

➤ Risk governance

Basic approach

To fulfill our responsibility as a global financial institution, the Mizuho group integrates the implementation of risk management with the execution of business strategy and financial strategy through our risk appetite framework, and we advance appropriate risk-taking and risk control in order to grow and develop sustainably together with customers, economies, and society as a whole.

Message from the Group CRO

The present international situation is extremely uncertain as the rivalry among superpowers for economic and technological leadership overlaps with the Russia-Ukraine conflict, for which there is no end in sight yet. Amid the concern over further emergence of geopolitical risk, supply chains which have spread globally are being fragmented and forced to be reconstructed, and it seems that globalization is being rolled back.

While a low interest rate environment had persisted globally ever since the global financial crisis in 2008, central banks around the world have been raising interest rates at an unprecedented pace to counter continued

high inflation. In the US, an inverted yield curve has already become prolonged and the cumulative impact of interest rate hikes could transmit to credit tightening and a downturn in the real economy. Moreover, if inflation does not subside, additional monetary tightening may become necessary and the impact on the macro economy and financial markets must be carefully discerned. Furthermore, monetary policy may change within Japan as well, depending on the inflation trends. Mizuho has designated these as top risks and formulated strategies in our new medium-term business plan based on such various risks. For example, the bankruptcies of regional banks in the US at the beginning of 2023 have underlined the importance not only of the liquidity and interest-rate risk, which are traditional management issues for banks, but also the new risk of a “digital bank run” which is particular to today’s digital society. We will continue to address multifaceted risk management while being mindful of newly emerging risks including the lessons from these recent events.

Because the environment surrounding Mizuho is constantly changing in terms of the macro economy, geopolitics, and regulations, to successfully implement the new medium-term business plan, we need to discern the domestic and international environment in a forward-looking manner, realize optimal risk and return under integrated strategy and risk management, and secure sustainable and stable profits. Also, the importance of non-financial value as a source of corporate value has recently been increasing. Mizuho is proactively addressing the strengthening of risk management in non-financial areas including preparations against cyberattacks for which the growing risk is salient.

At Mizuho, we will continue to strive to ceaselessly strengthen risk governance and to contribute to the realization of prosperity together with customers, economies, and society as a whole.



**Motonori
Wakabayashi**

Member of the Board of Directors
Senior Executive Officer
Group Chief Risk Officer
(Group CRO)

Top risk management

We designate risks that we recognize as potentially having a major impact on the Mizuho group as “top risks.” We are ensuring consistency across related risk management operations by deepening our risk communications across the group through our management of top risks and integrating our perspectives on risk awareness.

The designation of top risks and the status of their control during the period are reported to the Risk Committee, the Board of Directors, and other bodies, and multifaceted discussions are held including with the participation of outside experts and outside directors.

Moreover, regarding the designated top risks, we are looking into additional risk control measures such as preventative measures and follow-up responses. By incorporating these into our business plans, we are strengthening our risk governance.

Top risks	Continuation of high inflation and spillover to credit risk	A shift in monetary policy and growing fiscal concerns	Escalating US-China conflict and sluggish Chinese economy
	Global decoupling and growing geopolitical risks	Worsening impact of climate change	IT system failures
	Cyberattacks	Money laundering / Financing of terrorism	Improper acts and omissions by executive officers/employees
	Stagnation of sustainable growth due to talent shortages	Changes in the competitive environment	

⇒P. 114 Risk management structure

Risk appetite framework (RAF)

We have positioned our RAF as the corporate management framework for meeting our risk appetite. Risk appetite refers to the types and levels of risk that we will accept in order to implement our business and financial strategies.

Through our RAF, we manage strategy and risk in an integrated manner and aim to achieve the optimal risk and return through appropriate risk-taking and risk control. Implementing this requires that a sound risk culture is firmly established among executive officers and employees. In order to do this, Mizuho has prescribed the “basic stance toward dealing with risk” in the Mizuho Code of Conduct as a guideline for behavior when dealing with risk.

In the actual implementation of our RAF, the Board of Directors determines basic matters concerning the RAF and also decides on a risk appetite statement (RAS), which documents the RAF’s management system and Mizuho’s risk appetite. Operations are supervised based on the Board’s decisions. In addition, the Risk Committee, which advises the Board of Directors, provides advice regarding risk governance. In business operations, the Group CRO, Group CFO, and Group CSO provide assistance overseen by the Group CEO, and implement business strategy, financial strategy, and risk management from an overall perspective.

Risk appetite is determined through management discussions on the outlook for external factors such as the macroeconomic, regulatory, and competitive environment, along with top risks and other potential risk events. These are then incorporated into baseline scenarios and risk scenarios that are shared internally.

Based on our awareness of these external environments, we then clarify the risk appetite is consistent with the medium-term and fiscal year business plans and formulate the risk appetite policy as the policy concerning risk-taking. Also, regarding capital strengths, profitability, and liquidity, we set the risk appetite indices and their levels as quantitative indicators indicating the suitability of risk-taking. The risk appetite operating conditions are regularly monitored and reported to the Board of Directors. The risk appetite is also revised as necessary when there are changes in the environment or strategies.

Comprehensive risk management

Based on our fundamental approach to implementing the RAF, we grasp comprehensive group risk and position comprehensive risk management as a unified risk management framework intended to enhance corporate value.

