(2)		
Corporate bonds and other	720	(53) [2]		280	(2)	343	(241)		(71)	976	(39)
Equity securities	21	4[2]					(7)			18	4
Derivatives, net [1]:											
Interest rate contracts	26	(4) [2]								22	(3)
Foreign exchange contracts	7	6 [2]							(7)	6	
Equity-related contracts	5	(13) [2]							(2)	(10)	(19)
Credit-related contracts	(1)	1[2]									
Other contracts	1	[2]								1	
Available-for-sale securities:											
Residential mortgage-backed securities	123	[3]	[4]				(1)		(22)	100	
	187	[3]	[4]			20			(9)	198	

Commercial mortgage-backed securities											
Japanese corporate bonds and other debt securities	174	[3]	22 [4]			1	(4)		(17)	176	
Foreign corporate bonds and other debt securities	108	1[3]	(7) [4]			10			(5)	107	
Other investments	42	(3) [3]				11			(13)	37	(1)
Liabilities:											
Trading securities sold, not yet purchased		[2]		1		(32)	32			1	
Long-term debt	623	9[5]			(12)			147	(158)	591	5

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Six months ended September 30, 2017	**April 1, 2017**	**Gains (losses) in Earnings**	**Gains (losses) in OCI**	**Transfers into Level 3**	**Transfers out of Level 3**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**September 30, 2017**	**Change in unrealized gains (losses) still held [6]**
	(in billions of yen)										
Assets:											
Trading securities:											
Residential mortgage-backed securities	15	[2]							(1)	14	
Corporate bonds and other	1,052	18 [2]		123	(240)	562	(276)		(153)	1,086	20
Equity securities	23	(1) [2]								22	(1)
Derivatives, net [1]:											
Interest rate contracts	26	(6) [2]							1	21	(6)
Foreign exchange contracts	8	(2) [2]								6	(2)
Equity-related contracts	(25)	(7) [2]							6	(26)	(8)
Other contracts		[2]							1	1	
Available-for-sale securities:											
Residential mortgage-backed securities	77	[3]	[4]			1			(10)	68	
Commercial mortgage-backed securities	224	[3]	[4]			40	(7)			257	
Japanese corporate bonds and other debt securities	174	(1) [3]	(3) [4]			11			(16)	165	(1)
Foreign corporate bonds and other debt securities	110	[3]	1 [4]	15	(29)					97	
Other investments	37	[3]				12			(10)	39	
Liabilities:											
		[2]				(57)	61			4	

Trading securities sold, not yet purchased									
Long-term debt	593	(13) [5]	1	(10)		47	(81)	563	(14)

Notes:
(1) Total Level 3 derivative exposures have been netted on the table for presentation purposes only.
(2) Gains (losses) in Earnings are reported in Trading account gains (losses) net, Foreign exchange gains (losses) net or Other noninterest income (expenses).
(3) Gains (losses) in Earnings are reported in Investment gains (losses) net.
(4) Gains (losses) in OCI are reported in Other comprehensive income (loss).
(5) Gains (losses) in Earnings are reported in Other noninterest income (expenses).
(6) Amounts represent total gains or losses recognized in earnings during the period. These gains or losses were attributable to the change in fair value relating to assets and liabilities classified as Level 3 that were still held at September 30, 2016 and 2017.

Transfers between levels

Transfers of assets or liabilities between levels of the fair value hierarchy are assumed to occur at the beginning of the period.

During the six months ended September 30, 2016, the transfers into Level 3 included ¥280 billion of Trading securities and ¥1 billion of Trading securities sold, not yet purchased. Transfers into Level 3 for Trading securities and Trading securities sold, not yet purchased were primarily due to decreased liquidity for certain Japanese and foreign corporate bonds. During the six months ended September 30, 2016, the transfers out of Level 3 included ¥2 billion of Trading securities and ¥12 billion of Long-term debt. Transfers out of Level 3 for Trading securities were primarily due to increased price transparency for certain Japanese and foreign corporate bonds. Transfers out of Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes.

