MIZUHO FINANCIAL GROUP INC
Form 6-K
January 27, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of January 2015

Commission File Number 001-33098

Mizuho Financial Group, Inc.

(Translation of registrant s name into English)

5-5, Otemachi 1-chome

Chiyoda-ku, Tokyo 100-8176

Japan

(Address of principal executive office)

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

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

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.   Yes ¨   No x

If   Yes   is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-   .

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SIGNATURES

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

Date: January 27, 2015

Mizuho Financial Group, Inc.

By: /s/ Yasuhiro Sato
Name: Yasuhiro Sato
Title: President & CEO

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

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Recent Developments

The following is a summary of significant business developments since March 31, 2014 relating to Mizuho Financial Group, Inc.

Operating Environment

As to the recent economic environment, the gradual recovery in the global economy continued, although weakness in the recovery is seen in some regions. This recovery is expected to continue, but it remains necessary to monitor the economic outlook for Europe, China and emerging countries as well as geopolitical risks. Additionally, there is growing concern that the decline in crude oil prices and depreciation of currencies of certain countries, including Russia, may have negative effects on the global economy. In the United States, the economic recovery has continued in the form of improved employment and consumption amid favorable business conditions. In October 2014, the Federal Open Market Committee announced to conclude its asset purchase program due to a substantial improvement in the outlook for the labor market and the sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment in a context of price stability. While it is expected that the pace of recovery will accelerate, the effects of a shift in monetary policy require continued monitoring. In Europe, the economy is on a recovery trend with a continuing steady recovery in the United Kingdom. The economy in the Euro area remains stuck in low gear. There are concerns regarding the ongoing European debt problem, geopolitical risks, especially in Ukraine, Russia s economic slowdown, high unemployment rates and prolonged low-inflation. In Asia, while exports have picked up, overall economic growth has been losing momentum due to political unrest in certain regions. The Asian economy as a whole is expected to recover gradually, but there are concerns of a tendency toward tight monetary policies against the backdrop of concerns over currency depreciation and inflation in some regions. In China, although the economy continues to grow at a high rate, a possible further slowdown may occur due to excess capacity and weakened real estate market conditions. In Japan, the economy has been recovering gradually due mainly to an improvement in the employment situation. As for the future outlook of the Japanese economy, while there are some potential risks, including the risk of further downturns in overseas economies, sharp depreciation of the yen and a decline in consumer sentiment as a result of a prolonged negative reaction after the last-minute rise in demand preceding the April 2014 consumption tax increase, there are prospects for a moderate economic recovery due to a gradual improvement in industrial production activities and private consumption supported by an improvement in the employment and household income situations. Key indicators of economic conditions in recent periods include the following:

- Japan s real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, increased by 2.5% in the first quarter of calendar 2014. However, after continuing to increase from the first quarter of calendar 2013 through the first quarter of calendar 2014, it decreased by 0.3% and 1.3% in the second and third quarters of calendar 2014, respectively. Then, in November 2014, the Japanese government announced that it will postpone the planned second step of consumption tax hike from 8% to 10%, which was originally scheduled for October 2015.

- The Japanese Government s monthly economic report in April 2014 stated that the Japanese economy is on a moderate recovery trend, while some weak movements are seen lately due to reaction after a last-minute rise in demand before a consumption tax increase. Its trend view on the recovery of the Japanese economy has basically remained the same since then, but the report in November and December 2014 stated that weakness can be seen in private consumption.

In January 2013, the Bank of Japan announced that it would set a price stability target at 2% in terms of the year-on-year rate of change in the consumer price index and introduced the open-ended asset purchasing method under the asset purchase program, pursuant to which financial assets will be purchased on a monthly basis without setting any termination date, for the purpose of taking additional steps to provide monetary accommodation decisively. Furthermore, the Japanese government and the Bank of Japan released a joint statement that they would strengthen their policy coordination and work together in order to overcome deflation early and achieve sustainable economic growth with price stability. In April 2013, the Bank of Japan announced that it would introduce the quantitative and qualitative monetary easing to enter a new phase of monetary easing, and that it would continue with the easing which aims to achieve the price stability target of 2% until that target is maintained in a stable manner. Under the easing, the Bank of Japan changed the main operating target for money market operations from the uncollateralized overnight call rate to the monetary base, and announced that it would double the monetary base and the amounts outstanding of Japanese government bonds as well as ETFs in two years and more than double the average remaining maturity of Japanese government bonds purchases. In October 2014, for the purpose of pre-empting manifestation of the risk that the conversion of deflationary mindsets might be delayed and maintaining the improving momentum of expectation formation, the Bank of Japan announced that it would expand the quantitative and qualitative monetary easing. In particular, the Bank of Japan announced that it would expand the purchases of the Japanese government bonds to be increased at an annual pace of about ¥80 trillion (an addition of about ¥30 trillion compared with the past) and expand the purchases of ETFs and Japan real estate investment trusts so that their amounts outstanding would be increased at an annual pace of ¥3 trillion (tripled compared with the previously announced amount) and ¥90 billion (tripled compared with the previously announced amount), respectively. Additionally, the Bank of Japan announced it would make ETFs that track the JPX-Nikkei Index 400 eligible for purchase.

The yield on newly issued 10-year Japanese government bonds was 0.642% as of March 31, 2014 and decreased to 0.531% as of September 30, 2014. Thereafter, the yield further decreased to 0.329% as of December 30, 2014.

The Nikkei Stock Average, which is an index based on the average of the price of 225 stocks listed on the Tokyo Stock Exchange, increased by 9.1% to ¥16,173.52 as of September 30, 2014 compared to March 31, 2014. Thereafter, the Nikkei Stock Average further increased to ¥17,450.77 as of December 30, 2014.

According to Teikoku Databank, a Japanese research institution, there were 4,750 corporate bankruptcies in Japan in the six months ended September 30, 2014, involving approximately ¥0.9 trillion in total liabilities, 4,782 corporate bankruptcies in the six months ended March 31, 2014, involving approximately ¥1.0 trillion in total liabilities, and 5,320 corporate bankruptcies in the six months ended September 30, 2013, involving approximately ¥1.8 trillion in total liabilities.

The Japanese yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥102.98 to $1.00 as of March 31, 2014 and weakened to ¥109.42 to $1.00 as of September 30, 2014. Thereafter, the yen further weakened to ¥119.80 to $1.00 as of December 30, 2014.

Developments Relating to Our Capital

All yen figures and percentages in this subsection are truncated.

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

In the six months ended September 30, 2014, we strengthened our capital base mainly as a result of earning ¥355.2 billion of consolidated net income (under Japanese GAAP).

