

Management Framework of Mizuho

Group Management Framework

The financial holding company MHFG is working to strengthen the group's comprehensive financial services capabilities by directly managing the core group companies* and maximizing the benefits of customer segmentation based on legally separate subsidiaries, thereby realizing synergies within the group and enhancing the specialization of individual group companies.

Group companies meanwhile carry out their businesses in their respective sectors in line with the basic policies set by MHFG.

MHFG's Corporate Governance Structure

MHFG devotes its efforts to make its corporate management more transparent and efficient and carry out its business activities with integrity and fairness in conformity with social standards. To this end, MHFG positions compliance as one of the fundamental principles of sound business management and complies strictly with all laws, ordinances, rules and regulations.

● Board of Directors and Corporate Auditors

MHFG's Board of Directors sets management policies, determines important matters for MHFG and its group companies, and supervises the manner in which Directors and Executive Officers fulfill their duties. Outside Directors participate in board meetings from a position that is independent of the actual execution of duties to strengthen the management and monitoring functions of the Board of Directors.

To ensure transparency and objectivity in personnel matters relating to the Board of Directors and Directors'

remuneration, we have established two advisory bodies: the Nominating Committee and the Compensation Committee, both of which include outside Directors.

MHFG has adopted a corporate auditor system whereby Corporate Auditors monitor whether operational execution by Directors is legal by attending board meetings and expressing their views.

● Execution of Duties

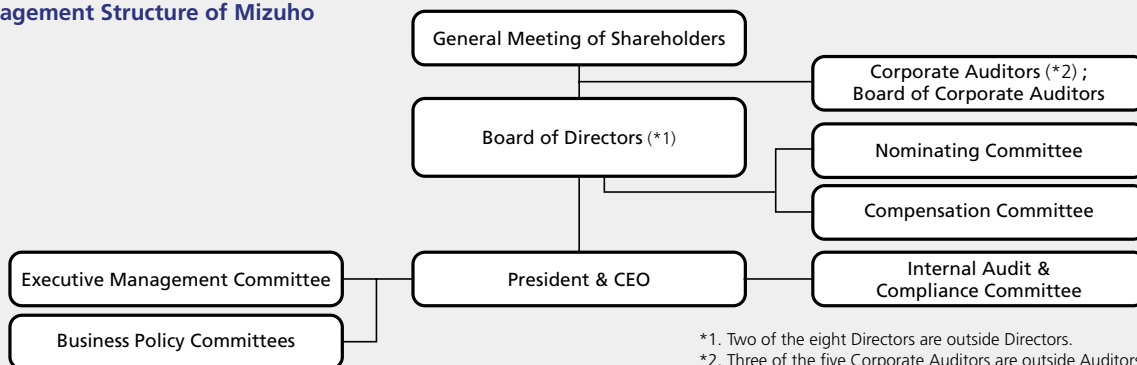
In respect of execution of duties, MHFG has adopted the Executive Officer System in order to separate the managerial auditing function from the execution of duties, and clarify lines of authority and responsibility. The President & CEO controls MHFG's overall business with ultimate responsibility for execution of duties. In addition to establishing the Executive Management Committee as an advisory body to the President & CEO, the group has set up Business Policy Committees to serve as forums for the discussion and coordination of company-wide issues of concern to the Executive Officers.

MHFG has also set up the Internal Audit & Compliance Committee to fulfill an internal audit function under the chairmanship of the President & CEO by checking whether operational execution is appropriate from the viewpoint of compliance and audit. Outside specialists (currently one lawyer and one accountant) participate in the Internal Audit & Compliance Committee as special members to reinforce its expertise and objectivity.

MHFG has also established an advisory board of outside experts who offer objective evaluations and advice from an independent standpoint, aiming for a more open style of management.

*Core group companies:
MHCB, MHBK, MHSC, MHTB, MHIS, TCSB, DKA, FIMCO, DIAM, UC Card,
Mizuho Research Institute, DKIS, FRIC, KSD, Mizuho Capital, Mizuho Advisory

Management Structure of Mizuho



*1. Two of the eight Directors are outside Directors.
*2. Three of the five Corporate Auditors are outside Auditors.

(As of June 25, 2004)

Profit Management System of Mizuho

Profit Management System Based on Legally Separate Subsidiaries in Accordance with Customer Segmentation and Business Functions

We have adopted the basic policy of reinforcing our financial strength by vigorously increasing profitability and cutting costs. Centered on MHFG, we conduct profit management for the group based primarily on the group's core companies.

More specifically, we have clarified the strategic positions of the core group companies within the group on the basis of our group business portfolio strategy and, having ensured their autonomy and independence while bringing them closer together through the unifying force of MHFG, we are seeking to maximize group corporate value.

Based on the core group companies, MHFG is making efforts to optimize our business portfolio, managing profits through the following:

- formulating plans for net business profits and net income, and carrying out performance management,
- allocating management resources such as personnel, investment and risk capital, and
- risk controls and profitability assessments based on allocation of risk capital.

Further, most of the core group companies establish their own profit plans for and manage the performance of their respective company's business group/units based on the management policy, overall profit plans and resource allocations drawn up by MHFG.

The above group companies have also introduced the allocation of risk capital among each company's business groups/units, which is one of the most important management frameworks of the group. Each group company engages in business activities within the limits of that risk capital and RAROC is then used as a performance index to evaluate the return on allocated risk capital.

Basically, the group companies have adopted a common profit management system and framework, but in actual operations, each takes a flexible and swift approach best suited for its individual business models.

Consolidated Profit Management

While each core group company works to enhance its own profitability, we manage their profits on a consolidated basis as a means of building an optimal business portfolio that is balanced for the entire group.

Specifically, in addition to the core group companies, we formulate profit plans and manage performance for the strategically important subsidiaries and include their profits with those of the core group companies.

Allocation of Risk Capital

In an environment where the financial sector faces progressive deregulation and globalization, and financial technology grows in sophistication, financial institutions must strengthen their profitability while managing various types of risk.

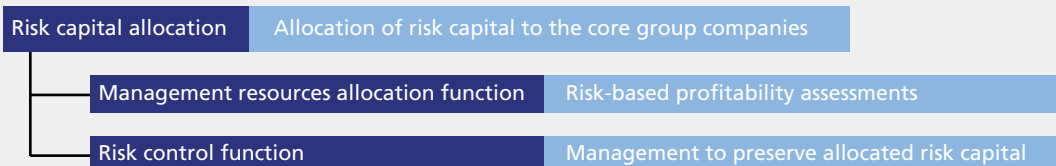
Based on MHFG's business portfolio strategy, we have built a management structure under which optimized business activities are conducted within the limits of allocations of risk capital drawn from equity capital and other sources.