During the six months ended September 30, 2017, the transfers into Level 3 included ¥123 billion of Trading securities, ¥15 billion of Available-for-sale securities and ¥1 billion of Long-term debt. Transfers into Level 3 for

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Trading securities and Available-for-sale securities were primarily due to decreased liquidity for certain Foreign corporate bonds. Transfers into Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes. During the six months ended September 30, 2017, the transfers out of Level 3 included ¥240 billion of Trading securities, ¥29 billion of Available-for-sale securities and ¥10 billion of Long-term debt. Transfers out of Level 3 for Trading securities were primarily due to increased price transparency for certain Japanese and foreign corporate bonds. Transfers out of Level 3 for Available-for-sale securities were primarily due to increased liquidity for certain Foreign corporate bonds and other debt securities. Transfers out of Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes.

Quantitative information about Level 3 fair value measurements

The following table presents information about significant unobservable inputs related to the MHFG Group s material classes of Level 3 assets and liabilities at March 31, 2017 and September 30, 2017:

March 31, 2017

Products/Instruments	Fair value	Principal valuation technique	Unobservable inputs	Range of input values	Weighted average (5)
	(in billions of yen, except for percentages and basis points)				
Trading securities and Available-for-sale securities:					
Residential mortgage-backed securities	92	Discounted cash flow Price-based	Prepayment rate	0% -18%	7%
			Default rate		0%
				0% - 1%	100%
			Recovery rate	100% - 100%	55bps
				15bps - 170bps	
			Discount margin		
Commercial mortgage-backed securities	224	Discounted cash flow Price-based	Discount margin	4bps - 205bps	28bps
Corporate bonds and other debt securities	1,336	Discounted cash flow Price-based	Prepayment rate (1)	16% - 30%	29%
			Default rate (1)		2%
			Recovery rate (1)	1% - 2%	68%
			Discount margin (1)		131bps
			Discount margin (2)		359bps

				60% - 68%
				8bps - 1,181bps
				10bps - 939bps
Derivatives, net:				
Interest rate contracts	26	Internal valuation model (3)	IR IR correlation	23% - 100%
			Default rate (4)	0% - 63%
Foreign exchange contracts	8	Internal valuation model (3)	FX IR correlation	5% - 52%
			FX FX correlation	55% - 55%
			Default rate (4)	
				0% - 63%
Equity-related contracts	(25)	Internal valuation model (3)	Equity IR correlation	25% - 25%
			Equity FX correlation	55% - 55%
			Equity volatility	
				6% - 59%
Credit-related contracts		Internal valuation model (3)	Default rate	0% - 5%
			Credit correlation	30% - 100%
Long-term debt	593	Internal valuation model (3)	IR IR correlation	23% - 100%
			FX IR correlation	5% - 52%
			FX FX correlation	
			Equity IR correlation	55% - 55%
			Equity FX correlation	25% - 25%
			Equity correlation	55% - 55%
			Equity volatility	20% - 100%
			Default rate	5% - 40%
			Credit correlation	0% - 3%
				33% - 100%