With respect to redemptions of previously issued securities, we have redeemed various securities that are eligible Tier1/Tier2 capital instruments subject to phase-out arrangements under Basel III upon their respective initial optional redemption dates or their respective maturity dates. With respect to Tier 1 capital, in June 2014, we redeemed $850 million and ¥139.5 billion of non-dilutive Tier 1 preferred securities that were issued by our overseas special purpose companies in February 2009 and June 2009, respectively. With respect to Tier 2 capital, in April 2014, we redeemed $1.5 billion of dated subordinated bonds that were issued by our overseas special purpose company. We redeemed ¥66.0 billion, ¥60.0 billion and ¥55.0 billion of dated subordinated bonds issued by our subsidiary banks in June 2014, August 2014 and September 2014, respectively.

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With respect to new issuances, we issued ¥100.0 billion and ¥50.0 billion of dated subordinated bonds with a write-down feature that are Basel III-eligible Tier 2 capital instruments through public offerings to wholesale investors in Japan in July 2014 and in December 2014, respectively.

Our Common Equity Tier 1 capital ratio under Basel III as of September 30, 2014 was 9.32%. We aim to increase our regulatory capital, by March 31, 2016, to a level that enables us to secure stably our Common Equity Tier 1 capital ratio under Basel III of 8% or higher (on a fully-effective basis and including the outstanding balance of the eleventh series class XI preferred stock, which was ¥277.8 billion as of September 30, 2014, that will become mandatorily converted into common stock, and will thus be fully recognized as Common Equity Tier 1 capital by July 2016). We believe that we will be able to secure a sufficient Common Equity Tier 1 capital ratio under Basel III as of March 31, 2019 when it becomes fully effective pursuant to its phase-in implementation. The foregoing target is based on capital regulations that have been announced to date. See Capital Adequacy for information regarding the capital regulations to which we are subject.

The foregoing statements include forward-looking statements and are subject to risks, uncertainties and assumptions. See Forward-looking Statements and Item 3.D. Key Information Risk Factors in our most recent Form 20-F filed with the U.S. Securities and Exchange Commission.

We paid an interim cash dividend with respect to the fiscal year ending March 31, 2015 of ¥3.5 per share of common stock, which was an increase of ¥0.5 per share as the interim cash dividend paid in the previous fiscal year.

Developments Relating to Our Business

Personal Banking Unit

We are focusing on the following initiatives in our business with individual customers:

- Increasing assets under management on a group-wide basis
  - Expanding business with Mizuho Bank, Ltd. customers by utilizing securities and trust functions
  - Strengthening asset management business framework to Mizuho Trust & Banking Co., Ltd. customers, and increasing net inflow of Mizuho Securities Co., Ltd. client assets
  - Developing business base that supports integrated business promotion across the group
- Strengthening of the number of customers (quantity) × transaction categories (quality)
  - Enhancing brand power mainly through strategic public relations activities

- Increasing contacts with customers within the group
- Developing a framework to efficiently expand business base and increasing the number of transaction categories
- Increasing loan balance in light of changes in market environment

Pursuing initiative towards establishing a new business base

- Established Incubation Department

Retail Banking Unit

We are focusing on the following initiatives in our business with SMEs, business owners, land owners and lease holders:

Strengthening sales promotion for ultra high net worth customers

- Swiftly conducting business promotions to customers by increasing the number of relationship management officers
- Strengthening integrated business promotions across the group aimed at ultra high net worth customers of Mizuho Trust & Banking and Mizuho Securities

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- Strengthening top-level business promotion to Priority Customers for General Managers

  - Deepening and widening our business initially with business succession and asset inheritance in a unified manner between banking, trust and securities functions

  - Retaining our business with the next generation by leveraging educational grant trusts, etc.

- Regaining customer base of Mizuho Bank

  - Expanding loan business by utilizing various differentiating products and funds

  - Deepening and widening our business through obtaining loan business with customers who have settlement accounts

- Training up officers capable of both corporate and personal banking business in an integrated manner between banking, trust and securities functions

Corporate Banking Unit (Large Corporations)

We are focusing on the following initiatives in our business with large corporations and their affiliates in Japan:

- Promoting borderless business in an integrated manner between domestic and overseas offices

  - Transforming from one-way business promotion from Japan into two-way promotion between domestic and overseas offices

- Promoting seamless business in an integrated manner between banking, trust and securities functions

  - Developing solution business promotion by utilizing Mizuho s unique integrated management between banking, trust and securities functions

- Effectively utilizing risk money

  - Utilizing risk money for development of the next generation industry

Promoting Group-to-Group business under One MIZUHO

Expanding and deepening business between Mizuho group and corporate customer groups

Increasing loans and strengthening stable profit base

Developing stable profit base such as loans and transaction banking business

Corporate Banking Unit

We are focusing on the following initiatives in our business with relatively larger SMEs (quasi listed companies):

Strengthening financing functions

Proactively responding to customers financing needs for growth by utilizing Mizuho Growth Support Fund

Expanding new customer base

Exercising our multifaceted financial capabilities beginning with new lending

Providing solutions in line with corporate customers life-cycle

Implementing business promotion by providing solutions in line with customers growth strategies (business strategies, capital management, etc.)

Targeting businesses in Asia

Proactively responding to diversifying Japanese corporate customers needs for overseas business expansion and overseas strategy

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Enhancing integrated management between banking, trust and securities functions

Implementing an approach to solve customers challenges by sharing their managerial challenges and strategies

Financial Institutions & Public Sector Business Unit

We are focusing on the following initiatives in our business with financial institutions and central and local governments:

Strengthening cooperation with public institutions and regional financial institutions to revitalize regional economies

Supporting development of regional industries and companies by reinforcing market-in (customer-oriented) -type business promotion

Sophisticating products based on customer needs, regulatory developments, etc.