Under this framework, RAROC is used as an index to evaluate performance in terms of return on allocated risk capital at the level of the holding company and the core group companies. Our aim as a group is to improve capital efficiency by allocating resources more efficiently based on the results of these evaluations.

Glossary

► RAROC (Risk-Adjusted Return on Capital)

RAROC is a measure of the profitability of allocated capital and is used as an index for assessing capital efficiency. RAROC is calculated by dividing risk-adjusted profits (profits adjusted to reflect statistically expected risk) by capital.



Human Resources System of Mizuho

Vision for Human Resources: ROE on Human Resources Investment

The group and its employees have set a shared vision for human resources as follows:

“We promote the “ROE” principle for human resources with a view to lasting value creation and create an attractive and fulfilling working environment for employees.”

In this vision, “ROE” stands for the following:

- Responsibility: Observe the principles of independent judgment and self-accountability.
- Opportunity: Provide equal opportunity.
- Employability: Develop expertise to enhance competitiveness.

Establishing a Corporate Culture Full of Vitality

We have established the following five values as the group's common code of conduct. These values, serving as the axis of our personnel evaluation system used by general managers, along with the 360-degree employee performance evaluation*, shall be instilled in all employees of the group.

- (1) Possessing a “customer-first” corporate objective.
- (2) Facing the challenges of innovation.
- (3) Being rational and fair in making decisions.
- (4) Placing importance on speed.
- (5) Being accountable for all actions.

*Personnel evaluation scheme whereby personal evaluations of managers involve subordinates and persons from other divisions with whom they have close working relationships.

Optimize Uniqueness of Group Companies and Synergies

Employees are employed by one of the group companies (MHFG, MHHD, MHCB, MHBK, MHSC, MHTB) with the aim of creating a group of specialists that can deliver maximum innovativeness and speed.

At the same time, facilitated by the group's common compensation system (group-wide common platform for human resources), we are able to maximize group synergy through cross-company personnel transfers to place the right person in the right job.

Promotion of the “Professional Career Path”

We have put in place multi-featured compensation systems that meet the needs of employees and the increasingly fluid labor market.

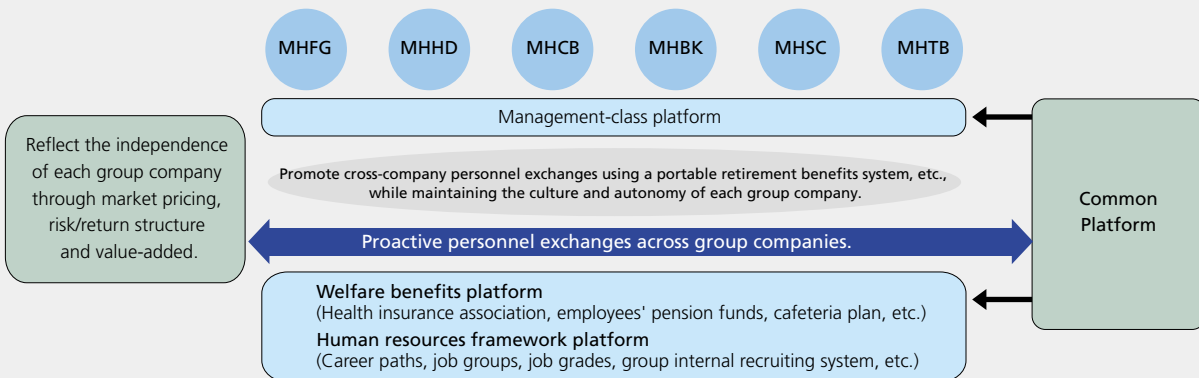
One example is the promotion of the “Professional Career Path,” with a salary system that is in line with market standards.

Rejuvenation of the Organization and Pursuit of Specialization

In January 2003, we launched an internal job application system for branch general manager positions to encourage the quick development and advancement of younger employees. As of May 31, 2004, we achieved a dynamic rejuvenation of the organization by selecting 39 applicants in their thirties and appointing them as branch general managers.

We also introduced a group-wide job application system to encourage employees to acquire greater specialization in which employees can apply for specific positions throughout the group. We intend to strengthen this scheme further by expanding the number of positions available.

Common Platform for Human Resources



Compliance Structure

Basic Compliance Policy

We are acutely conscious at all times of our social responsibilities and public mission as Japan's leading comprehensive financial services group. We, therefore, work to ensure that we observe all laws and regulations, and pursue corporate activities in a fair and honest manner that conform to the norms accepted by society.

Placing thoroughgoing compliance as one of the fundamental principles of sound business management, each group company pursues compliance and establishes its own compliance structure in line with the basic policies indicated by MHFG.

Compliance Structure

In order to check that all business activities are appropriate in terms of compliance and audits, MHFG, MHCB and MHBK have established their respective Internal Audit & Compliance Committees, which is headed by the CEO and includes Deputy Presidents, the Chief Compliance Officer (CCO) and external specialists in legal and accounting matters among its members. Moreover, the above companies have established individual Compliance Divisions under the CCOs. These divisions are responsible for compliance planning and implementation, and control compliance management throughout each company. The head of every organizational unit is responsible for guidance and implementation in connection with compliance, while the compliance officer/compliance administrator is deployed to check the status of compliance.

Other core group companies such as MHSC and MHTB have also established compliance structures that suit the characteristics of their respective business sectors.

MHFG monitors the status of compliance throughout the group from reports submitted by the core group companies, and adopts appropriate responses whenever necessary.

Compliance at subsidiaries of the core group companies is monitored and managed through the core group companies themselves.

MHHD cooperates with MHFG in managing compliance at MHCB, MHBK, MHSC, MHIS and their group companies.

Compliance Activities

Furthermore, we have drawn up the Mizuho Code of Conduct, which establishes clear and concrete standards of ethical behavior, distributing it to all senior executives and employees of the group and ensuring that they are well aware of its contents and act in accordance with them.