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September 30, 2017

Products/Instruments	Fair value	Principal valuation technique	Unobservable inputs	Range of input values	Weighted average [5]
	(in billions of yen, except for percentages and basis points)				
Trading securities and Available-for-sale securities:					
Residential mortgage-backed securities	82	Discounted cash flow Price-based	Prepayment rate	3% - 17%	7%
			Default rate		0%
				0% - 1%	100%
			Recovery rate	100% - 100%	56bps
			Discount margin	14bps - 170bps	
Commercial mortgage-backed securities	257	Discounted cash flow Price-based	Discount margin	2bps - 93bps	27bps
Corporate bonds and other debt securities	1,348	Discounted cash flow Price-based	Prepayment rate [1]	22% - 39%	39%
			Default rate [1]		2%
			Recovery rate [1]	1% - 2%	68%
			Discount margin [1]		122bps
			Discount margin [2]	60% - 68%	422bps
				16bps - 1,179bps	
				2bps - 1,167bps	
Derivatives, net:					
Interest rate contracts	21	Internal valuation model [3]	IR IR correlation	23% - 100%	
			Default rate [4]	0% - 63%	
Foreign exchange contracts	6	Internal valuation model [3]	FX IR correlation	5% - 54%	
			FX FX correlation		
			Default rate [4]	59% - 59%	
				0% - 63%	
Equity-related contracts	(26)	Internal valuation model [3]	Equity IR correlation	25% - 25%	
			Equity FX correlation	55% - 55%	
				11% - 58%	
			Equity volatility		

Credit-related contracts		Internal valuation model (3)	Default rate	0% - 3%
			Credit correlation	26% - 100%
Long-term debt	563	Internal valuation model (3)	IR IR correlation	23% - 100%
			FX IR correlation	5% - 54%
			FX FX correlation	59% - 59%
			Equity IR correlation	25% - 25%
			Equity FX correlation	55% - 55%
			Equity correlation	19% -100%
			Equity volatility	9% - 34%
			Default rate	0% - 2%
			Credit correlation	32% - 100%

Notes:
(1) These inputs are mainly used for determining the fair values of securitization products such as CDO, CLO and ABS, other than RMBS and CMBS.
(2) This input is mainly used for determining the fair values of Japanese corporate bonds and foreign corporate bonds.
(3) Internal valuation model includes discounted cash flow models and the Black-Scholes option pricing model.
(4) This input represents the counterparty default rate derived from the MHFG Group s own internal credit analyses.
(5) Weighted averages are calculated by weighting each input by the relative fair value of the respective financial instruments.
IR = Interest rate

FX = Foreign exchange

Sensitivities to unobservable inputs and interrelationships between unobservable inputs

The following is a description of the sensitivities and interrelationships of the significant unobservable inputs used to measure the fair values of Level 3 assets and liabilities.

(1) Prepayment rate
The prepayment rate is the estimated rate at which voluntary unscheduled repayments of the principal of the underlying assets are expected to occur. The movement of the prepayment rate is generally negatively correlated

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with borrower delinquency. A change in prepayment rate would impact the valuation of the fair values of financial instruments either positively or negatively, depending on the structure of financial instruments.

(2) Default rate

The default rate is an estimate of the likelihood of not collecting contractual payments. An increase in the default rate would generally be accompanied by a decrease in the recovery rate and an increase in the discount margin. It would also generally impact the valuation of the fair values of financial instruments negatively.

(3) Recovery rate

The recovery rate is an estimate of the percentage of contractual payments that would be collected in the event of a default. An increase in recovery rate would generally be accompanied by a decrease in the default rate. It would also generally impact the valuation of the fair values of financial instruments positively.

(4) Discount margin

The discount margin is the portion of the interest rate over a benchmark market interest rate such as LIBOR or swap rates. It primarily consists of a risk premium component which is the amount of compensation that market participants require due to the uncertainty inherent in the financial instruments cash flows resulting from credit risk. An increase in discount margin would generally impact the valuation of the fair values of financial instruments negatively.

(5) Correlation

Correlation is the likelihood of the movement of one input relative to another based on an established relationship. The change in correlation would impact the valuation of derivatives either positively or negatively, depending on the nature of the underlying assets.

(6) Volatility

Volatility is a measure of the expected change in variables over a fixed period of time. Some financial instruments benefit from an increase in volatility and others benefit from a decrease in volatility. Generally, for a long position in an option, an increase in volatility would result in an increase in the fair values of financial instruments.

