

Mizuho Capital Markets LLC

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Statement of Financial Condition

September 30, 2025

(Unaudited)



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(Unaudited)

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# Mizuho Capital Markets LLC

## Statement of Financial Condition

*(In Thousands of U.S. dollars)*

*(Unaudited)*

<b>Assets</b>	
Cash and cash equivalents	\$ 567,185
Collateralized agreements:	
Securities purchased under agreements to resell	3,088,967
Securities owned, at fair value (including securities pledged of \$2,398,982)	8,507,227
Derivatives	4,154,428
Receivables from brokers/dealers, clearing organizations and customers	799,269
Other assets	<u>131,381</u>
Total assets	<u>\$ 17,248,457</u>
<b>Liabilities and member's equity</b>	
Short-term borrowings	\$ 3,287,282
Collateralized agreements:	
Securities sold under agreements to repurchase	1,026,397
Securities sold, not yet purchased, at fair value	959,202
Derivatives	1,670,642
Payables to brokers/dealers, clearing organizations and customers	3,158,182
Other liabilities	63,359
Long-term debt	<u>4,968,509</u>
Total liabilities	15,133,573
Member's equity	<u>2,114,884</u>
Total liabilities and member's equity	<u>\$ 17,248,457</u>

*The following table presents certain assets and liabilities of consolidated variable interest entities (VIEs), which are included in the Statement of Financial Condition above. The assets in the table below include those assets that can only be used to settle obligations of consolidated VIEs, and are in excess of those obligations. Additionally, the assets in the table below include third-party assets of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation. The liabilities in the table below include third-party liabilities of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation. The liabilities also exclude amounts where creditors or beneficial interest holders have recourse to the general credit of the Company.*

<b>Assets of consolidated VIEs to be used to settle obligations of consolidated VIEs:</b>	
Securities owned, at fair value	\$4,960,817
Other assets	<u>39,788</u>
Total assets of consolidated VIEs to be used to settle obligations of consolidated VIEs	<u>\$5,000,605</u>
<b>Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company:</b>	
Long-term debt	\$4,968,507
Other liabilities	<u>19,636</u>
Total liabilities on consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company	<u>\$4,988,143</u>

*The accompanying notes are an integral part of the Statement of Financial Condition*

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **1. Organization and Description of Business**

Mizuho Capital Markets LLC (“MCM” or the “Company”), a Delaware limited liability company, is a wholly-owned subsidiary of Mizuho Americas LLC (“MHA”). MHA is an intermediate holding company in the U.S., which is wholly-owned by Mizuho Bank Ltd (“MHBK”) and ultimately wholly-owned by Mizuho Financial Group, Inc. (“MHFG”). MHFG is a holding company listed on the Tokyo, Osaka, and New York Stock Exchanges that provides comprehensive financial services through its subsidiaries.

The Company is a dealer in interest rate swaps and options, foreign currency swaps, credit default swaps, equity derivatives and other derivative products. MCM provides clearing services to its affiliates through a non-U.S. based clearinghouse that trades and clears derivative contracts. MCM participates in a Municipal Tender Option Bond (“TOB”) program. MCM is a dually registered Swap Dealer (“SD”) with the Commodity Futures Trading Commission (“CFTC”) and Security-Based Swaps Dealer (“SBSD”) with the U.S. Securities and Exchange Commission (“SEC”). The Company is a member of LCH Clearnet (“LCH”).

The Company’s operations are managed by an affiliated entity, Mizuho Securities USA LLC (“MSUSA”). MSUSA’s activities include securities and futures brokerage, origination and trading of debt and equity securities, and mergers and acquisitions advisory services. As part of this arrangement, the Company and MSUSA utilize common personnel and facilities with applicable reimbursement arrangements.

### **2. Summary of Significant Accounting Policies**

#### *Basis of presentation*

The Statement of Financial Condition is presented in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

#### *Use of estimates*

The preparation of the Statement of Financial Condition in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and related disclosures. Specific areas, among others, requiring the application of management’s estimates and judgment pertain to certain fair value measurements, valuation of current and deferred income taxes and provisions for losses that may arise from litigation and regulatory proceedings. Actual results could differ from those estimates.