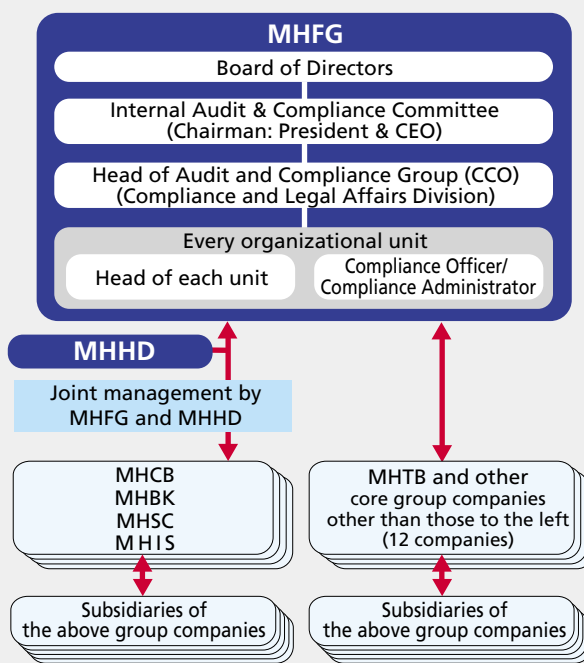
Each group company has also prepared a compliance manual, which serves as a practical guidebook for rigorously enforcing compliance, clarifying the laws and regulations that group companies must observe in pursuing their business activities and the compliance activities they should follow.

Again, we are doing our utmost to ensure that senior executives and employees are fully acquainted with the contents of these manuals through compliance training.

To check compliance levels, we have established measures for ensuring that compliance is thoroughly enforced through primary self-checks by individual units and secondary checks by the internal audit section.

Each fiscal year, group companies also draw up compliance programs containing concrete measures for ensuring that compliance is thoroughly enforced, including various measures associated with establishing a compliance framework, training and checks. Progress in implementing the programs is monitored every half-year.

Compliance Structure



Risk Management Structure

Commitment to Risk Management

Basic Approach

Further progress in financial deregulation and internationalization has led to rapid growth in the diversity and complexity of banking operations, exposing financial institutions more than ever to various kinds of risk, including credit, market operations, IT, legal, settlement risks and so on. In order to raise our corporate value while ensuring that the business of both the group as a whole and individual group companies remains healthy and stable, we are well aware that adopting risk management and control measures that match our operations and their inherent risks is an issue of key importance to management. For this reason we are taking steps to strengthen our risk management structure.

MHFG's Board of Directors has laid down Basic Policies for Risk Management that are applicable to the entire group. These policies clearly define the kinds of risks to be managed, establish the organizational structure and provide for the human resources training necessary for appropriate levels of risk management. They also provide for audits to measure the effectiveness and suitability of the risk management structure. In line with these basic policies, we are adopting various measures to strengthen and enhance the sophistication of our risk management system.

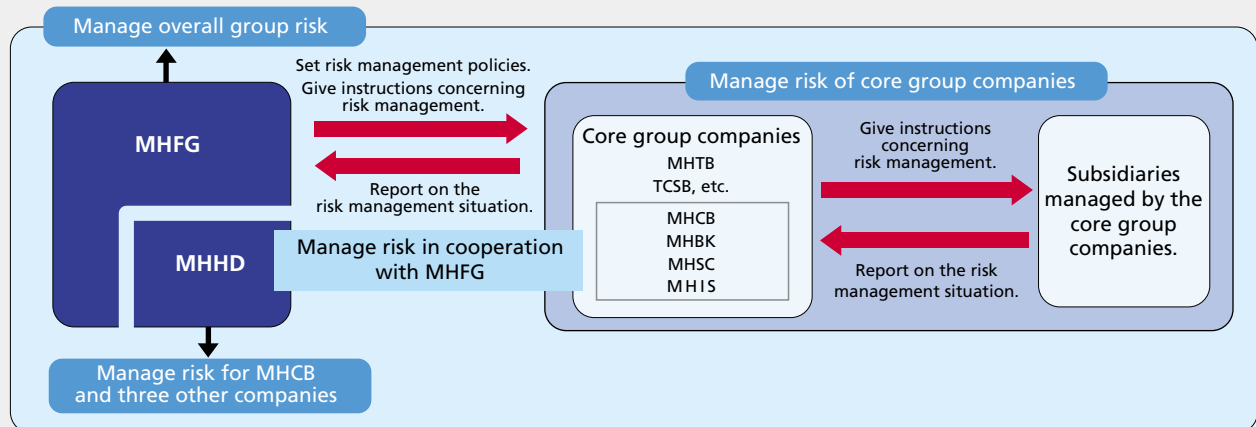
Overview of the Risk Management Structure

Each group subsidiary adopts the most appropriate risk management measures for its business and the size and nature of its risk exposures, while MHFG controls risk management for the group as a whole.

More specifically, MHFG regularly and as required receives reports and applications concerning the risk management situation from core group companies and gives them appropriate instructions concerning risk management. MHHD cooperates with MHFG in managing the risk of MHCB, MHBK, MHSC, MHIS and their group companies.

Each core group company also has its own system for managing different types of risk, regularly and as required receiving reports on the status of risk at their own group companies, and giving them appropriate instructions on risk management.

The Mizuho Financial Group's Risk Management Structure



General Concept of Risk Management

Basic Approach

We classify our risk exposures by risk factor into credit risk, market risk, liquidity risk, operational risk and so on, and manage each type of risk according to its characteristics.

In addition to managing each type of risk individually, we have established a risk management structure to identify and evaluate overall risk and, where necessary, to devise appropriate responses in order to keep risk within managerially tolerable limits in both qualitative and quantitative terms.

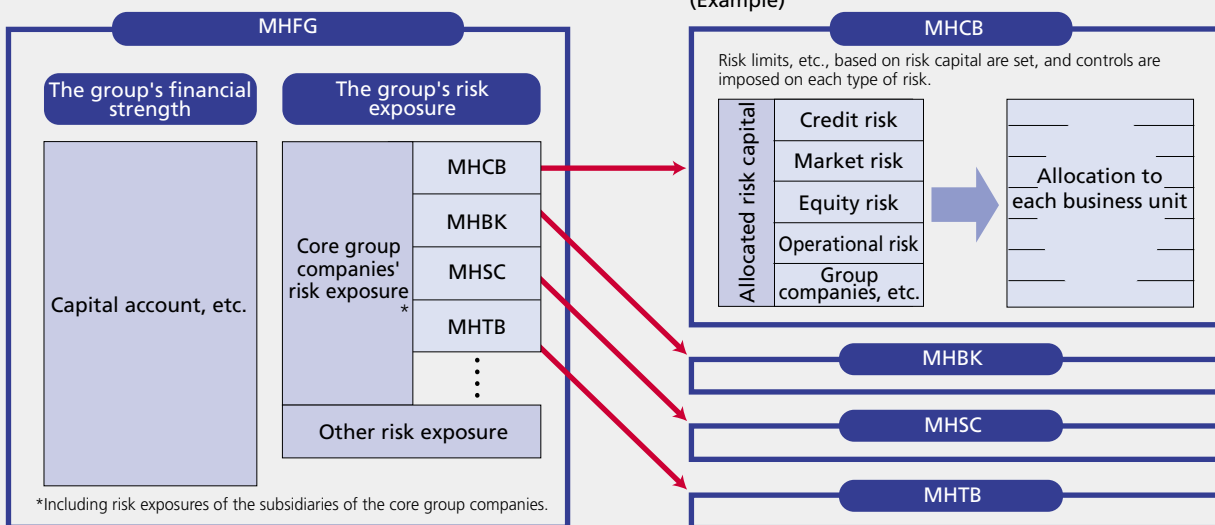
In line with the basic policies laid down by MHFG in connection with risk management, the group identifies risk broadly and all-inclusively as it takes a proactive and progressively sophisticated approach to risk management that includes methodologies for operations such as settlement and trust businesses that involve exposures to multiple categories of risk.