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Items measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities primarily include items that are measured at the lower of cost or fair value, and items that were initially measured at cost and have been written down to fair value as a result of impairment. The following table shows the fair value hierarchy for these items as of March 31, 2017 and September 30, 2017:

March 31, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**	**Aggregate cost**
			(in billions of yen)		
Assets:					
Loans	124			124	194
Loans held-for-sale	7		7		8
Other investments	7	6		1	11
Premises and equipment net	7		6	1	11
Total assets measured at fair value on a nonrecurring basis	145	6	13	126	224

September 30, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**	**Aggregate cost**
			(in billions of yen)		
Assets:					
Loans	120			120	183
Loans held-for-sale	5		5		8
Other investments					1
Total assets measured at fair value on a nonrecurring basis	125		5	120	192

Loans in the table above have been impaired and measured based upon the fair value of the underlying collateral.

Loans held-for-sale in the table above are accounted for at the lower of cost or fair value at the end of the period. The items for which fair values are determined by using actual or contractually determined selling price data are classified as Level 2. Due to the lack of current observable market information, the determination of the fair values for items other than the aforementioned requires significant adjustment based upon management judgment and estimation, which results in such items being classified in Level 3 of the hierarchy.

Other investments in the table above, which consist of certain equity method investments and non-marketable equity securities, have been impaired and written down to fair value. The fair values of the impaired marketable equity method investments are determined by their quoted market prices. As the securities are traded on an active exchange market, they are classified as Level 1. The fair values of the impaired non-marketable equity securities, which include non-marketable equity method investments, are determined primarily by using a liquidation value technique. As significant management judgment or estimation is required in the determination of the fair values of non-marketable equity securities, they are classified as Level 3.

Premises and equipment net in the table above have been impaired and written down to fair value.

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Fair value option

The MHFG Group elected the fair value option for certain eligible financial instruments described below.

Foreign currency denominated available-for-sale securities

The MHFG Group elected the fair value option for foreign currency denominated available-for-sale securities to mitigate the volatility in earnings due to the difference in the recognition of foreign exchange risk between available-for-sale securities and financial liabilities. Following the election of the fair value option, these securities are reported as trading securities in Trading account assets.

Certain hybrid financial instruments

The MHFG Group issues structured notes as part of its client-driven activities. Structured notes are debt instruments that contain embedded derivatives. The Group elected the fair value option for certain structured notes to mitigate accounting mismatches and to achieve operational simplifications. In addition, the Group measures certain notes that contain embedded derivatives at fair value under the practicability exception. These notes continue to be reported in Long-term debt and interest on these notes continues to be reported in Interest expense on long-term debt based on the contractual rates. The differences between the aggregate fair value of these notes and the aggregate unpaid principal balance of such instruments were ¥36 billion and ¥8 billion at March 31, 2017 and September 30, 2017, respectively. The net unrealized gains (losses) resulting from changes in fair values of these notes of ¥2 billion and ¥(28) billion, which included the fair value changes attributable to changes in the Group s own credit risk, were recorded in Other noninterest income (expenses) for the six months ended September 30, 2016 and 2017, respectively.

Fair value of financial instruments

ASC 825, Financial Instruments (ASC 825), requires the disclosure of the estimated fair value of financial instruments. The fair value of financial instruments is the amount that would be exchanged between willing parties, other than in a forced sale or liquidation. Quoted market prices, if available, are best utilized as estimates of the fair values of financial instruments. However, since no quoted market prices are available for certain financial instruments, fair values for such financial instruments have been estimated based on management s assumptions, discounted cash flow models or other valuation techniques. Such estimation methods are described in more detail below. These estimates could be significantly affected by different sets of assumptions. There are certain limitations to management s best judgment in estimating fair values of financial instruments and inherent subjectivity involved in estimation methodologies and assumptions used to estimate fair value. Accordingly, the net realizable or liquidation values could be materially different from the estimates presented below.

ASC 825 does not require the disclosure of the fair value of nonfinancial instruments.

The following is a description of the valuation methodologies used for estimating the fair value of financial assets and liabilities not carried at fair value on the MHFG Group s consolidated balance sheets.

Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions

The carrying value of short-term financial assets, such as cash and due from banks, interest-bearing deposits in other banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions approximates the fair value of these assets since they generally involve limited losses from credit risk or have short-term maturities with interest rates that approximate market rates.

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Investments

The fair value of held-to-maturity securities is determined primarily by using the same procedures and techniques described for trading securities and available-for-sale securities aforementioned in this Note. The fair value of other equity interests, which primarily comprises non-marketable equity securities, is not readily determinable, nor practicable to estimate, due to the lack of available information. Their carrying amounts of ¥308 billion and ¥243 billion at March 31, 2017 and September 30, 2017, respectively, were not included in the disclosure.

Loans

Performing loans have been fair valued as groups of similar loans based on the type of loan, credit quality, prepayment assumptions and remaining maturity. The fair value of performing loans is determined based on discounted cash flows using interest rates approximating the MHFG Group s current rates for similar loans. The fair value of impaired loans is determined based on either discounted cash flows incorporating the Group s best estimate of the expected future cash flows or the fair value of the underlying collateral, if impaired loans are collateral dependent.

Other financial assets

The carrying value of other financial assets, which primarily consist of accounts receivable from brokers, dealers, and customers for securities transactions, accrued income and collateral provided for derivative transactions, approximates the fair value of these assets since they generally involve limited losses from credit risk or have short-term maturities with interest rates that approximate market rates. The majority of other financial assets is classified as Level 2, and included in the table in Note 7 Other assets and liabilities .

Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions

The carrying value of short-term financial liabilities, such as noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions approximates the fair value of these liabilities since they generally have short-term maturities with interest rates that approximate market rates.

Interest-bearing deposits

The carrying value of demand deposits approximates the fair value since it represents the amount payable on demand at the balance sheet date. The fair value of time deposits and certificates of deposit is primarily estimated based on discounted cash flow analysis using current interest rates for instruments with similar maturities. The carrying value of short-term certificates of deposit approximates the fair value.

Due to trust accounts

The carrying value of due to trust accounts approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates.

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Other short-term borrowings

The carrying value of the majority of other short-term borrowings approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates. The fair value of certain borrowings is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group s incremental borrowing rates for instruments with similar maturities.

Long-term debt

Long-term debt is fair valued using quoted market prices, if available. Otherwise, the fair value of long-term debt is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group s incremental borrowing rates for instruments with similar maturities.

Other financial liabilities

The carrying value of other financial liabilities, which primarily consist of accounts payable to brokers, dealers, and customers for securities transactions, accrued expenses and collateral accepted for derivative transactions, approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates. The majority of other financial liabilities is classified as Level 2, and included in the table in Note 7 Other assets and liabilities .

The fair value of certain off-balance-sheet financial instruments, such as commitments to extend credit and commercial letters of credit, was not considered material to the consolidated balance sheets at March 31, 2017 and September 30, 2017.

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The following table shows the carrying amounts and fair values at March 31, 2017 and September 30, 2017, of certain financial instruments, excluding financial instruments which are carried at fair value on a recurring basis and those outside the scope of ASC 825 such as equity method investments as defined in ASC 323, Investments Equity Method and Joint Ventures (ASC 323) and lease contracts as defined in ASC 840, Leases (ASC 840):

	March 31, 2017				
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
	(in billions of yen)				
Financial assets:					
Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	60,943	60,943	1,063	59,880	
Investments	3,817	3,846	3,846		
Loans, net of allowance for loan losses (Note)	81,662	82,696			82,696
Financial liabilities:					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	42,205	42,205	20,544	21,661	
Interest-bearing deposits	110,125	110,124	56,738	53,386	
Due to trust accounts	4,123	4,123		4,123	
Other short-term borrowings	1,477	1,477		1,477	
Long-term debt	13,009	13,078		12,120	958