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **2. Summary of Significant Accounting Policies (continued)**

#### *Variable Interest Entities (VIEs)*

An entity is a VIE if it meets either of the criteria outlined in Accounting Standards Codification (“ASC”) Topic 810, *Consolidation*. The criteria are (i) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) the entity has equity investors that cannot make significant decisions about the entity’s operations or that do not absorb their proportionate share of the entity’s expected losses or expected returns.

The primary beneficiary is the reporting entity that is required to consolidate the VIE. The primary beneficiary is the party that has both the power to direct the activities that most significantly affect the VIE’s economic performance and a right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE. In addition to variable interests held in consolidated VIEs, the Company has variable interests in other VIEs that are not consolidated because the Company is not the primary beneficiary. The Company monitors all unconsolidated VIEs to assess whether any events have occurred to cause its primary beneficiary status to change. Refer to Note 14 for additional details on variable interest entities.

#### *Cash and cash equivalents*

The Company defines cash equivalents as highly liquid investments with initial maturities of three months or less, that are not used for trading purposes.

#### *Collateralized agreements*

The Company’s collateralized agreements include securities purchased under agreements to resell (“resale agreements”) and securities sold under agreements to repurchase (“repurchase agreements”). Resale agreements or repurchase agreements are collateralized by U.S. government securities, municipal securities, and corporate debt. The Company records resale and repurchase agreements at contract price, plus accrued interest. The amounts reported for resale and repurchase agreements approximate fair value as these are generally short term in nature and interest rate movements have not resulted in a material change in fair value.

It is the Company’s general policy to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. The Company reviews

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### 2. Summary of Significant Accounting Policies (continued)

collateral daily to ensure that the market value of the underlying collateral remains sufficient, and when appropriate, may require counterparties to deposit additional collateral or return collateral pledged. In the same manner, the Company provides securities to counterparties to collateralize repurchase agreements.

#### *Credit Losses*

The Company accounts for estimated credit losses on financial assets measured at an amortized cost basis in accordance with ASC 326, *Financial Instruments – Credit Losses* (“ASC 326”). ASC 326 requires the Company to estimate expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The Company calculated estimated credit losses for the six months ended September 30, 2025 and the calculation did not have a material impact on its Statement of Financial Condition. The Company continually reviews the credit quality of its counterparties and has not experienced any significant defaults.

#### *Securities transactions*

Securities owned and securities sold, not yet purchased, are recorded on a trade date basis at fair value. Fair value is generally based upon quoted market prices, where available. When quoted market prices are not available, the Company uses other market data, such as transacted prices for the same or similar securities. Related interest amounts, are included in other assets and other liabilities on the Statement of Financial Condition.

#### *Derivative financial instruments*

The Company recognizes all derivative financial instruments in the Statement of Financial Condition as either assets or liabilities at fair value.

Transactions in derivative instruments are recorded on a trade-date basis. In accordance with ASC 815, *Derivatives and Hedging* (“ASC 815”), the Company nets certain derivative contracts, and eligible collateral, with the same counterparty in the Statement of Financial Condition. The Company does not apply hedge accounting as defined in ASC 815; therefore, certain of the disclosures required under ASC 815 are generally not applicable with respect to these financial instruments.

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **2. Summary of Significant Accounting Policies (continued)**

#### *Property and equipment*

Property and equipment are carried at cost and depreciated on a straight-line basis, over their estimated useful lives, ranging from three to ten years. The Company's software costs are capitalized in accordance with ASC 350-40, *Internal-Use Software*. Software costs are amortized on a straight-line basis, over their estimated useful lives. The Company's gross balance on the Statement of Financial Condition at September 30, 2025 includes \$195,870, in other assets with accumulated depreciation of \$148,080.