Originating and capturing transactions in relation to PPP (public-private partnership) as well as transformation of agriculture, forestry and fisheries industry into the Sixth Industry

Contributing to the growth strategy of Japan through initiatives for 2020 Tokyo Olympics and Paralympics Games

Further enhancing business promotion capabilities as advisor to the public sector

Implementing initiatives for developing Asian bond markets

Responding to public primary finance deals such as the issuance of municipal bonds

Reinforcing capabilities to provide increasingly sophisticated financial and public institution-related services

Strengthening initiatives for our customers capital strategies, financing strategies and business strategies in an integrated manner between banking, trust and securities functions

International Banking Unit

We are focusing on the following initiatives in our business with non-Japanese companies and Japanese companies that conduct business overseas:

- Deepening and expanding business with core customers through bank-securities cooperation
  - Advancing from existing Super 30 to Super 50 strategy as well as expanding business with targeted customers of Mizuho Securities
  - Expanding M&A related business (e.g., leveraged finance, advisory service)
  - Strengthening bank-securities double-hat structure for non-Japanese business promotion
- Strengthening transaction banking business by capturing customers trade flow and further accumulating foreign currency deposits
  - Strengthening capabilities to provide products considering customer needs
  - Strengthening business promotion capabilities to financial institutions
- Pursuing cross-regional initiative: pursuing global collaboration based on Asia
  - Supporting Japanese customers overseas business expansion
  - Providing cross-regional business support (including Asia) to non-Japanese customers

Measures for the Enhancement of Group Governance

In June 2014, Mizuho Financial Group transformed into a Company with Committees, as defined in the Companies Act, in order to further enhance corporate governance through strengthening the supervisory function

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of the Board of Directors over the execution of our business and improving the transparency of management processes, and in order to enhance the flexibility of management by facilitating swifter decision making.

Others

Exposure to Certain European Countries (GIIPS)

In Europe, fiscal problems in certain countries, including Greece, Ireland, Italy, Portugal and Spain, have affected the financial system and the real economy, and the uncertainty concerning European economic activity continues to present a risk of a downturn in the world economy, though the situation has been calming down steadily. As of September 30, 2014, our exposure to obligors in such countries was not significant. Specifically, our principal banking subsidiaries (including their overseas subsidiaries) had a total of approximately $7.4 billion in exposure to obligors in such countries. The breakdown by country and by type of obligor was as follows:

	As of March 31, 2014	As of September 30, 2014	Increase (decrease)
	(in billions of US dollars)		
Greece	$	$	$
Sovereign			
Financial Institutions			
Others			
Ireland	0.3	0.9	0.6
Sovereign			
Financial Institutions			
Others	0.3	0.9	0.6
Italy(3)	1.4	2.8	1.4
Sovereign	0.1	1.3	1.2
Financial Institutions	0.1	0.1	
Others	1.2	1.4	0.2
Portugal	0.5	0.4	(0.1)
Sovereign			
Financial Institutions			
Others	0.5	0.4	(0.1)
Spain(3)	3.1	3.3	0.2
Sovereign		0.7	0.7
Financial Institutions			
Others	3.1	2.6	(0.5)
Total	$ 5.3	$ 7.4	$ 2.1
Sovereign	0.1	2.0	1.9
Financial Institutions(4)	0.1	0.1	
Others	5.1	5.3	0.2

Notes:

(1) Figures in the above table are on a managerial accounting basis. The difference between the exposure based on U.S. GAAP and that based on managerial accounting is attributable mainly to the netting of derivatives exposure as described in footnote 2 below and does not have a material impact on total exposure amounts set forth in the above table.
(2) Figures in the above table represent gross exposures except for derivatives exposures which take into consideration legally enforceable master netting agreements.
(3) The obligors in Italy and Spain to which we had exposure consist mainly of highly rated large corporations, and we had limited exposure to sovereign bonds.
(4) Our exposure to financial institutions that are not state-owned is minimal.

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Exposure to Russia and Ukraine

As for our exposure to obligors in Russia, our principal banking subsidiaries (including their overseas subsidiaries) had a total of approximately $5.3 billion in exposure as of March 31, 2014, which decreased to $4.8 billion as of September 30, 2014. Our principal banking subsidiaries (including their overseas subsidiaries) had no exposure to obligors in Ukraine as of March 31, 2014 and September 30, 2014. The exposure amounts are on a managerial accounting basis, and footnotes 1 and 2 to the table immediately above are similarly applicable to these amounts.

Accounting Changes

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

Operating Results

The following table shows certain information as to our income, expenses and net income attributable to MHFG shareholders for the six months ended September 30, 2013 and 2014:

	Six months ended September 30, 2013	2014	Increase (decrease)
	(in billions of yen)		
Interest and dividend income	¥ 725	¥ 706	¥ (19)
Interest expense	203	199	(4)
Net interest income	522	507	(15)
Provision (credit) for loan losses	(96)	(92)	4
Net interest income after provision (credit) for loan losses	618	599	(19)
Noninterest income	374	803	429
Noninterest expenses	745	774	29
Income before income tax expense	247	628	381
Income tax expense	53	220	167
Net income	194	408	214
Less: Net income attributable to noncontrolling interests	3	4	1
Net income attributable to MHFG shareholders	¥ 191	¥ 404	¥ 213

Executive Summary

Net interest income decreased by ¥15 billion, or 2.9%, from the six months ended September 30, 2013 to ¥507 billion in the six months ended September 30, 2014 due to a decrease in interest and dividend income of ¥19 billion, offset in part by a decrease in interest expense of ¥4 billion. The decrease in interest and dividend income was due mainly to decreases in interest income from trading account assets and loans, offset in part by an increase in interest income from interest-bearing deposits in other banks. The decrease in interest income from trading account assets was due mainly to a decline in the average yields of foreign trading account assets, reflecting a decline in short-term interest rate levels of the Japanese yen and other major currencies. The decrease in interest income from loans was due mainly to a decline in the average yields of loans, offset in part by an increase in the average balance of foreign loans. The increase in interest income from interest-bearing deposits in other banks was due to an increase in the average balance and a rise in the average yields. The decrease in interest expense was due mainly to decreases in interest expenses on short-term borrowings and long-term debt, offset in part by an increase in interest expense on deposits. The decrease in interest expense on short-term borrowings was due mainly to a decline in the average interest rate, reflecting a decline in short-term interest rate levels of the Japanese yen and other major currencies. The decrease in interest expense on long-term debt was due mainly to a decline in the average interest rate of domestic long-term debt, offset in part by an increase in the average balance of domestic long-term debt. The increase in interest expense on deposits was due mainly to an increase in the average balance of foreign deposits. Credit for loan losses decreased by ¥4 billion, or 4.2%, from the six months ended September 30, 2013 to ¥92 billion in the six months ended September 30, 2014. The credit for loan losses was due primarily to a continued decrease in allowance for loan losses on impaired loans as a result of improved obligor classifications mainly through our credit management activities, reflecting the continuing gradual recovery of the Japanese economy.