	September 30, 2017				
	Carrying amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
	(in billions of yen)				
Financial assets:					
Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	65,291	65,291	909	64,382	
Investments	3,127	3,148	3,148		
Loans, net of allowance for loan losses (Note)	83,401	84,306			84,306
Financial liabilities:					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	46,373	46,373	21,957	24,416	

Interest-bearing deposits	114,675	114,668	57,802	56,866	
Due to trust accounts	3,999	3,999		3,999	
Other short-term borrowings	931	931		931	
Long-term debt	12,157	12,258		11,274	984

Note: Loans, net of allowance for loan losses include items measured at fair value on a nonrecurring basis.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

20. Offsetting of financial assets and financial liabilities

Derivatives

The MHFG Group enters into master netting arrangements such as International Swaps and Derivatives Association, Inc. (ISDA) or similar agreements with counterparties to manage mainly credit risks associated with counterparty default. If the predetermined events including counterparty default occur, these enforceable master netting arrangements or similar agreements give the Group the right to offset derivative receivables and derivative payables and related financial collateral such as cash and securities with the same counterparty.

Repurchase and resale agreements and securities lending and borrowing transactions

Repurchase and resale agreements and securities lending and borrowing transactions are generally covered by industry standard master repurchase agreements and industry standard master securities lending agreements with netting terms to manage mainly credit risks associated with counterparty default. In the event of default by the counterparty, these agreements with netting terms provide the Group with the right to offset receivables and payables related to such transactions with the same counterparty, and to liquidate the collateral held.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

The following table provides information about the offsetting of financial assets and financial liabilities at March 31, 2017 and September 30, 2017. The table includes derivatives, repurchase and resale agreements, and securities lending and borrowing transactions that are subject to enforceable master netting arrangements or similar agreements irrespective of whether or not they are offset on the Group s consolidated balance sheets.

				Amounts not offset on the balance sheet [3]		
	Gross amounts recognized	Gross amounts offset on the balance sheet	Net amounts presented on the balance sheet [2]	Financial instruments [4]	Cash collateral	Net amounts
	(in billions of yen)					
March 31, 2017						
Assets [1]:						
Derivatives	10,608		10,608	(8,966)	(620)	1,022
Receivables under resale agreements	8,698		8,698	(8,662)		36
Receivables under securities borrowing transactions	3,127		3,127	(3,116)		11
Total	22,433		22,433	(20,744)	(620)	1,069
Liabilities [1]:						
Derivatives	10,405		10,405	(8,866)	(901)	638
Payables under repurchase agreements	17,446		17,446	(17,391)		55
Payables under securities lending transactions	1,458		1,458	(1,455)		3
Total	29,309		29,309	(27,712)	(901)	696
September 30, 2017						
Assets [1]:						
Derivatives	9,806		9,806	(8,370)	(504)	932
Receivables under resale agreements	9,162		9,162	(9,105)		57

Receivables under securities borrowing transactions	3,192		3,192	(3,172)		20
Total	22,160		22,160	(20,647)	(504)	1,009
Liabilities (1):						
Derivatives	9,658		9,658	(8,120)	(972)	566
Payables under repurchase agreements	18,453		18,453	(18,275)		178
Payables under securities lending transactions	2,315		2,315	(2,277)		38
Total	30,426		30,426	(28,672)	(972)	782

Notes:

(1) Amounts relating to master netting arrangements or similar agreements where the MHFG Group does not have the legal right of set-off or where uncertainty exists as to the enforceability of these agreements are excluded. For derivatives, the table includes amounts relating to over-the-counter (OTC) and OTC-cleared derivatives that are subject to enforceable master netting arrangements or similar agreements.

(2) Derivative assets and liabilities are recorded in Trading account assets and Trading account liabilities, respectively.

(3) Amounts do not exceed the net amounts presented on the balance sheet and do not include the effect of overcollateralization, where it exists.