Risk Capital Allocation

We endeavor to obtain the clearest possible 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, MHFG allocates risk capital to the core group companies, including their own group companies, to control risk within the limits set for each company. MHFG also controls risk within managerially tolerable limits by working to ensure that the overall risk held by the group on a consolidated basis does not exceed the capital account and other measures of financial strength. To ensure the ongoing financial health of MHFG and the core group companies, we regularly monitor the manner in which this 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 MHCB and MHBK by risk category, and frameworks have been established within the individual banks to further allocate it to their business units.

Allocation of Risk Capital



* For matters relating to risk management, compliance management and internal audits of other group companies, MHFG manages these companies through the four core subsidiaries.

Credit Risk Management

Basic Approach

We define credit risk as the group's exposure to the risk that it might incur losses because of a decline in, or total loss of, the value of assets (including off-balance-sheet assets) as a result of deterioration in a counterparty's financial position. The group has already established the methods and structures necessary for grasping and managing credit risk, which has become increasingly complex because of financial deregulation, internationalization and the growing sophistication of transactions.

MHFG manages credit risk for the group as a whole. More specifically, we have adopted two different but mutually complementary approaches toward credit risk management. The first of these is to curb losses arising from the emergence of credit risk by controlling the entire process for each individual transaction, from granting the credit through to recovery, on the basis of assessments of the credit standings of the counterparties involved. The second is to manage the portfolio using statistical methods

to measure the potential for credit risk in order to identify it and devise appropriate responses. MHHD and MHFG jointly manage risk for their group companies.

Credit Risk Management Structure

● MHFG's Credit Risk Management Structure

MHFG's Board of Directors determines the most important matters pertaining to credit risk. In addition, the Portfolio Management Committee discusses and coordinates basic credit risk policy and overall credit portfolio management and monitoring for the group. The Chief Risk Officer (CRO) is responsible for matters relating to credit risk management planning and operations. The Risk Management Division and the Credit Risk Management Division jointly monitor, analyze and submit suggestions concerning credit risk, and formulate and execute plans in connection with basic matters pertaining to credit risk management.

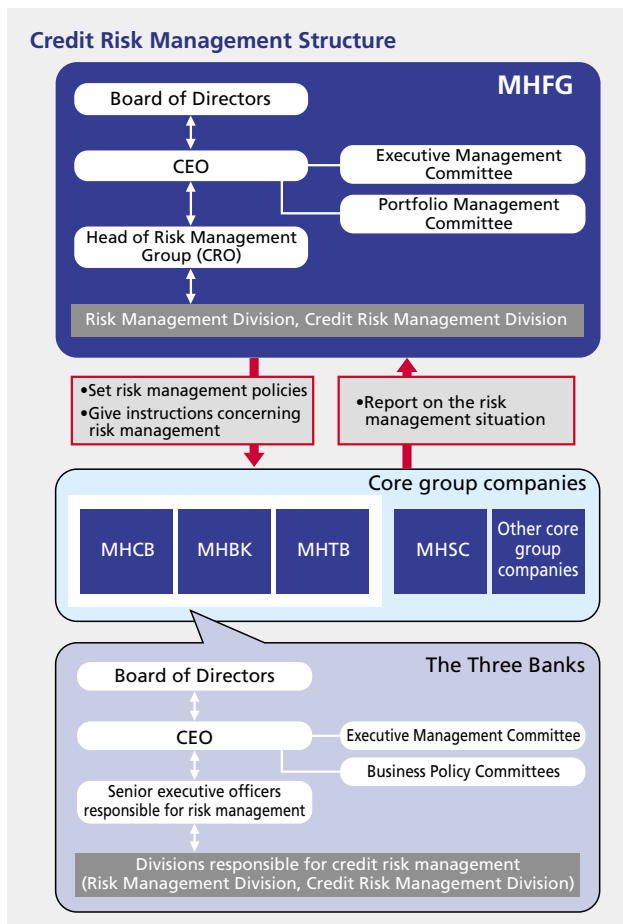
● Credit Risk Management at Core Group Companies

Core group companies manage their credit risk according to the scale and nature of their exposures in line with the Basic Policy for Credit Risk Management set forth by MHFG. Each company's Board of Directors determines key matters pertaining to credit risk.

MHCB, MHBK and MHTB (the Three Banks) have each established Business Policy Committees to discuss and coordinate overall management of their individual credit portfolios and transaction policies towards borrowers. The senior executive officer responsible for risk management oversees matters relating to credit risk management planning and operations. The Credit Risk Management Division and the Risk Management Division under the senior executive officer responsible for risk management are in charge of credit management, and measuring and monitoring credit risk, and regularly present reports on the risk management situation to MHFG. Individual credit examination divisions approve individual transactions in accordance with the lines of authority stipulated by the basic policies for credit risk management. To provide checks and balances, the Three Banks have also established Credit Review Divisions to function as internal auditors that are independent of the business divisions.