#### *Interest*

The Company generally earns interest on cash and cash equivalents, securities owned, amounts pledged as collateral, amounts with clearing organizations, and on resale agreements. The Company pays interest on amounts received as collateral, repurchase agreements, securities sold, not yet purchased, and other borrowings. Related interest amounts, including accrued interest, are included in other assets and other liabilities on the Statement of Financial Condition.

#### *Foreign exchange*

Assets and liabilities denominated in foreign currencies are revalued into U.S. dollars using the spot foreign exchange rate at the date of the Statement of Financial Condition.

#### *Income taxes*

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). ASC 740 prescribes the method to account for uncertainty in income tax positions taken or expected to be taken in a tax return by applying a "more-likely-than-not" ("MLTN") criteria as to whether a tax position will be sustained upon examination, based on the technical merits of the position. Accordingly, the Company assesses this likelihood based on the facts, circumstances, and information available at the end of each period. A tax position that meets the MLTN recognition threshold is measured initially and subsequently as the largest amount of tax benefit that will likely be realized upon settlement with a taxing authority that has full knowledge of all the relevant information. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. The Company recognizes the current and deferred tax consequences of all transactions in the Statement of Financial Condition using the provisions of the currently enacted tax laws.

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Recent accounting pronouncements***

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740). The amendments in this ASU apply to all entities that are subject to Topic 740, Income Taxes. The main provisions of the amendments in this ASU require that public business entities disclose additional information, qualitative and/or quantitative, in the effective tax rate reconciliation and income tax paid on an annual basis. In addition, the amendments update other disclosures, including the elimination of requirement disclosing possible change in the unrecognized tax benefits balance in the next 12 months; and the elimination of disclosing certain deferred tax liability because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. This ASU will be applicable for the Statement of Financial Condition issued for fiscal years beginning after December 15, 2024. The Company plans to adopt the ASU for the annual reporting period beginning on April 1, 2025, with no material impact on the Statement of Financial Condition.

In September 2025, the FASB issued ASU No. 2025-06, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). The amendments in the ASU remove all references to project development stages throughout ASC 350-40, and introduce new criteria for assessing when the “probable-to-complete” recognition threshold is met. This ASU will be applicable for the Statement of Financial Condition issued for fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact of the ASU on its Statement of Financial Condition.

### **3. Collateralized Agreements**

The Company enters into securities financing agreements to, among other things, acquire securities to cover short positions and settle other securities obligations, to accommodate customers’ needs and to finance its inventory positions.

In accordance with ASC 210, the Company offsets repurchase and resale agreements on the Statement of Financial Condition with the same counterparty where they have a legally enforceable master netting agreement and all criteria for netting have been met.

The following tables present collateralized agreements on both gross and net basis at September 30, 2025:



# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

(In Thousands of U.S. dollars)

(Unaudited)

### 3. Collateralized Agreements (continued)

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
	Gross Amounts	Gross Amounts Offset in the Statement of Financial Condition (1)	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition (2)	Net Amount
<b>Assets</b>					
Securities purchased under agreements to resell	\$ 4,706,762	\$ 1,617,795	\$ 3,088,967	\$ 3,088,967	-
<b>Liabilities</b>					
Securities sold under agreements to repurchase	2,644,192	1,617,795	1,026,397	1,026,397	-

- (1) Amounts relate to master netting agreements, which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting guidance or clearing organization agreements.
- (2) For some counterparties, the financial instruments and collateral not net on the Statement of Financial Condition may exceed the net asset/liability recognized. Where this is the case, the total amounts reported in this column are limited to the balance of the net assets/liabilities recognized.