Noninterest income increased by ¥429 billion, or 114.7%, from the six months ended September 30, 2013 to ¥803 billion in the six months ended September 30, 2014. The increase was due to trading account gains net of ¥288 billion in the six months ended September 30, 2014, compared to trading account losses net of ¥188 billion in the corresponding period in the previous fiscal year, and an increase of ¥7 billion in investment gains net, offset in part by foreign exchange losses net of ¥6 billion in the six months ended September 30, 2014, compared to foreign exchange gains net of ¥17 billion in the corresponding period in the previous fiscal year, and a decrease of ¥5 billion in fees and commissions. The change in trading account gains (losses) was due mainly to an increase in gains related to changes in the fair value of foreign currency denominated available-for-sale securities for which the fair value option was elected, reflecting a decline in long-term interest rates, and an increase in gains related to change in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risk, that are not eligible for hedge accounting under U.S. GAAP.

Noninterest expenses increased by ¥29 billion, or 3.9%, from the six months ended September 30, 2013 to ¥774 billion in the six months ended September 30, 2014 due mainly to an increase in general and administrative expenses of ¥15 billion and an increase in occupancy expenses of ¥10 billion, offset in part by a credit for losses on off-balance sheet instruments of ¥8 billion in the six months ended September 30, 2014 compared to a provision for losses on off-balance-sheet instruments of ¥14 billion in the corresponding period in the previous fiscal year. The increase in general and administrative expenses was due mainly to increases in the effect of the translation impact on overseas expenses as a result of the depreciation of the Japanese yen against other major currencies, domestic consumption tax as a result of the rise in consumption tax rate, and IT-related costs. The increase in occupancy expenses was due mainly to increases in rent expenses and depreciation expenses of tangible fixed assets. The change in provision (credit) for losses on off-balance-sheet instruments was due mainly to a decrease in allowance for losses on reimbursement of debentures and guarantees.

As a result of the foregoing, income before income tax expense increased by ¥381 billion, or 154.3%, from the six months ended September 30, 2013 to ¥628 billion in the six months ended September 30, 2014. Income tax expense increased by ¥167 billion, or 315.1%, from the six months ended September 30, 2013 to ¥220 billion in the six months ended September 30, 2014. The increase in income tax expense was due to deferred tax expense of ¥102 billion in the six months ended September 30, 2014, compared to a deferred tax benefit of ¥14 billion in the corresponding period in the previous fiscal year and an increase in current tax expense of ¥51 billion. Net income increased by ¥214 billion, or 110.3%, from the six months ended September 30, 2013 to ¥408 billion in the six months ended September 30, 2014. Net income attributable to noncontrolling interests increased by ¥1 billion, or 33.3%, from the six months ended September 30, 2013 to ¥4 billion in the six months ended September 30, 2014.

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥213 billion, or 111.5%, from the corresponding period in the previous fiscal year to ¥404 billion in the six months ended September 30, 2014.

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Net Interest Income

The following table shows the average balance of interest-earning assets and interest-bearing liabilities, interest amounts and the annualized average interest rates on such assets and liabilities for the six months ended September 30, 2013 and 2014:

	Six months ended September 30,								
	2013			2014			Increase (decrease)		
	Average balance	Interest amount	Interest rate	Average balance	Interest amount	Interest rate	Average balance	Interest amount	Interest rate
	(in billions of yen, except percentages)								
Interest-bearing deposits in other banks	¥ 13,415	¥ 14	0.20%	¥ 19,945	¥ 23	0.23%	¥ 6,530	¥ 9	0.03%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	15,730	25	0.31	15,168	19	0.25	(562)	(6)	(0.06)
Trading account assets	18,686	91	0.98	18,939	77	0.81	253	(14)	(0.17)
Investments	37,245	98	0.53	35,210	102	0.58	(2,035)	4	0.05
Loans	70,261	497	1.41	73,724	485	1.31	3,463	(12)	(0.10)
Total interest-earning assets	155,337	725	0.93	162,986	706	0.86	7,649	(19)	(0.07)
Deposits	87,736	66	0.15	92,755	71	0.15	5,019	5	0.00
Short-term borrowings(1)	39,912	32	0.16	39,428	25	0.13	(484)	(7)	(0.03)
Trading account liabilities	3,975	15	0.76	4,572	16	0.70	597	1	(0.06)
Long-term debt	9,688	90	1.86	11,155	87	1.57	1,467	(3)	(0.29)
Total interest-bearing liabilities	141,311	203	0.29	147,910	199	0.27	6,599	(4)	(0.02)
Net	¥ 14,026	¥ 522	0.64	¥ 15,076	¥ 507	0.59	¥ 1,050	¥ (15)	(0.05)

Note:

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

Interest and dividend income decreased by ¥19 billion, or 2.6%, from the six months ended September 30, 2013 to ¥706 billion in the six months ended September 30, 2014 due mainly to decreases in interest income from trading account assets and loans, offset in part by an increase in interest income from interest-bearing deposits in other banks.

The decrease in interest income from trading account assets was due mainly to a decline in the average yields of foreign trading account assets, reflecting a decline in short-term interest rate levels of the Japanese yen and other major currencies. The decrease in interest income from loans was due mainly to a decline in the average yields of loans, offset in part by an increase in the average balance of foreign loans. The increase in interest income from interest-bearing deposits in other banks was due to an increase in the average balance and a rise in the average yields. The changes in the average yields on interest-earning assets contributed to an overall decrease in interest and dividend income of ¥75 billion, and the changes in average balances of interest-earning assets contributed to an overall increase in interest and dividend income of ¥56 billion, resulting in the ¥19 billion decrease in interest and dividend income.

Interest expense decreased by ¥4 billion, or 2.0%, from the six months ended September 30, 2013 to ¥199 billion in the six months ended September 30, 2014 due mainly to decreases in interest expense on short-term borrowings and long-term debt, offset in part by an increase in interest expense on deposits. The decrease in interest expense on short-term borrowings was due mainly to a decline in the average interest rate, reflecting a decline in short-term interest rate levels of the Japanese yen and other major currencies. The decrease in interest expense on long-term debt was due mainly to a decline in the average interest rate of domestic long-term debt, offset in part by an increase in the average balance of domestic long-term debt. The increase in interest expense on deposits was due mainly to an increase in the average balance of foreign deposits. The changes in average interest rates on interest-bearing liabilities contributed to an overall decrease in interest expense of ¥50 billion, and the changes in average balances of interest-bearing liabilities contributed to an overall increase in interest expense of ¥46 billion, resulting in the ¥4 billion decrease in interest expense.

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As a result of the foregoing, net interest income decreased by ¥15 billion, or 2.9%, from the six months ended September 30, 2013 to ¥507 billion in the six months ended September 30, 2014. Average interest rate spread declined by 0.05% from the six months ended September 30, 2013 to 0.59% in the six months ended September 30, 2014. The decline of the average interest rate spread was due mainly to declines in average yields on trading account assets, loans and call loans and funds sold, and receivables under resale agreements and securities borrowing transaction, which more than offset the effect of decline in average interest rates on long-term debt.

