Risk Management

Basic Approach

Mizuho recognizes the conducting of operations tailored to various types of risk and managing such risks as a key issue relating to overall management. In order to implement our business strategy while maintaining our financial stability, we maintain comprehensive risk management and control measures.

MHFG maintains basic policies for risk management that are applicable to the entire Group. In line with these basic policies, we endeavor to strengthen and enhance the sophistication of our risk management system.

Risk Management Structure

Each of our subsidiaries adopts appropriate risk management measures, while MHFG controls risk management for the Group as a whole. At MHFG, the Risk Management Committee chaired...
by the Group CRO provides integrated monitoring and management of the overall risk for the Group. The Group CRO reports the risk management situation to the Board of Directors, etc. MHFG receives reports and applications concerning the risk management situation from our core group companies and gives them appropriate instructions concerning risk management.

Our core group companies each maintains its systems for managing various types of risk, receiving reports on the status of risk at their respective subsidiaries, and gives them appropriate instructions concerning risk management.

**General Concept of Risk Management**

**Basic Approach**

We classify our risk exposures according to the various kinds of risk, including credit risk, market risk, liquidity risk and operational risk, and manage them.

In addition to managing each type of risk individually, we have established a risk management structure to identify and evaluate overall risk and, to keep risk within limits that are managerially acceptable.

<table>
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<tr>
<th>Risk Category</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Credit risk</td>
<td>The Group’s exposure to the risk of losses that may be incurred due to a decline in, or total loss of, the value of assets (including off-balance-sheet instruments), as a result of deterioration in obligors’ financial position.</td>
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<tr>
<td>Market risk</td>
<td>The risk of losses incurred by the Group due to fluctuations in interest rates, stock prices and foreign exchange rates. Our definition includes the risk of losses incurred when it becomes impossible to execute transactions in the market because of market confusion or losses arising from transactions at prices that are significantly less favorable than usual.</td>
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<tr>
<td>Liquidity risk</td>
<td>The risk of losses arising from funding difficulties due to a deterioration in our financial position that makes it difficult for us to raise necessary funds or that forces us to raise funds at significantly higher interest rates than usual.</td>
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<tr>
<td>Operational risk</td>
<td>The risk of losses that the Group may incur resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk consists of several components such as information technology risk, operations risk, etc. Refer to page 115 of Risk Management Structure in the Appendix for specific components of operational risk.</td>
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**Risk Capital Allocation**

We endeavor to obtain a clear grasp of the Group’s overall risk exposure and have implemented measures to keep such risks within the Group’s financial base in accordance with the risk capital allocation framework.

More specifically, we allocate risk capital to our core group companies, to control risk within the limits set for each company. We also control risk within managerially acceptable limits by working to ensure that the overall risk on a consolidated basis does not exceed financial strength. To ensure the ongoing financial health of the Group, we regularly monitor the manner in which risk capital is being used in order to obtain a proper grasp of the risk profile within this framework. Reports are also submitted to the Board of Directors and other committees of each company. Risk capital is allocated to MHBK, MHTB, MHSC and Mizuho Americas by risk category, and is further allocated within their respective business units.