The following table presents the Company's gross obligation disaggregated by the class of collateral pledged and the remaining maturity of securities sold under agreements to repurchase at September 30, 2025:

	<b>Remaining Contractual Maturity of Agreements</b>		
	<b>Open</b>	<b>Overnight</b>	<b>Total</b>
<b>Securities sold under agreements to repurchase</b>			
<i>Collateral pledged:</i>			
Municipal securities	\$ 1,026,397	\$ -	\$ 1,026,397
U.S. Treasury securities	-	1,617,795	1,617,795
<b>Total</b>	<b>\$ 1,026,397</b>	<b>\$ 1,617,795</b>	<b>\$ 2,644,192</b>

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **3. Collateralized Agreements (continued)**

At September 30, 2025, the Company had obtained securities as collateral with a fair value of \$4,706,762, which could be re-pledged under secured financing agreements. To satisfy MCM's collateral requirements with clearinghouses and other counterparties, \$957,195 of such securities was re-pledged.

At September 30, 2025, the Company received securities as collateral for derivative transactions amounting to \$3,119,413, none of which was re-pledged.

### **4. Derivative Financial Instruments**

The Company transacts in derivative instruments to meet the financing and hedging needs of customers and to manage exposure to market and interest rate risk in connection with normal trading activities. These derivative instruments mainly include interest rate contracts, foreign exchange contracts, OTC option related contracts, and other contracts. These instruments involve, to varying degrees, elements of credit, interest rate, and currency risk.

Interest rate contracts include interest rate swaps and forward rate agreements. Such agreements generally involve the exchange of fixed and floating rate interest payments without the exchange of underlying principal amounts.

Foreign exchange contracts include spot and forward contracts, non-deliverable forwards, cross currency swaps, as well as foreign exchange options. The Company's foreign exchange contracts are settled by exchanging the currency amounts specified under the contracts.

OTC option related contracts include interest rate caps and floors, and swaptions. Interest rate caps and floors are agreements to make periodic payments for interest rate differentials between an agreed-upon interest rate and reference rate. Swaptions are agreements granting the option to enter into an interest rate swap at a future date.

Total return swaps include payments based on a set rate in exchange for a return on an underlying asset, which are primarily municipal securities.

Other contracts include Credit Default Swaps ("CDS") and exchange traded contracts. CDS consist of index and single name products. CDS are used to protect against the risk of default on a set of debt obligations issued by a specified reference entity or entities. The Company enters into CDS to mitigate credit risk on its OTC derivative portfolio. When the Company is a seller of options,

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

(In Thousands of U.S. dollars)

(Unaudited)

### 4. Derivative Financial Instruments (continued)

the Company receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instruments underlying the option.

#### *Offsetting assets and liabilities*

For those derivative activities transacted under legally enforceable master netting agreements, the Company has the right, in the event of default by the counterparty, to liquidate collateral and to offset receivables and payables with the same counterparty. For purposes of the Statement of Financial Condition, and in accordance with ASC 210-20, *Offsetting*, and ASC 815 *Derivatives and Hedging*, the Company offsets derivative assets, liabilities, and cash collateral, except on initial margin, held with the same counterparty where it has such a legally enforceable master netting agreement.

The following table summarizes the notional and fair value amounts of derivative instruments outstanding as of September 30, 2025. Fair value balances are presented net of derivative valuation adjustments, but prior to the application of counterparty and cash collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into effect the legally enforceable master netting agreements with netting due to cash collateral received or paid.

		Fair value	
	Notional Amount	Derivative Receivables	Derivative Payables
Interest rate contracts	\$ 10,232,115,362	\$ 33,648,273	\$ 32,584,712
Foreign exchange contracts	2,556,022	6,734,748	4,857,678
OTC option-related contracts	534,526,571	2,335,609	2,002,350
Total return swaps	21,040,882	763,986	454,883
Other contracts	131,388,968	101,740	41,006
<b>Offset in the Statement of Financial Condition</b>			
Less: Counterparty Netting (1)		(36,443,702)	(36,443,702)
Less: Cash Collateral Netting (2)		(2,986,226)	(1,826,285)
<b>Derivatives</b>	<b>\$ 10,921,627,805</b>	<b>\$ 4,154,428</b>	<b>\$ 1,670,642</b>

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

(In Thousands of U.S. dollars)

(Unaudited)