Provision (Credit) for Loan Losses

Credit for loan losses decreased by ¥4 billion, or 4.2%, from the six months ended September 30, 2013 to ¥92 billion in the six months ended September 30, 2014. The credit for loan losses was due primarily to a continued decrease in allowance for loan losses on impaired loans as a result of improved obligor classifications mainly through our credit management activities, including business revitalization support for borrowers, reflecting the continuing gradual recovery of the Japanese economy as described in Recent Developments Operating Environment.

Noninterest Income

The following table shows a breakdown of noninterest income for the six months ended September 30, 2013 and 2014:

	Six months ended September 30, 2013	2014	Increase (decrease)
	(in billions of yen)		
Fees and commissions:			
Fees and commissions from securities-related business	¥ 90	¥ 80	¥ (10)
Fees and commissions from deposits and lending business	58	57	(1)
Fees and commissions from remittance business	54	55	1
Trust fees	24	24	
Fees for other customer services	111	116	5
Total fees and commissions income	337	332	(5)
Foreign exchange gains (losses) net	17	(6)	(23)
Trading account gains (losses) net	(188)	288	476
Investment gains (losses) net	94	101	7
Investment gains (losses) related to bonds	29	48	19
Investment gains (losses) related to equity securities	64	46	(18)
Others	1	7	6
Equity in earnings (losses) of equity method investees net	21	18	(3)
Gains on disposal of premises and equipment	7	2	(5)
Other noninterest income	86	68	(18)
Total noninterest income	¥ 374	¥ 803	¥ 429

Noninterest income increased by ¥429 billion, or 114.7%, from the six months ended September 30, 2013 to ¥803 billion in the six months ended September 30, 2014. The increase was due to trading account gains net of ¥288 billion in the six months ended September 30, 2014, compared to trading account losses net of ¥188 billion in the corresponding period in the previous fiscal year, and an increase of ¥7 billion in investment gains net, offset in part by foreign exchange losses net of ¥6 billion in the six months ended September 30, 2014, compared to foreign exchange gains net of ¥17 billion in the corresponding period in the previous fiscal year, and a decrease of ¥5 billion in fees and commissions.

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Trading Account Gains (Losses) Net

Trading account gains (losses) net was a gain of ¥288 billion in the six months ended September 30, 2014 compared to a loss of ¥188 billion in the corresponding period in the previous fiscal year. The change was due mainly to an increase in gains related to changes in the fair value of foreign currency denominated available-for-sale securities for which the fair value option was elected, reflecting a decline in long-term interest rates, and an increase in gains related to change in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risk, that are not eligible for hedge accounting under U.S. GAAP. For further information on the fair value option, see note 17 to our consolidated financial statements included elsewhere in this report.

Investment Gains (Losses) Net

Investment gains net increased by ¥7 billion, or 7.4%, from the six months ended September 30, 2013 to ¥101 billion in the six months ended September 30, 2014. The increase was due mainly to an increase in investment gains related to bonds of ¥19 billion, or 65.5%, from the six months ended September 30, 2013 to ¥48 billion in the six months ended September 30, 2014, offset in part by a decrease in investment gains related to equity securities of ¥18 billion, or 28.1%, from the six months ended September 30, 2013 to ¥46 billion in the six months ended September 30, 2014. The increase in investment gains related to bonds was due mainly to a decrease in losses on sales of bonds for the six months ended September 30, 2014, which reflected a decline in long-term interest rates during the six months ended September 30, 2014 compared to a rise in the corresponding period in the previous fiscal year. The decrease in investment gains related to equity securities was due mainly to less preferable stock market conditions during the six months ended September 30, 2014 than in the corresponding period in the previous fiscal year.

Foreign Exchange Gains (Losses) Net

Foreign exchange gains (losses) net was a loss of ¥6 billion in the six months ended September 30, 2014 compared to a gain of ¥17 billion in the corresponding period in the previous fiscal year. The change was due mainly to fluctuations in foreign exchange rates in the six months ended September 30, 2014.

Fees and Commissions

Fees and commissions decreased by ¥5 billion, or 1.5%, from the six months ended September 30, 2013 to ¥332 billion in the six months ended September 30, 2014. The decrease was due mainly to a decrease in fees and commissions from securities-related business of ¥10 billion, or 11.1%, from the six months ended September 30, 2013 to ¥80 billion in the six months ended September 30, 2014. The decrease in fees and commissions from securities-related business was due mainly to less preferable stock market conditions during the six months ended September 30, 2014 than in the corresponding period in the previous fiscal year.

Noninterest Expenses

The following table shows a breakdown of noninterest expenses for the six months ended September 30, 2013 and 2014:

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (decrease)
		(in billions of yen)	

Salaries and employee benefits	¥292	¥ 293	¥ 1
General and administrative expenses	235	250	15
Occupancy expenses	83	93	10
Fees and commission expenses	65	70	5
Provision (credit) for losses on off-balance-sheet instruments	14	(8)	(22)
Other noninterest expenses	56	76	20
Total noninterest expenses	¥745	¥ 774	¥ 29

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Noninterest expenses increased by ¥29 billion, or 3.9%, from the six months ended September 30, 2013 to ¥774 billion in the six months ended September 30, 2014. This increase was due mainly to an increase in general and administrative expenses of ¥15 billion and an increase in occupancy expenses of ¥10 billion, offset in part by a credit for losses on off-balance sheet instruments of ¥8 billion in the six months ended September 30, 2014 compared to a provision for losses on off-balance-sheet instruments of ¥14 billion in the corresponding period in the previous fiscal year.

General and Administrative Expenses

General and administrative expenses increased by ¥15 billion, or 6.4%, from the six months ended September 30, 2013 to ¥250 billion in the six months ended September 30, 2014. The increase was due mainly to increases in the effect of the translation impact on overseas expenses as a result of the depreciation of the Japanese yen against other major currencies, domestic consumption tax as a result of the rise in consumption tax rate, and IT-related costs.

Occupancy Expenses

Occupancy expenses increased by ¥10 billion, or 12.0%, from the six months ended September 30, 2013 to ¥93 billion in the six months ended September 30, 2014 due mainly to increases in rent expenses and depreciation expenses of tangible fixed assets.