● Individual Credit Management

One of the most important elements of the Three Banks' risk management infrastructure is the use of a 16-grade unified credit rating system. In principle, credit ratings apply to all borrowers and are subject to regular reviews at



Connection between Credit Ratings, Definition of Obligor Classifications of Self-Assessments, Claims Disclosed under the FRL and Non-Accrual, Past Due & Restructured Loans

Definition of Obligor Classifications of Self-Assessment	Credit Ratings (Major Category)	Definition of Ratings	Claims Disclosed under the FRL	Non-Accrual, Past Due & Restructured Loans
Normal Obligors	A	Obligors whose certainty of debt fulfillment is very high, hence their level of credit risk is excellent.	Normal Claims	
	B	Obligors whose certainty of debt fulfillment poses no problems for the foreseeable future, hence their level of credit risk is sufficient.		
	C	Obligors whose certainty of debt fulfillment and their level of credit risk pose no problems for the foreseeable future.		
	D	Obligors whose current certainty of debt fulfillment poses no problems, however, their resistance to future environmental changes is low.		
Watch Obligors	E	Obligors who require close watching going forward because there are problems with their borrowings, such as reduced or suspended interest payments, problems with fulfillment such as de facto postponements of principal or interest payments, or problems with their financial positions as a result of their poor or unstable business conditions.	Claims for Special Attention	Restructured Loans Loans Past Due for 3 Months or More
Intensive Control Obligors	F	Obligors who are not yet bankrupt but are in financial difficulties and are deemed to be very likely to go bankrupt in the future because they are finding it difficult to make progress in implementing their management improvement plans (including obligors who are receiving ongoing support from financial institutions).	Claims with Collection Risk	Non-Accrual Delinquent Loans
Substantially Bankrupt Obligors	G	Obligors who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.	Claims against Bankrupt and Substantially Bankrupt Obligors, and equivalent	Loans to Bankrupt Obligors
Bankrupt Obligors	H	Obligors who have already gone bankrupt, from both a legal and/or formal perspective.		

least once a year to promptly reflect their term-end corporate results, as well as special reviews as required whenever a borrower's credit standing changes. This enables the Three Banks to monitor both individual borrowers and the status of the overall portfolio in a timely fashion. Since we consider credit ratings to be a primary phase of the self-assessment process described below, they are linked to the obligor classifications used in asset self-assessments. (Please refer to the figure "Connection between Credit Ratings, Definition of Obligor Classifications of Self-Assessments, Claims Disclosed under the FRL and Non-Accrual, Past Due & Restructured Loans.")

Self-assessments of assets are used to ascertain the status of assets both as an integral part of credit risk management and in preparations for making the appropriate write-offs and provisions based on corporate accounting principles. Specifically, the Credit Risk Management Division under the oversight of the senior executive officer responsible for risk management is in charge of overall control of self-assessment of assets, cooperating with the administrative divisions specified for each type of asset, including loan portfolios and securities in executing and managing self-assessments. This results in a structure that allows the group to identify and control the actual quality of assets.

The Three Banks thus use the unified credit rating

system and credit risk measurement tools to ascertain and monitor the status of their portfolios. They are also improving their credit decisions and post-transaction management functions by examining individual transactions from these viewpoints, providing internal audits and risk management guidance to individual business promotion offices. MHSC and other core group companies follow credit risk management procedures that suit the characteristics of their respective business sectors.

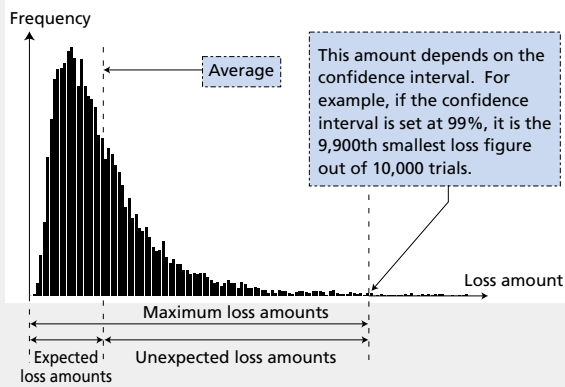
Portfolio Management

● **Expected Loss and Unexpected Loss**

Portfolio-based credit risk management uses statistical methods to calculate the possibility that our credit portfolio may generate bad debt losses. There are two key figures: "expected loss" is the average amount of loss forecast for the next 12 months; "unexpected loss" is the maximum excess amount in the case where losses exceed the expected loss.

"Expected loss" is covered out of profits on credit transactions, and is used as a reference value when setting transaction guidelines. "Unexpected loss" is covered out of total capital when it actually materializes. The credit portfolio is therefore monitored from various angles to ensure that unexpected losses are kept within the level of the allocated risk capital, and limits are applied to the portfolio where necessary.

Expected Loss and Unexpected Loss Amounts



● Risk Control Methods

We recognize two types of risk arising from allowing too large a proportion of overall credit risk to be allocated in certain areas. One type is “credit concentration risks,” which stems from granting too much to certain individual counterparties; the other type is “chain reaction default risk,” which stems from granting too much credit to certain corporate groupings, industrial sectors, etc. We manage these various risks in line with specific guidelines set for each. The individual risk management divisions are responsible for monitoring adherence to these guidelines and reporting to the Business Policy Committees. (Please refer to the figure “Allocation of Risk Capital and Control of Credit Risk.”)

● Portfolios of Most of the Core Group Companies

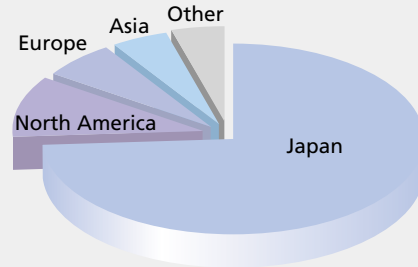
MHCB's portfolios are notable for their international diversification between certain listed domestic companies and other major Japanese enterprises, and overseas corporations. MHBK's portfolios are diversified among relatively small accounts centered on individuals, domestic corporations such as small and medium-sized enterprises (SMEs)

and middle market corporations, public sector entities and other customers in Japan.

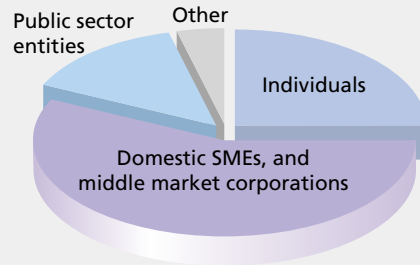
Making the most of respective portfolios' features, they endeavoring to reduce expected loss while simultaneously using financial technology in strategic acquisitions and sales of assets. While keeping a sharp eye on the potential for unexpected losses, they also aim to raise overall group capital efficiency, boost profitability and shareholder value, and enhance the sophistication of its credit risk management using this as a base.

To control credit concentration in certain companies, MHTB and MHSC have set credit limits according to their customers' creditworthiness, and control their portfolios in an appropriate manner by confirming adherence to these limits.