### 4. Derivative Financial Instruments (continued)

Less: Amounts not offset in the Statement of Financial Condition (3)			1,102,613	72,236
<b>Total</b>	<b>net</b>	<b>derivative</b>		
<b>receivables/payables</b>			\$ 10,921,627,805	\$ 3,051,815
				\$ 1,598,406

- (1) Amounts relate to the netting of derivative receivable and payable balances with the same counterparty under enforceable netting agreements.
- (2) Amounts relate to the netting of cash collateral paid and received by counterparties under enforceable credit support agreements with appropriate legal opinion supporting enforceability of netting. Substantially all netting of cash collateral received and paid is against OTC derivative assets and liabilities, respectively.
- (3) For some counterparties, the financial instruments and collateral not net on the Statement of Financial Condition may exceed the net asset/liability recognized. Where this is the case, the total amounts reported in this row are limited to the balance of the net assets/liabilities recognized.

### 5. Securities Owned and Securities Sold, Not Yet Purchased, at Fair Value

Securities owned include proprietary positions that have been pledged as collateral to counterparties on terms which permit the counterparties to sell or re-pledge the securities to others, as well as financing the TOB business which secures tax-exempt revenue. Securities sold, not yet purchased, represent the Company's obligation to acquire the securities at then prevailing market prices, which may differ from the amount reflected on the Statement of Financial Condition.

The following table presents the Company's securities owned and securities sold, not yet purchased disaggregated by type of security as of September 30, 2025:

	<b>Owned</b>	<b>Sold, not yet purchased</b>
Municipal securities	\$ 5,704,892	-
U.S. Treasury securities	1,418,944	\$ 959,202
Corporate debt	776,480	-
Other sovereign obligations	606,911	-
<b>Total</b>	<b>\$ 8,507,227</b>	<b>\$ 959,202</b>

## **Mizuho Capital Markets LLC**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### **6. Risk Management**

Risk is an inherent part of the Company's business and activities. The Company has established risk management policies and procedures to measure and monitor each of the various types of significant risks. The Company's ability to properly and effectively identify, assess, monitor, and manage its risk is critical to the overall execution of the Company's strategy and its profitability. Risk management at the Company requires independent Company-level oversight. Effective risk practices are carried out through constant communication, exercise of professional judgement, and knowledge of specialized products and markets. The Company's senior management takes an active role in the identification, assessment, and management of risks at the Company level.

##### *Credit risk management*

Credit risk is the risk of loss resulting from a counterparty's failure to meet its obligations. The Company is engaged in various trading and brokerage activities with brokers/dealers, banks, and other institutions. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to manage credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions, and expectations. The credit risk for derivatives is limited to the unsettled fair valuation gains recorded in the Statement of Financial Condition. With respect to collateralized financing transactions, the Company continually monitors the value and adequacy of the collateral pledged by its counterparties. In addition, the Company enters into netting agreements to mitigate the credit risk and reduce the maximum amount of loss. For financial and non-financial institutions with which collateral agreements have not been established, the Company assumes the counterparty risk. However, for some of those counterparties the Company provides a parent guarantee under an ISDA Master Agreement or letters of credit to manage the Company's credit risk. Management believes the risk of credit loss from counterparties' failure to perform in connection with collateralized trading activities is low.

The distribution of the Company's credit risk (excluding transactions with affiliates and clearinghouses) by region and by using the lower of Standard & Poor's, Moody's or equivalent rating category was as follows:

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### 6. Risk Management (continued)

Region		Carrying Value
North America	73.38%	\$2,881,344
Cayman Islands	14.79%	580,901
Europe	3.41%	133,986
Others	8.42%	330,613
<b>Credit ratings</b>		
AAA/Aaa	0.16%	
AA/Aa	11.73%	
A	31.40%	
BBB/Baa	40.50%	
BB /Ba	13.26%	
B	2.78%	
CCC	0.17%	

The Company partially mitigates its credit exposure against uncollateralized counterparties by purchasing CDS.