Provision (Credit) for losses on Off-Balance-Sheet Instruments

Provision (credit) for losses on off-balance-sheet instruments was a credit of ¥8 billion in the six months ended September 30, 2014 compared to a provision of ¥14 billion in the corresponding period in the previous fiscal year. The change was due mainly to a decrease in allowance for losses on reimbursement of debentures and guarantees.

Income Tax Expense

Income tax expense increased by ¥167 billion, or 315.1%, from the six months ended September 30, 2013 to ¥220 billion in the six months ended September 30, 2014. The increase was due to deferred tax expense of ¥102 billion in the six months ended September 30, 2014, compared to deferred tax benefit of ¥14 billion in the corresponding period in the previous fiscal year and an increase in current tax expense of ¥51 billion. The change in deferred tax expense (benefit) was due mainly to a decrease in deferred tax assets, net of allowance, due primarily to a decrease in the temporary differences of our principal banking subsidiaries. The increase in current tax expense was due mainly to an increase in the taxable income of a principal banking subsidiary.

	Six months ended September 30, 2013	2014	Increase (decrease)
	(in billions of yen)		
Income before income tax expense	¥ 247	¥ 628	¥ 381
Income tax expense	53	220	167
Current tax expense	67	118	51
Deferred tax expense (benefit)	(14)	102	116
Net income	194	408	214
Less: Net income attributable to noncontrolling interests	3	4	1

Net income attributable to MHFG shareholders	¥ 191	¥ 404	¥ 213

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased by ¥1 billion, or 33.3%, from the six months ended September 30, 2013 to ¥4 billion in the six months ended September 30, 2014.

Net Income Attributable to MHFG Shareholders

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥213 billion, or 111.5%, from the corresponding period in the previous fiscal year to ¥404 billion in the six months ended September 30, 2014.

Business Segments Analysis

Our operating segments are based on the nature of the products and services provided, the type of customer and our management organization. The business segment information set forth below is derived from the internal management reporting systems used by management to measure the performance of our business segments. We measure the performance of each of our operating segments primarily in terms of net business profits in accordance with internal managerial accounting rules and practices. Net business profits is used in Japan as a measure of the profitability of core banking operations and is defined as gross profits (or the sum of net interest income, fiduciary income, net fees and commissions income, net trading income and net other operating income) less general and administrative expenses. Measurement by net business profits is required for regulatory reporting to the Financial Services Agency. Therefore, the format and information are presented primarily on the basis of Japanese GAAP and are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation of total net business profits with income before income tax expense under U.S. GAAP is provided in note 19 to our consolidated financial statements included elsewhere in this report.

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

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

Mizuho Bank

Personal Banking

This segment provides financial products and services such as housing loans, deposits, investment trusts and individual insurance to individual customers through Mizuho Bank s nationwide branches and ATM network as well as telephone and the internet banking services. In addition, this segment handles trust products as an agent of Mizuho Trust & Banking.

Retail Banking

This segment provides financial products and services, such as comprehensive consulting services of business succession and asset inheritance and asset management for business owners and high-net-worth customers. This segment also provides overall banking services for SMEs.

Corporate Banking (Large Corporations)

This segment provides a full range of financial solutions on a global basis to Japanese large corporations and their affiliates by integrating our specialty functions, including banking, trust and securities, based on solid relationships with our domestic customers and by utilizing our global industry knowledge.

Corporate Banking

This segment provides, to larger SMEs, financial products and services including a range of solution businesses in accordance with the growth strategy of our corporate customers. This segment provides solutions to customers financial needs such as stable fund-raising, mergers and acquisitions, management buy-out, business succession, entry to new business and business restructuring for customers in mature or transition stages.

Financial Institutions & Public Sector Business

This segment provides advisory services and solutions such as advice on financial strategy and risk management to financial institutions and provides comprehensive financial products and services that include funding support via the subscription and underwriting of bonds, etc., to public sector entities.

International Banking

This segment provides unified support both in Japan and overseas for our Japanese corporate customers to expand their overseas operations, and also promotes business with non-Japanese corporate customers in various countries through our global network. Further, this segment offers products such as project finance and trade finance for overseas customers.

Trading and others

This segment provides derivatives and other risk hedging products to satisfy Mizuho Bank s customers financial and business risk control requirements. It is also engaged in Mizuho Bank s proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by the head office functions of Mizuho Bank.

Mizuho Trust & Banking

Mizuho Trust & Banking provides products and services related to trust, real estate, securitization and structured finance, pension and asset management and stock transfers.

Mizuho Securities

Mizuho Securities provides full-line securities services to corporations, financial institutions, public sector entities and individuals.

Others

This segment consists of Mizuho Financial Group, our subsidiaries other than Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities, and our equity-method affiliates. They provide a wide range of customers with various products and services such as those related to trust and custody, asset management and private banking through companies such as Trust & Custody Services Bank, Ltd., Mizuho Asset Management Co., Ltd., DIAM Co., Ltd. (an equity-method affiliate) and Mizuho Private Wealth Management Co., Ltd. This segment also provides non-banking services, including research and consulting services through Mizuho

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Research Institute Ltd., information technology-related services through Mizuho Information & Research Institute, Inc., and advisory services to financial institutions through Mizuho Financial Strategy Co., Ltd.

The information below for reportable segments is derived from our internal management reporting systems.

Results of Operations by Business Segment

Consolidated Results of Operations

Consolidated gross profits for the six months ended September 30, 2014 were ¥1,067.1 billion, an increase of ¥24.1 billion compared to the six months ended September 30, 2013. Consolidated general and administrative expenses for the six months ended September 30, 2014 were ¥632.8 billion, an increase of ¥33.1 billion compared to the six months ended September 30, 2013. Consolidated net business profits for the six months ended September 30, 2014 were ¥412.9 billion, a decrease of ¥5.7 billion compared to the six months ended September 30, 2013.