MHCB's Credit Portfolio

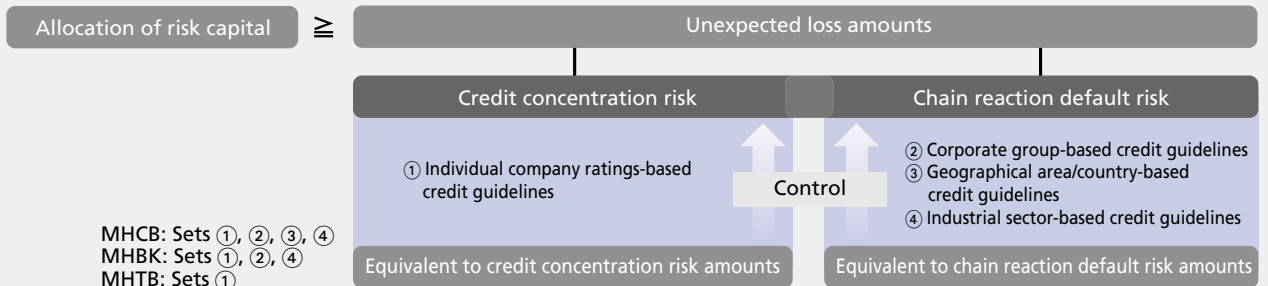


MHBK's Credit Portfolio



(Including financial subsidiaries specializing in corporate revitalization)

Allocation of Risk Capital and Control of Credit Risk



Market and Liquidity Risk Management

Basic Approach

We define market risk as the risk that the group could incur losses because of 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 (market liquidity risk). We define liquidity risk as the risk of losses arising when the group faces funding difficulties because a deterioration in its financial position makes it difficult to raise the necessary funds, or when it is forced to procure funds at much higher interest rates than usual.

MHFG manages market and liquidity risk for the group as a whole. More specifically, MHFG formulates the Basic Policies for Market and Liquidity Risk Management for the entire group, and manages risk for the core group companies. MHFG monitors and manages the overall market and liquidity risk management profile for the group. MHHD and MHFG jointly manage risk for their group companies.

Market Risk Management Structure

● Market Risk Management

MHFG's Board of Directors determines key matters pertaining to market risk management policies. The ALM & Market Risk Management Committee broadly discusses and coordinates matters relating to basic ALM policies, risk planning and market risk management, proposing responses to emergencies such as sudden market changes. The CRO is responsible for matters relating to market risk management planning and operations. The Risk Management Division is responsible for monitoring market risk, reports and analyses, proposals, and setting limits and guidelines, and for formulating and implementing plans relating to market risk management.

The Risk Management Division assesses and manages overall group market risk. It also receives reports from core group companies on their market risk management that enable it to obtain a solid grasp of the risk situation, submitting reports to the CEO on a daily basis and to the Board of Directors and the Executive Management Committee on a regular basis.

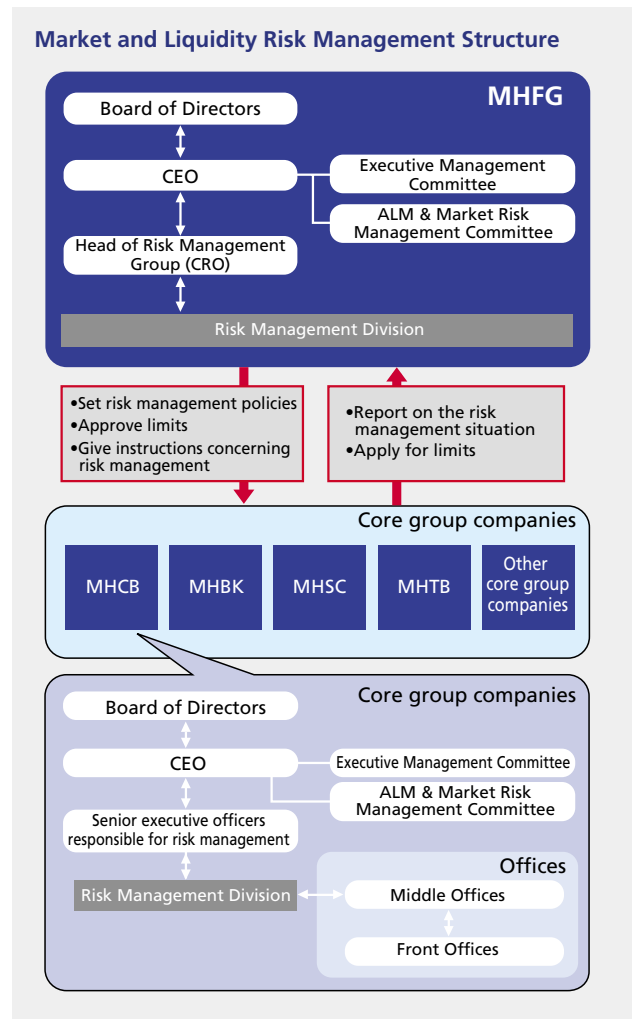
To manage market risk, limits that correspond to risk capital allocations are set according to the risk profiles of

the core group companies. For trading and banking activities, limits are set for Value at Risk (VAR) and for losses. For banking activities, position limits based on interest rate sensitivity are also set as needed.

These limits are discussed and coordinated by the ALM & Market Risk Management Committee, discussed further by the Executive Management Committee, then determined by the CEO. Various factors are taken into account, including business strategies, historical limit usage ratios, risk-bearing capacity (profits, total capital and risk management systems), profit targets and the market liquidity of the products involved.

● Market Risk Management at Core Group Companies

The core group companies that account for most of the group's exposure to market risk (MHCB, MHBK, MHSC and MHTB) have formulated their basic policies in line with the Basic Policy for Market Risk Management drawn up by MHFG. Their Boards of Directors determine important matters



relating to market risk management while their CEOs are responsible for controlling market risk. The Business Policy Committees such as the ALM & Market Risk Management Committees are responsible for overall discussion and coordination of market risk management. Specifically, the committees discuss and coordinate matters relating to basic ALM policies, risk planning, and market risk management, proposing responses to emergencies such as sudden market changes. The CRO of each company is responsible for matters pertaining to planning and running market risk management. Based on a common group risk capital allocation framework, the above-mentioned companies manage market risk by setting limits according to the risk capital allocated to market risk by MHFG.

These companies have established specialist company-wide market risk management divisions to provide integrated monitoring of market risk, submit reports, analyses and proposals, set limits, and formulate and implement plans relating to market risk management. The risk management divisions of each company submit reports on the status of market risk management to the CEO and top management on a daily basis, and to the Board of Directors and the Executive Management Committee on a regular basis. They also provide regular reports to MHFG. To provide a system of mutual checks and balances in market operations, they have established middle offices specializing in risk management that are independent of their front offices, which engage in market transactions, and their back offices, which are responsible for book entries and settlements. When VAR is not adequate to control risk, the middle offices manage risk using additional risk indices such as 10 Basis Point Value (BPV), carry out stress tests, and set stop loss limits as needed. They monitor their market liquidity risk for individual financial products in the market while taking turnover and other factors into consideration.