#### *Market risk management*

Market risk is the potential loss the Company may incur as a result of changes in the market value of a particular instrument. All financial instruments, including derivatives and securities, are subject to market risk. The Company's exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, the absolute and relative levels of prices, interest rates, foreign currency exchange rates, market volatility and liquidity. The Company manages market risk primarily by setting and monitoring market risk

## **Mizuho Capital Markets LLC**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### **6. Risk Management (continued)**

limits, scenario analysis (for historical events, as well as, potential adverse market conditions), review and analysis of large potential trades, regular review of the desk level portfolios and firm wide exposures to various risk factors, including hedging its exposure to risk factors.

##### *Liquidity risk management*

Liquidity risk is the risk that an institution's financial condition or overall safety and soundness is adversely affected by the inability, or perceived inability to meet its contractual, including contingent obligations. The Company's potential risks remain that its liquidity, business activities and profitability may be adversely affected by inability to access funding from its affiliates or to sell assets to meet its financial obligations during periods of market-wide or firm-specific liquidity stress. This situation may arise due to circumstances unrelated to its businesses such as current geopolitical or macroeconomic conditions and hence outside of its control. The objective of liquidity risk management is to maintain a sufficient amount of liquidity and diversity of funding sources to allow an institution to meet obligations in both stable and adverse conditions using liquidity stress models. The Company manages liquidity risk mainly through its Treasury function and has established policies and strategies to identify, manage and report on liquidity risk.

##### *Non-Financial risk management*

Non-Financial risk is the risk of loss, whether direct or indirect, to which the Company is exposed due to inadequate or failed internal processes or systems, human error or misconduct, or external events. Non-Financial risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, cybersecurity, financial crime, and environmental risk, strategic and reputational risk. Non-Financial risk, in some form exists in each of the Company's business and support activities, and can result in financial loss, regulatory sanctions and damage to the Company's reputation. The Company has developed policies, processes, and assessment methodologies to ensure that non-financial risk is appropriately identified. There was no non-financial risk that had a material impact on the Company's Statement of Financial Condition.

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### 7. Fair Value Measurements

The Company applies the methods of calculating fair value defined in ASC 820, *Fair Value Measurements and Disclosure*, to value its financial assets and liabilities, where applicable. ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” or an “exit price.” The valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using techniques that are appropriate and for which sufficient data is available. For inputs based on bid and ask prices, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

#### *Fair value hierarchy*

ASC 820 prioritizes the inputs used to measure fair value into three broad levels, assigning the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest to unobservable inputs (Level 3 measurements). If the inputs used to measure an asset or liability fall into different levels within the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

The three categories are as follows:

Level 1- Assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Assets and liabilities whose values are based on inputs that are observable either directly or indirectly, but do not qualify as Level 1 inputs. If no quoted market prices are available, the fair values of OTC derivative contracts in this category are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 - Assets and liabilities whose values are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In determining the appropriate measurement levels, the Company performs analyses on the assets and liabilities subject to ASC 820 at the end of each reporting period. Changes in the observability of significant valuation inputs during the reporting period may result in a reclassification of certain assets and liabilities within the fair value hierarchy.



## **Mizuho Capital Markets LLC**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### **7. Fair Value Measurements (continued)**

##### *Valuation techniques*

Municipal Securities are measured at fair value using quoted prices in active dealer markets, third party provided prices, recently executed transactions and spreads over taxable and tax-free benchmark curves for comparable securities. These securities are classified as Level 2.

U.S. Treasury securities are measured at fair value using quoted prices for identical securities in active dealer markets. Federal agency securities are measured using a spread to the Treasury benchmark. Accordingly, U.S. Treasury securities are categorized in Level 1 of the fair value hierarchy when actively traded (“on-the-run”). Less actively traded (“off-the-run”) U.S. Treasury and federal agency securities are categorized in Level 2 of the fair value hierarchy.

Derivative contracts can be exchange-traded or OTC. The Company classifies exchange-traded contracts typically within Level 1 of the fair value hierarchy. OTC derivatives that trade in liquid markets such as forwards, swaps, and options, are classified within Level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence. If quoted market prices are not available, fair value is based upon internally developed valuation models that use current market-based or independently sourced market parameters, such as interest rates, currency rates, credit spreads, and option volatilities. Such models are often based on a discounted cash flow analysis.