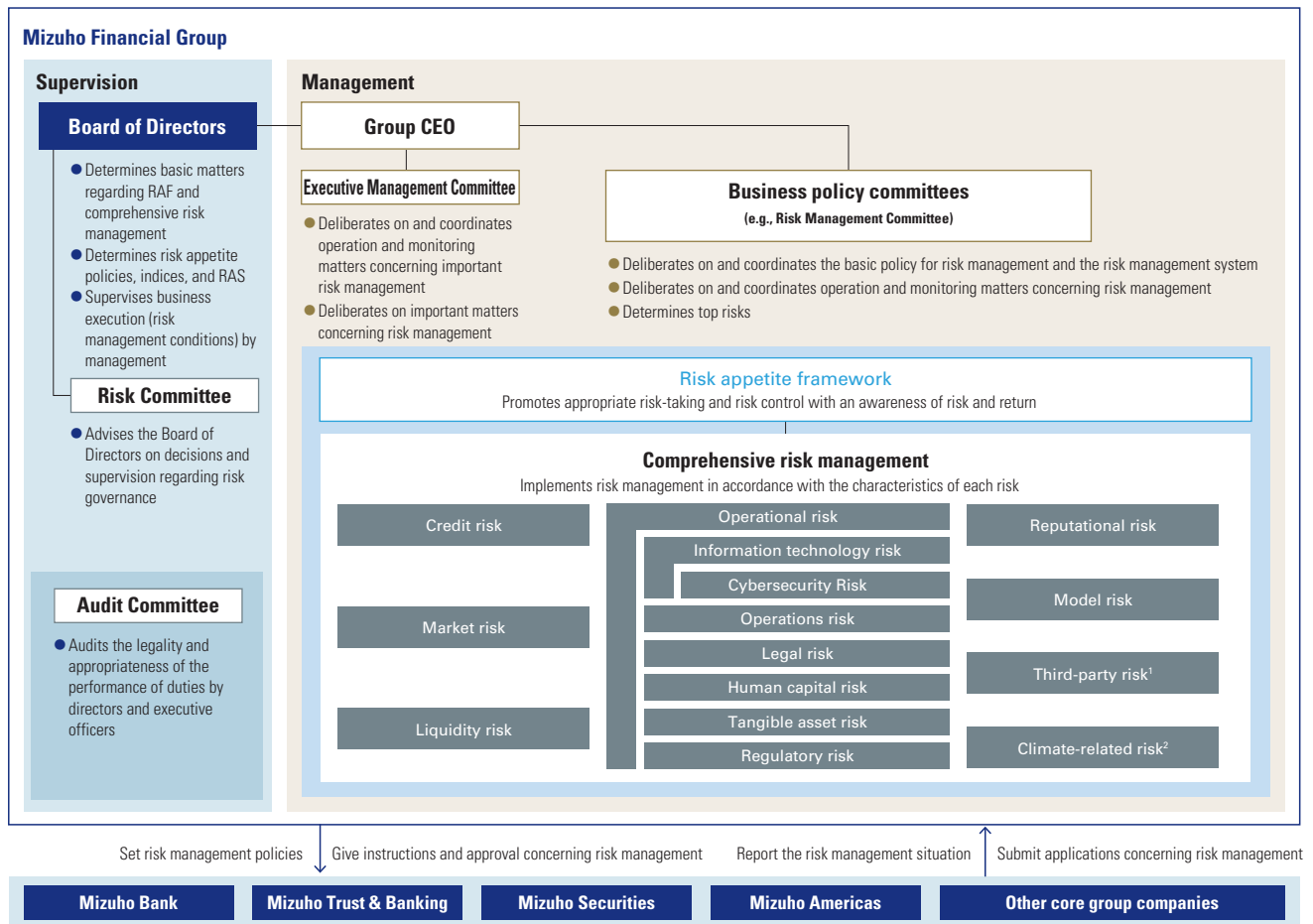
In comprehensive risk management, Mizuho has established basic policies for risk management that are applicable to the group as a whole by resolution of the Board of Directors. In our basic policies for risk management, we stipulate risk areas, and the requisite organizational structure and employee training for ensuring appropriate levels of risk management. The policies also provide for audits to measure the effectiveness and suitability of the management structure.

➤ Risk governance

In line with these basic policies, we analyze risk comprehensively from multiple perspectives and adopt a variety of methods to enhance our risk management system. In fiscal 2022 we newly formulated basic policies regarding third-party risk, cybersecurity risk, and climate-related risk and clarified the management structure. We are also enhancing the structure on a daily basis to manage new risks that are not sufficiently grasped by the existing risk management framework.

⇒P. 114 Risk management structure

○ Mizuho's risk management system



1. Complex risk spanning other risks.
2. Risk that could amplify other risks.

Stress testing

At Mizuho, we assess the suitability of our risk appetite and the validity of our business plans through stress testing, calculating and assessing the financial effect on our capital adequacy ratio and on our performance.

We carry out stress testing based on scenarios formulated taking into account current economic conditions and future outlooks, vulnerabilities in the Mizuho group's business and finance structures, and other factors. We can confirm whether our capital adequacy ratio, performance, and other indicators are sufficient in the case that stress events actually materialize. If such indicators fall below the necessary level, we reconsider and revise our risk appetite and business plans. In addition, we confirm the balance between owned capital and risk capital, including interest rate risk in the banking book, at the post-stress stage to assess the adequacy of the capital level.

In addition, regarding liquidity risk as well, with respect to the future balance sheet and in light of business plans, we implement verifications under a harsh scenario whereby stress across the overall market and stress inherent to the Mizuho group occur simultaneously.

Furthermore, to structure robust risk management systems, stress testing is also used to manage risk in various risk categories, such as market risk.