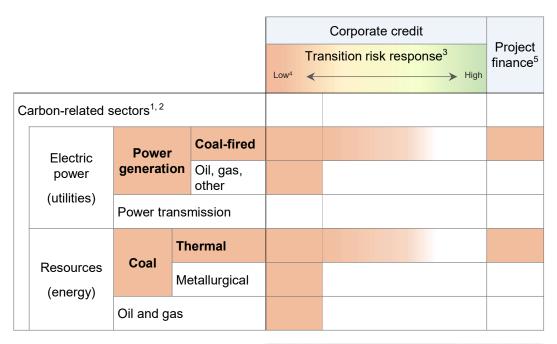
Risk assessment mapping



Key: High-risk area

Engagement-focused support for transitioning to a low-carbon society Mizuho takes engagement (constructive dialogue) with our clients as our starting point for supporting their measures to address climate change and transition to a low-carbon society. In this way, we can base our support on a deep understanding of our clients' challenges and needs. We also provide our clients with a wide range of solutions, including finance and consulting, to facilitate sustainable improvement in their corporate value.

Risk assessment in carbon-related sectors

At Mizuho, in line with the TCFD Recommendations, we have been measuring and disclosing the percentage of our credit exposure in carbon-related sectors.² Taking into account our FY2019 scenario analysis results⁶ and other factors, we have assessed risk along two axes—our clients' sectors¹ and our clients' measures to address transition risk³—in order to identify high-risk areas.

(Credit exposure in carbon-related sectors: ¥12.8 trillion. Percentage of overall exposure: 5.7%. Of which, credit exposure in high-risk areas: ¥1.8 trillion. (all figures as of March 31, 2021))

Response policy for high-risk areas

We are engaging with clients to encourage them to formulate effective strategies for transition risks and, in some cases, embark on business structure transformation towards a lower risk sector. If we undertake such engagement with a client and the client does not make progress on addressing their transition risks even after a certain period of time, we carefully consider our transactions with the client. In this way, we are enhancing our risk control and reducing our exposure in high-risk areas over the medium to long term.

- Sector: Companies are divided into sectors based on the largest component in the sales/energy mix of their business activities.
- Carbon-related sectors: Classified according to the TCFD Recommendations (includes the Energy and Utilities sectors as defined by the Global Industry Classification Standard (GICS) but not water utilities, independent power producers, or renewable energy businesses).
- 3. Transition risk: Risks stemming from widespread policy, legal, technological, and market changes which occur as the result of transitioning to a low-carbon society.

 Transition risk response: Based on disclosures, interviews, and other sources of information on the status of our clients' measures to address transition risk. Accounts for the adequacy of targets in terms of quantitative rigor, alignment with the Paris Agreement, and similar; the specificity of methods and progress on achieving targets; performance and objectivity; and other factors.
- 4. Transition risk response low: Indicates no effective strategy for responding to transition risk has been confirmed.
- Credit for project finance
- Scenario analysis results based on the TCFD Recommendations: We analyzed carbon-related sectors in Japan using two scenarios: one with no transformation of the present business structure and one with such transformation. We confirmed that the scenario with transformation of the present business structure, while involving some impacts in the short term, would limit the increase in credit costs over the medium to long term (lesser or no fossil fuel dependency would improve business performance). For details, see our TCFD Report 2020.