The Company’s corporate debt largely consists of investment grade corporate bonds and notes. All corporate debt categorized as Level 2 are valued using third party market price quotations, recently executed transactions, or spread over the U.S. Treasury benchmark.

Other sovereign obligations are measured at fair value using quoted prices in active dealer markets. These securities are classified as Level 2.

The following table presents the Company’s major categories of assets and liabilities that are measured at fair value on a recurring basis using the above fair value hierarchy at September 30, 2025:

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

(In Thousands of U.S. dollars)

(Unaudited)

### 7. Fair Value Measurements (continued)

Description	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Balance as of September 30, 2025
<b>Assets</b>					
Derivatives	\$ -	\$ 43,584,356	\$ -	\$ (39,429,928)	\$ 4,154,428
Securities owned, at fair value					
Municipal securities	-	5,704,892	-	-	5,704,892
U.S. Treasury securities	94,779	1,324,165	-	-	1,418,944
Corporate debt	-	776,480	-	-	776,480
Other sovereign obligations	-	606,911	-	-	606,911
	<u>\$ 94,779</u>	<u>\$ 51,996,804</u>	<u>\$ -</u>	<u>\$ (39,429,928)</u>	<u>\$ 12,661,655</u>

	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Balance as of September 30, 2025
<b>Liabilities</b>					
Derivatives	\$ -	\$ 39,940,629	\$ -	\$ (38,269,987)	\$ 1,670,642
Securities sold, not yet purchased, at fair value					
U.S. Treasury securities	669,763	289,439	-	-	959,202
	<u>\$ 669,763</u>	<u>\$ 40,230,068</u>	<u>\$ -</u>	<u>\$ (38,269,987)</u>	<u>\$ 2,629,844</u>

#### Transfers into/out of Level 3

There had been no transfers in or out of Level 3 during this period for the year ended September 30, 2025.

#### Valuation adjustments

Valuation adjustments are integral to determining the fair value of derivative portfolios and are achieved by developing and calibrating sophisticated pricing models to determine the fair value and appropriate exit price. The Company utilizes a valuation methodology that incorporates various valuation adjustments (“XVA”) in the valuation of open derivative trades.

XVA is comprised of credit valuation adjustment (“CVA”), which accounts for the counterparty credit risk inherent in the uncollateralized portion of derivative portfolios, funding cost adjustment (“FCA”), which accounts for the impact to the Company’s funding cost on uncollateralized

## Mizuho Capital Markets LLC

### Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### 7. Fair Value Measurements (continued)

derivative trades and associated with balance sheet assets and funding benefit adjustment (“FBA”), which accounts for the impact to the Company’s funding cost on uncollateralized derivative trades and associated with balance sheet liabilities. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels. For derivatives that include significant unobservable inputs, the Company makes model or exit price adjustments to account for the valuation uncertainty present in the transaction.

#### 8. Receivables from and Payables to brokers/dealers, clearing organizations and customers

Receivables from and payables to brokers/dealers, clearing organizations and customers at September 30, 2025 consist of the following:

	Receivables	Payables
Receivables and payables for trades pending settlement	\$ 491,936	\$ 319,559
Variation margin	214,808	1,113,053
Receivables from and payables to clearing organizations and brokers	52,380	3,614
Initial margin	35,315	1,710,830
Futures margin	4,830	-
Other	-	11,126
Total	\$ 799,269	\$ 3,158,182

Receivables and payables for trades pending settlement are determined by the contract prices of securities to be delivered or received by the Company. If a counterparty fails to deliver securities pending settlement to the Company, the Company may be required to purchase identical securities on the open market. Trades pending settlement at September 30, 2025 were settled without a material effect on the Company’s Statement of Financial Condition.

Variation margin balances represent excess net variation margin resulting from changes in the fair value of derivatives as well as variation margin not eligible for offsetting.