Liquidity Risk Management Structure

● Liquidity Risk Management

MHFG's liquidity risk management structure is fundamentally the same as the market risk management structure described above. However, the head of the Financial Control & Accounting Group of MHFG is additionally responsible for matters relating to planning and running cash flow management operations, while the Financial Planning Division is responsible for monitoring and adjusting

the cash flow management situation and for planning and implementing cash flow management. Reports on the cash flow situation are submitted to the ALM & Market Risk Management Committee, the Executive Management Committee and the CEO.

MHFG measures liquidity risk using indices pertaining to cash flow such as limits on funds raised in the market. Limits on liquidity risk are discussed and coordinated by the ALM & Market Risk Management Committee, discussed further by the Executive Management Committee, then determined by the CEO. MHFG has established classifications for the cash flow conditions affecting the group, ranging from "normal" to "cause for concern" and "critical," and has laid down response procedures for dealing with cases where they are deemed to fall into the "cause for concern" or "critical" categories.

● Liquidity Risk Management at Core Group Companies

The liquidity risk management structures of MHCN, MHBK, MHSC and MHTB are basically the same as the aforementioned market risk management structures, but the senior executives responsible for risk management are responsible for matters pertaining to planning and running liquidity risk management, while the senior executives of the ALM and trading units are in charge of matters pertaining to planning and running cash flow management.

The methodologies used for ensuring precise control of liquidity risk include the formulation of management indices pertaining to cash flow, such as limits on funds raised in the market. Like MHFG, the above mentioned companies have established classifications for the cash flow conditions affecting them, ranging from "normal" to "cause for concern" and "critical," and have laid down response procedures for dealing with cases where they are deemed to fall into the "cause for concern" or "critical" categories.

Each company has adopted stringent controls that call for the submission of reports on liquidity risk management and cash flow management to the ALM & Market Risk Management Committee and other Business Policy Committees, the Executive Management Committee and the CEO.

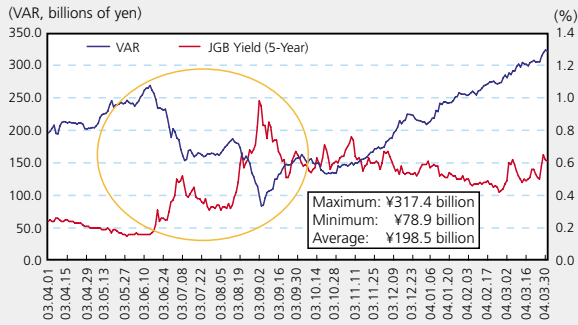
Status of Market Risk

● Status of MHFG's Market Risk

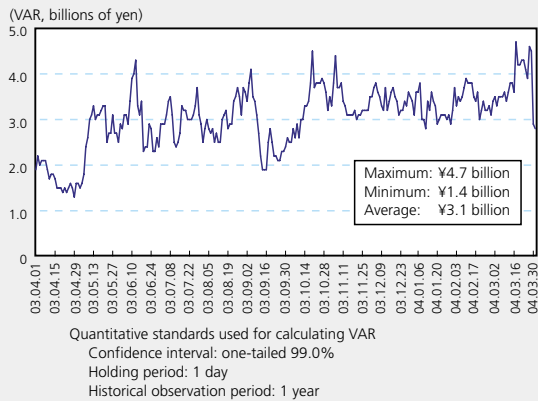
The graph on page 47 depicts the status of VAR in fiscal 2003 (ended March 31, 2004). In particular, as shown

MHFG's Fiscal 2003 VAR

Banking activities



Trading activities



MHFG's Fiscal 2003 Interest Rate Sensitivity by Maturity

At March 31, 2004 (billions of yen)

	1 year or less	Over 1 year, up to and including 5 years	Over 5 years	Total
Interest rate sensitivity (10BPV)	(5)	(46)	(29)	(80)

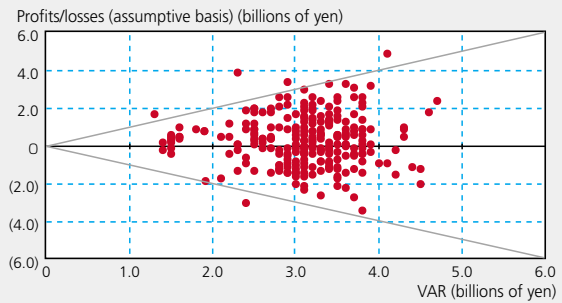
during the steep rise in the yen interest rates from June through September 2003, market risk volume in the banking business has reduced considerably, demonstrating that risk management is functioning effectively.

We conduct interest rate sensitivity analyses in connection with interest rate risk, which constitutes the main form of market risk facing the group. The above table depicts the interest rate sensitivity of yen currency banking operations, by maturity, as of the end of March 2004.

● Back Testing

In order to confirm the effectiveness of market risk measurements using VAR, MHFG carries out regular back tests to compare VAR and profits/losses.

MHFG's Fiscal 2003 Back Testing



The graph above depicts daily VAR on trading activities in fiscal 2003, and the corresponding paired distribution of profits and losses. There were five cases where profits/losses exceeded VAR during the period (one case of loss), and this confirms that our internal models are sufficiently accurate in measuring our group's market risk exposure.

● Stress Testing

As a market risk measurement method, VAR is based on statistical assumptions. For this reason, we carry out stress testing to simulate the levels of losses that could be incurred in cases where the market moves suddenly to levels that exceed these assumptions.

The stress testing methods used include one method that calculates losses on the basis of the largest fluctuations occurring over a period of more than five years, and another that calculates losses on the basis of market fluctuations occurring during historical market events.

The figure below shows the assumed maximum loss results of stress testing in trading activities using the above methods.

MHFG's Fiscal 2003 Stress Testing

At March 31, 2004 (billions of yen)

Assumed maximum losses	
Maximum loss result calculated by stress testing	19

Operational Risk Management

We define operational risk as the risk of loss that our group may incur resulting from inadequate or failed internal processes, people and systems, or from external events.

We recognize that operational risk includes IT risk, operations risk, legal risk, human resources risk, tangible asset risk, regulatory risk, and reputational risk, and have laid down risk management policies concerning risk management structures and methods for each kind of risk. MHCB, MHBK, MHSC and MHTB also manage risks in an appropriate manner in line with risk management policies they have laid down concerning the each type of risk.