(4) For derivatives, amounts include derivative assets or liabilities and securities collateral that are eligible for offsetting under enforceable master netting arrangements or similar agreements.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

21. Repurchase agreements and securities lending transactions accounted for as secured borrowings

The following table shows the gross amounts of liabilities associated with repurchase agreements and securities lending transactions, by remaining contractual maturity at March 31, 2017 and September 30, 2017:

	Overnight and continuous	Up to 30 days	31-90 days	Greater than 90 days	Total
			(in billions of yen)		
March 31, 2017					
Repurchase agreements	249	12,700	3,897	1,124	17,970
Securities lending transactions	320	1,359		240	1,919
Total	569	14,059	3,897	1,364	19,889
September 30, 2017					
Repurchase agreements	534	13,199	4,596	1,193	19,522
Securities lending transactions	2,177	463		233	2,873
Total	2,711	13,662	4,596	1,426	22,395

The following table shows the gross amounts of liabilities associated with repurchase agreements and securities lending transactions, by class of underlying collateral at March 31, 2017 and September 30, 2017:

	Repurchase agreements	Securities lending transactions
	(in billions of yen)	
March 31, 2017		
Japanese government bonds and Japanese local government bonds	1,127	1,152
Foreign government bonds and foreign agency mortgage-backed securities	15,782	375
Commercial paper and corporate bonds	294	47
Equity securities	578	320
Other	189	25
Total (Note)	17,970	1,919

September 30, 2017

Japanese government bonds and Japanese local government bonds	1,156	1,767
Foreign government bonds and foreign agency mortgage-backed securities	17,332	453
Commercial paper and corporate bonds	377	47
Equity securities	514	583
Other	143	23
Total [(Note)]	19,522	2,873

Note: Amounts exceeded the gross amounts recognized in Note 20 Offsetting of financial assets and financial liabilities by ¥985 billion and ¥1,627 billion, at March 31, 2017 and September 30, 2017, respectively, which excluded the amounts relating to master netting agreements or similar agreements where the MHFG Group did not have the legal right of set-off or where uncertainty exists as to the enforceability.

The MHFG Group is required to post securities as collateral with a fair value equal to or in excess of the principal amount of the cash borrowed under repurchase agreements. For securities lending transactions, the Group receives collateral in the form of cash. These contracts involve risks, including (1) the counterparty may fail to return the securities at maturity and (2) the fair value of the securities posted may decline below the

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

amount of the Group s obligation and therefore the counterparty may require additional amounts. The Group attempts to mitigate these risks by entering into transactions mainly with central counterparty clearing houses which revalue assets and perform margin maintenance activities on a daily basis, diversifying the maturities and counterparties, and using mainly highly liquid securities.

22. Business segment information

The MHFG Group consists of the following five in-house companies which are categorized based on a customer segment: the Retail & Business Banking Company, the Corporate & Institutional Company, the Global Corporate Company, the Global Markets Company, and the Asset Management Company. These customer segments are regarded as operating segments and constitute reportable segments.

The services that each in-house company is in charge of are as follows.

Retail & Business Banking Company

This company provides financial services for individual customers, small and medium-sized enterprises and middle market firms in Japan.

Corporate & Institutional Company

This company provides financial services for large corporations, financial institutions and public corporations in Japan.

Global Corporate Company

This company provides financial services for Japanese overseas affiliated corporate customers and non-Japanese corporate customers, etc.

Global Markets Company

This company invests in financial products with market risk, such as interest rate risk, equity risk, and credit risk.

Asset Management Company

This company develops financial products and provides financial services that match the asset management needs of its wide range of customers from individuals to institutional investors.

The reportable segment information, set forth below, is derived from the internal management reporting systems used by management to measure the performance of the Group s operating segments. Management measures the performance of each of the operating segments in accordance with internal managerial accounting rules and practices. In addition, the format and information are presented primarily on the basis of Japanese GAAP. Therefore, they are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation is provided for the total amount of each business segment s net business profits with income before income tax expense under U.S. GAAP.

MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Management does not use information on business segment s assets to allocate resources and assess performance and has not prepared information on the segment s assets. Accordingly, information on the segment s assets is not available.

Six months ended September 30, 2016	MHFG (Consolidated) Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others [2][3]	Total
	(in billions of yen)						
Gross profits	348.0	215.2	183.4	333.6	24.4	(14.9)	1,089.7
General and administrative expenses	359.8	96.5	117.9	90.1	15.0	1.2	680.5
Equity in earnings (losses) of equity method investees net	8.8	0.6	1.0		(0.1)	1.0	11.3
Others						(17.3)	(17.3)
Net business profits (losses) [1]	(3.0)	119.3	66.5	243.5	9.3	(32.4)	403.2

Six months ended September 30, 2017	MHFG (Consolidated) Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Others [2]	Total
	(in billions of yen)						
Gross profits	343.0	192.0	160.2	236.2	24.9	3.5	959.8
General and administrative expenses	358.6	97.3	122.5	99.7	13.9	26.3	718.3
Equity in earnings (losses) of equity method investees net	7.5	0.6	1.4		0.3	0.8	10.6
Others						(10.5)	(10.5)
Net business profits (losses) [1]	(8.1)	95.3	39.1	136.5	11.3	(32.5)	241.6

Notes:

(1) Net business profits is used in Japan as a measure of the profitability of core banking operations, and is defined as gross profits (or the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income) less general and administrative expenses. Measurement of net business profits is required for regulatory reporting to the Financial Services Agency.

(2) Others includes items which should be eliminated as internal transactions between each segment on a consolidated basis.

(3) Beginning on April 1, 2017, new allocation methods for transactions between each segment and Others have been applied. Figures for the six months ended September 30, 2016 have been restated for the new allocation methods and Equity in earnings (losses) of equity method investees net has been presented as a new item in connection with the use of the new allocation methods.

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MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Continued)

Reconciliation

As explained above, the measurement bases of the internal management reporting systems and the income and expenses items included are different from the accompanying consolidated statements of income. Therefore, it is impracticable to present reconciliations of all the business segment s information, other than net business profits, to the corresponding items in the accompanying consolidated statements of income. A reconciliation of total net business profits under the internal management reporting systems for the six months ended September 30, 2016 and 2017 presented above to income before income tax expense shown on the consolidated statements of income is as follows:

	Six months ended September 30,	
	2016	2017
	(in billions of yen)	
Net business profits	403.2	241.6
U.S. GAAP adjustments	14.8	95.7
(Provision) credit for loan losses	(0.6)	118.0
Net gains (losses) related to equity investments	64.5	100.9
Non-recurring personnel expense	(4.7)	(3.6)
Gains on disposal of premises and equipment	3.5	4.6
(Provision) credit for losses on off-balance-sheet instruments	7.9	4.2
Others net	(31.3)	(48.5)
Income before income tax expense	457.3	512.9

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Review Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

of Mizuho Financial Group, Inc.

We have reviewed the consolidated balance sheet of Mizuho Financial Group, Inc. and subsidiaries (the Company) as of September 30, 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows for the six months ended September 30, 2017 and 2016. These financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of March 31, 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows for the year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated July 7, 2017. In our opinion, the accompanying consolidated balance sheet as of March 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

December 28, 2017

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Exhibit 15

December 28, 2017

The Board of Directors and Shareholders

of Mizuho Financial Group, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form F-3 No. 333-213187) of Mizuho Financial Group, Inc. of our report dated December 28, 2017 relating to the unaudited interim consolidated financial statements of Mizuho Financial Group, Inc. as of September 30, 2017 and for the six months ended September 30, 2017 and 2016 that are included in its Form 6-K dated December 28, 2017.

Under Rule 436(c) of the Securities Act 1933 (the Act), our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Act.

/s/ Ernst & Young ShinNihon LLC