	Mizuho Bank (Consolidated)										Mizuho Trust & Banking (Consolidated)	Mizuho Securities (Consolidated)	Others	Mizu Finan Gro (Consol
		Mizuho Bank (Non-consolidated)								Others				
	Total	Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	International Banking (f)	Trading and others (g)	(h)	(i)	(j)	(k)	Tot
	(in billions of yen)													
onths d mber 30, 1)(2)(3):														
profits:														
terest ne	¥401.7	¥347.4	¥55.2	¥20.4	¥ 80.9	¥25.7	¥12.4	¥ 64.6	¥88.2	¥ 54.3	¥19.0	¥ 1.3	¥132.0	¥ 5
oninterest ne nse)	192.2	191.2	8.5	12.5	70.6	20.4	8.9	76.5	(6.2)	1.0	53.8	148.1	94.9	4
	593.9	538.6	63.7	32.9	151.5	46.1	21.3	141.1	82.0	55.3	72.8	149.4	226.9	1,0
ral and nistrative ses	275.8	254.7	56.6	29.4	40.5	19.8	10.5	42.9	55.0	21.1	45.6	120.1	158.2	5
s	(22.2)									(22.2)	(1.5)		(1.0)	(
	¥295.9	¥283.9	¥ 7.1	¥ 3.5	¥111.0	¥26.3	¥10.8	¥ 98.2	¥27.0	¥ 12.0	¥25.7	¥ 29.3	¥ 67.7	¥ 4

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	Mizuho Bank (Consolidated)	Mizuho Bank (Non-consolidated)							Others	Mizuho Trust & Banking (Consolidated)	Mizuho Securities (Consolidated)	Others	Miz Fina Gro (Consol
			Personal Banking	Retail Banking	Corporate Banking (Large Corporations)	Corporate Banking	Financial Institutions & Public Sector Business	International Banking	Trading and others				
	Total	Total	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	To
	(in billions of yen)													
onths mber 30,):														
profits:														
terest e nse)	¥522.3	¥450.8	¥108.8	¥39.4	¥ 87.2	¥49.8	¥16.2	¥ 71.6	¥ 77.8	¥ 71.5	¥19.0	¥ 0.4	¥ (0.3)	¥ 5
oninterest e	292.2	279.7	20.3	24.7	57.1	33.3	12.8	68.3	63.2	12.5	55.7	147.4	30.4	5
	814.5	730.5	129.1	64.1	144.3	83.1	29.0	139.9	141.0	84.0	74.7	147.8	30.1	1,0
al and istrative ses	437.0	407.1	115.0	59.5	47.0	38.3	14.8	46.8	85.7	29.9	46.0	125.9	23.9	6
s	(17.3)									(17.3)	(1.8)		(2.3)	(
usiness .	¥360.2	¥323.4	¥ 14.1	¥ 4.6	¥ 97.3	¥44.8	¥14.2	¥ 93.1	¥ 55.3	¥ 36.8	¥26.9	¥ 21.9	¥ 3.9	¥ 4

Notes:

(1) Others (h) and Others (k) include elimination of transactions between consolidated subsidiaries.
(2) Beginning on April 1, 2014, new allocation methods have been applied to the calculation of Gross profits and General and administrative expenses for reportable segments of Mizuho Bank. Figures for the six months ended September 30, 2013 have been reclassified under the new allocation methods.
(3) As for the six months ended September 30, 2013, Mizuho Bank (Non-consolidated) represents the sum of the performance of the former Mizuho Corporate Bank for the first quarter and the new Mizuho Bank for the second quarter, while Others (h) includes the performance of the former Mizuho Bank for the first quarter, in light of the merger of the former Mizuho Bank and the former Mizuho Corporate Bank conducted in July 2013.

Mizuho Bank

On July 1, 2013, the merger between the former Mizuho Bank and the former Mizuho Corporate Bank came into effect with the former Mizuho Corporate Bank as the surviving entity, which was renamed Mizuho Bank

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upon the merger. The following table and comparison are based on the simple aggregation of the results of the former Mizuho Bank and the former Mizuho Corporate Bank with respect to the period prior to the merger.

	The former Mizuho Bank and the former Mizuho Corporate Bank							
	Total	Personal Banking (a)	Retail Banking (b)	Corporate Banking (Large Corporations) (c)	Corporate Banking (d)	Financial Institutions & Public Sector Business (e)	International Banking (f)	Trading and others (g)
	(in billions of yen)							
Six months ended September 30, 2013:								
Gross profits:								
Net interest income	¥ 471.1	¥ 108.6	¥ 40.7	¥ 83.5	¥ 50.9	¥ 17.2	¥ 64.6	¥ 105.6
Net noninterest income	253.3	16.7	24.3	75.6	34.7	11.3	76.5	14.2
Total	724.4	125.3	65.0	159.1	85.6	28.5	141.1	119.8
General and administrative expenses	386.8	111.7	58.3	43.9	38.7	14.4	42.9	76.9
Others								
Net business profits	¥ 337.6	¥ 13.6	¥ 6.7	¥ 115.2	¥ 46.9	¥ 14.1	¥ 98.2	¥ 42.9

Notes:

(1) The former Mizuho Bank and the former Mizuho Corporate Bank merged on July 1, 2013. Figures for the six months ended September 30, 2013 represent the simple aggregation of the performance of the former Mizuho Bank and the former Mizuho Corporate Bank for the first quarter and the new Mizuho Bank for the second quarter.

(2) Beginning on April 1, 2014, new allocation methods have been applied to the calculation of Gross profits and General and administrative expenses for reportable segments of Mizuho Bank. Figures for the six months ended September 30, 2013 have been reclassified under the new allocation methods.

Gross profits for the six months ended September 30, 2014 were ¥730.5 billion, an increase of ¥6.1 billion, or 0.8%, compared to the six months ended September 30, 2013. The increase was attributable mainly to an increase in income from trading and others as a result of bond trading activities that appropriately captured the declining interest rate trends in Japan and overseas, and an increase in income from personal banking as a result of increased sales of investment trusts. This increase was offset in part by a decrease in gross profits related to our customer groups attributable to decreases in noninterest income in corporate banking (large corporations) and international banking due mainly to the absence of some transactions in which a large amount of noninterest income was generated in the previous period.

General and administrative expenses for the six months ended September 30, 2014 increased by ¥20.3 billion, or 5.2%, compared to the six months ended September 30, 2013 to ¥407.1 billion due mainly to expenses related to our strategies for strengthening gross profits and the effects of the increase in Japanese consumption tax, offset in part by our group-wide cost reduction efforts, including our cost restructuring measures.

As a result mainly of the foregoing, net business profits for the six months ended September 30, 2014 decreased by ¥14.2 billion, or 4.2%, compared to the six months ended September 30, 2013 to ¥323.4 billion.

Mizuho Trust & Banking

Gross profits for Mizuho Trust & Banking for the six months ended September 30, 2014 were ¥74.7 billion, an increase of ¥1.9 billion, or 2.6%, compared to the six months ended September 30, 2013. The increase was attributable mainly to an increase in noninterest income related to pension, asset custody and stock transfer agency businesses.

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General and administrative expenses for Mizuho Trust & Banking for the six months ended September 30, 2014 increased by ¥0.4 billion, or 0.9%, compared to the six months ended September 30, 2013 to ¥46.0 billion.