We are working to improve and strengthen our management methods and structures in order to recognize, evaluate, monitor and control the various types of operational risk arising from the growing sophistication and diversity of financial operations and progress in computerization.

MHFG, MHCB and MHBK have laid down rules for data gathering, and in addition to developing a common loss

database for the entire group, measure operational risk on a regular basis.

The Basel Committee on Banking Supervision is currently working toward the introduction of new BIS rules, which will include operational risk as well as market and credit risk within capital adequacy guidelines.

We are participating in the international forum on the new BIS rules, and are proactively pursuing more sophisticated operational risk management across the entire group.

Operations Risk Management

Operations risk is the risk that customers may suffer service disruptions, or that customers or the group may incur losses because senior executives or employees fail to fulfill their tasks properly, cause accidents or act improperly.

In line with the Basic Policy for Operations Risk Management, we have established a structure for improving operations by identifying and adopting appropriate measures for mitigating operations risk. More specifically, we have laid down clearly defined procedures for handling operations and periodically checking the status of operational processes. Progress has been made in strengthening operational guidance from head office and instructions in order to improve the operational expertise of staff and the risk management capabilities of managers. We are also moving ahead with other policies, including the introduction of IT, office automation and centralization in order to ensure efficient operations that reduce human error to a minimum. Further, we are working on improving the effectiveness of our emergency responses by holding drills and taking other steps to minimize the impact of any possible system failures or disasters on customers.

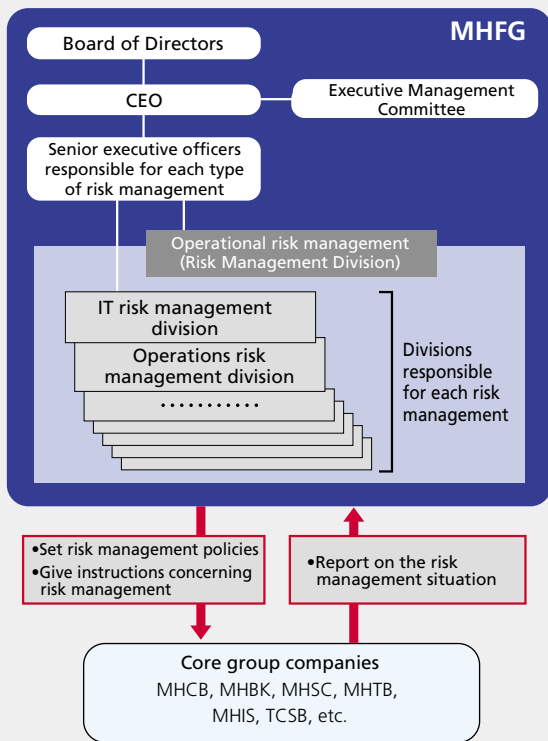
We are well aware that this kind of risk has a direct impact on services to customers and are working hard to build a management structure that is better attuned to the situation.

IT Risk Management

IT risk is the risk that customers may suffer service disruptions, or that customers or the group may incur losses arising from system defects such as failures, faults, or incompleteness in computer operations, or illegal or unauthorized use of computer systems.

We continue to make determined efforts to ensure the stability of our IT operations and the protection and safety

Operational Risk Management Structure



of informational assets relating to systems in line with the Basic Policy for IT Risk Management and the Security Policy. More specifically, we are pushing ahead with various efforts, identifying and evaluating IT-related risk, implementing risk mitigation measures based on these evaluation results, ensuring thoroughgoing project management in such areas as process management in systems development and quality control, and strengthening security to prevent information leaks. Further, we are working on improving the effectiveness of our emergency responses by improving our backup systems and holding drills and taking other steps to minimize the impact of any possible system failures or disasters on customers.

We are well aware that this kind of risk has a direct impact on services to customers and are working hard to build a management structure that is better attuned to the situation.

Reputational Risk Management

Reputational risk is the risk of incurring tangible or intangible losses as a result of damage caused to the group's credibility or the Mizuho brand when market players learn about or the media report various risk events that actually arise in connection with the group's operating activities, or false rumors or vicious slanders.

When MHFG receives reports from group companies concerning certain information that may have a serious impact on group management, we identify and manage the reputational risk for the group as a whole on an integrated basis, using the framework we have established for dealing with such reputational risk in a manner appropriate to its scale and nature.

The group also works to quickly identify rumors and minimize possible losses by devising appropriate responses depending on the urgency and possible impact of the situation.

Internal Audit Structure

Basic Approach

Internal audits are an integrated process for evaluating the extent to which internal control achieves its objectives in key areas—appropriate risk management, efficient and effective business operations, reliable financial reporting, and compliance with laws, regulations and internal rules. They are conducted from an objective and comprehensive standpoint, independently of operational reporting lines, and extend as far as offering advice, guidance and remedial recommendations in connection with any problems that may be uncovered.

Through this integrated process, internal audits assist the Boards of Directors of individual group companies in efficiently and effectively fulfilling their managerial duties under the self-responsibility principle.

In line with the Basic Policy for Internal Audit laid down by MHFG, the core group companies conduct internal audits, which include the auditing of their own subsidiaries. Also, in order to grasp the situation with respect to risk controls across the group, group companies carry out internal audits focusing on risks that are common to the group as a whole.

Internal Audit Management Structure

●MHFG

The core group companies submit reports to MHFG on the results of internal audits and the status of follow-up steps to deal with problems.

MHFG grasps and manages the status of conducting audits at the core group companies through examining above reports. The Internal Audit & Compliance Committee of MHFG discusses and makes decisions on the results of examinations and important matters pertaining to the group's internal audits. After it reaches decisions thereon, reports are submitted to the Board of Directors.

●MHHD

MHHD cooperates with MHFG in managing matters relating to internal audits at MHCB, MHBK, MHSC, MHIS and their group companies.

●MHCB and MHBK

MHCB and MHBK have also established Internal Audit & Compliance Committees that are independent of business promotion divisions to ensure the independence of the internal audit divisions and provide checks and balances.

MHCB and MHBK have established Internal Audit Divisions and Credit Review Divisions as internal audit divisions to carry out the audits at domestic and overseas business offices, head office divisions and group companies. Specifically, the Internal Audit Divisions assess the suitability and effectiveness of business activities associated with compliance and risk management. The Credit Review Divisions audit credit ratings and the status of credit management in addition to auditing self-assessment of assets, in order to verify the correctness and suitability of matters deemed necessary from the viewpoint of assuring the soundness of the assets in question.

●Other Core Group Companies

MHSC, MHTB and other core group companies have also established effective and efficient internal audit structures that suit the characteristics of their respective business sectors.