As a result mainly of the foregoing, net business profits for Mizuho Trust & Banking for the six months ended September 30, 2014 increased by ¥1.2 billion, or 4.7%, compared to the six months ended September 30, 2013 to ¥26.9 billion.

Mizuho Securities

Gross profits for Mizuho Securities for the six months ended September 30, 2014 were ¥147.8 billion, a decrease of ¥1.6 billion, or 1.1%, compared to the six months ended September 30, 2013. The decrease was attributable mainly to a decrease in commissions and fees including equity brokerage commissions due mainly to a drop off from the strong results in the first quarter of the previous fiscal year when the domestic stock market performed particularly well.

General and administrative expenses for Mizuho Securities for the six months ended September 30, 2014 increased by ¥5.8 billion, or 4.8%, compared to the six months ended September 30, 2013 to ¥125.9 billion. The increase was due mainly to the impact of the depreciation of the yen primarily against the U.S. dollar.

As a result mainly of the foregoing, net business profits for Mizuho Securities for the six months ended September 30, 2014 decreased by ¥7.4 billion, or 25.3%, compared to the six months ended September 30, 2013 to ¥21.9 billion.

Financial Condition

Assets

Our assets as of March 31, 2014 and September 30, 2014 were as follows:

	As of March 31, 2014	As of September 30, 2014	Increase (decrease)
	(in billions of yen)		
Cash and due from banks	¥ 1,697	¥ 1,464	¥ (233)
Interest-bearing deposits in other banks	19,037	21,985	2,948
Call loans and funds sold	468	467	(1)
Receivables under resale agreements	8,349	9,522	1,173
Receivables under securities borrowing transactions	5,011	5,053	42
Trading account assets	27,408	31,593	4,185
Investments	35,482	37,069	1,587
Loans	73,485	74,173	688
Allowance for loan losses	(626)	(528)	98
Loans, net of allowance	72,859	73,645	786
Premises and equipment net	1,357	1,368	11
Due from customers on acceptances	92	99	7
Accrued income	264	251	(13)
Goodwill	12	12	

Intangible assets	59	54	(5)
Deferred tax assets	405	163	(242)
Other assets	3,199	4,223	1,024
Total assets	¥ 175,699	¥ 186,968	¥ 11,269

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Total assets increased by ¥11,269 billion from ¥175,699 billion as of March 31, 2014 to ¥186,968 billion as of September 30, 2014. This increase was due mainly to an increase of ¥4,185 billion in trading account assets, primarily derivative contracts and Japanese government bonds, an increase of ¥2,948 billion in interest-bearing deposits in other banks, primarily those in the Bank of Japan, an increase of ¥1,587 billion in investments, primarily Agency mortgage-backed securities and Japanese government bonds, and an increase of ¥1,173 billion in receivables under resale agreements.

Loans

Loans Outstanding

The following table shows our loans outstanding as of March 31, 2014 and September 30, 2014:

	As of March 31, 2014		As of September 30, 2014		Increase (decrease)	
	(in billions of yen, except percentages)					
Domestic:						
Manufacturing	¥ 8,026	10.9%	¥ 8,225	11.1%	¥ 199	0.2%
Construction and real estate	7,205	9.8	7,132	9.6	(73)	(0.2)
Services	3,957	5.4	4,121	5.5	164	0.1
Wholesale and retail	5,351	7.3	5,496	7.4	145	0.1
Transportation and communications	3,247	4.4	3,216	4.3	(31)	(0.1)
Banks and other financial institutions	3,460	4.7	3,691	5.0	231	0.3
Government and public institutions	6,734	9.1	5,496	7.4	(1,238)	(1.7)
Other industries[(1)]	4,983	6.8	4,925	6.6	(58)	(0.2)
Individuals	11,975	16.2	11,870	16.0	(105)	(0.2)
Mortgage loans	11,187	15.2	11,073	14.9	(114)	(0.3)
Other	788	1.0	797	1.1	9	0.1
Total domestic	54,938	74.6	54,172	72.9	(766)	(1.7)
Foreign:						
Commercial and industrial	12,938	17.6	13,623	18.3	685	0.7
Banks and other financial institutions	4,610	6.3	5,179	7.0	569	0.7
Government and public institutions	883	1.2	942	1.3	59	0.1
Other[(1)]	255	0.3	401	0.5	146	0.2
Total foreign	18,686	25.4	20,145	27.1	1,459	1.7
Subtotal	73,624	100.0%	74,317	100.0%	693	
Less: Unearned income and deferred loan fees net	(139)		(144)		(5)	
Total loans before allowance for loan losses	¥ 73,485		¥ 74,173		¥ 688	

Note:

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

Total loans before allowance for loan losses increased by ¥688 billion from the end of the previous fiscal year to ¥74,173 billion as of September 30, 2014. Loans to domestic borrowers decreased by ¥766 billion to ¥54,172 billion due primarily to a decrease in loans to government and public institutions.

Loans to foreign borrowers increased by ¥1,459 billion from the end of the previous fiscal year to ¥20,145 billion as of September 30, 2014. The increase in loans to foreign borrowers was due primarily to increases in commercial and industrial and banks and other financial institutions, mainly in Americas and Asia, and the translation impact of the depreciation of the yen against other major currencies.

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Within our loan portfolio, loans to domestic borrowers decreased from 74.6% to 72.9% while loans to foreign borrowers increased from 25.4% to 27.1%.

Balance of Impaired Loans

The following table shows our impaired loans as of March 31, 2014 and September 30, 2014 based on classifications by domicile and industry segment:

	As of					
	March 31, 2014		September 30, 2014		Increase (decrease)	
	Impaired loans	Ratio to gross total loans to industry	Impaired loans	Ratio to gross total loans to industry	Impaired loans	Ratio to gross total loans to industry
	(in billions of yen, except percentages)					
Domestic:						
Manufacturing	¥ 229	2.9%	¥ 161	2.0%	¥ (68)	(0.9)%
Construction and real estate	138	1.9	119	1.7	(19)	(0.2)
Services	79	2.0	82	2.0	3	0.0
Wholesale and retail	156	2.9	145	2.6	(11)	(0.3)
Transportation and communications	48	1.5	52	1.6	4	0.1
Banks and other financial institutions	11	0.3	6	0.2	(5)	(0.1)
Other industries	1	0.0	1	0.0		0.0
Individuals	195	1.6	182	1.5	(13)	(0.1)
Total domestic	857	1.6	748	1.4	(109)	(0.2)
Foreign	288	1.5	229	1.1	(59)	(0.4)
Total impaired loans	¥ 1,145	1.6	¥ 977	1.3	¥ (168)	(0.3)