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **8. Receivables from and Payables to brokers/dealers, clearing organizations and customers (continued)**

Initial margin and futures margin are a returnable deposit required when opening new positions at clearing organizations. The receivable is the balance due from exchanges, clearinghouses, brokers or customers. The payable is the balance due to customers for initial margin related to trades the Company cleared on their behalf.

Receivable from clearing organizations and brokers includes LCH default fund as well as other receivables. It is the requirement of MCM to provide funding to be utilized in the event of default.

### **9. Borrowings**

#### *Short-term borrowings*

At September 30, 2025, the Company had short-term borrowings comprised of unsecured revolving loans, bank overdrafts, and affiliate loan totaling \$3,287,282 with interest rates generally ranging from 3.25% to 5.08%.

In addition, the Company has a \$550,000 revolving subordinated loan facility with MHBK London branch (“MHBK London”), which can be utilized to meet regulatory capital requirements when needed, which was not utilized as of September 30, 2025

#### *Long-term debt*

Long-term debt consists of long dated floaters, issued by TOB trusts as part of the Company’s TOB program. At September 30, 2025, the Company had borrowings of \$4,968,509 with interest rates ranging from 2.70% to 4.36%. The contractual maturities of long-term debt range from 2025 to 2062.

### **10. Related-Party Transactions**

In the normal course of business, the Company transacts with affiliated companies as part of its trading, clearing, financing, and general operations. At September 30, 2025, the Statement of Financial Condition included the following balances with affiliates:

## Mizuho Capital Markets LLC

### Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### 10. Related-Party Transactions (continued)

##### **Statement of Financial Condition**

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##### **Assets**

Cash and cash equivalents	\$497,782
Collateralized agreements:	
Securities purchased under agreements to resell	3,089,977
Receivables from brokers/dealers, clearing organizations and customers	4,675
Other assets	10,399

##### **Liabilities**

Short-term borrowings	2,969,839
Collateralized agreements:	
Securities sold under agreements to repurchase	1,027,407
Derivatives	27,280
Payables to brokers/dealers, clearing organizations and customers	1,647,568
Other Liabilities	19,321

##### *Cash and cash equivalents*

At September 30, 2025, the cash and cash equivalent balance is with MHBK.

##### *Collateralized agreements*

At September 30, 2025, the collateralized agreements balances are mostly comprised of securities borrowed, securities loaned and repurchase agreements with MSUSA. These transactions are presented net in the Statement of Financial Condition.

## **Mizuho Capital Markets LLC**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### **10. Related-Party Transactions (continued)**

The Company charges interest or fees to affiliates at the contracted rates stipulated in the resale and repurchase agreements.

##### *Derivatives*

MCM clears derivatives for affiliates and may enter into bilateral transactions with affiliates. The Company utilizes other affiliates for brokerage and clearing services.

##### *Receivables from and payables to brokers/dealers, clearing organizations and customers*

Receivables are comprised primarily of balances due from affiliates who have direct access to derivatives markets to which the Company does not and excess variation margin posted by MCM. Payables are comprised primarily of balances due to affiliates who do not have direct access to derivatives markets to which the Company has access and excess variation margin received by MCM.

##### *Other liabilities*

Accrued expenses and other liabilities primarily consist of balances due to MSUSA. In its role as Manager of MCM, MSUSA has paid certain reimbursable costs on behalf of MCM during the year.

##### *Commitments and contingencies*

The Company has a \$13,350,000 guarantee from MHBK on its negative exposure on derivatives transactions with counterparties. At September 30, 2025, \$2,935,571 was utilized. The Company has a \$45,000 guarantee from MHBK for a long-term lease obligation, which has not been drawn down.

## Mizuho Capital Markets LLC

### Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### 11. Income Taxes

MCM is a single member limited liability company, and as such, is a disregarded entity owned by MHA for U.S. corporation income tax purposes.

At September 30, 2025, MCM had a net DTA of \$1,934 consisting of a gross DTA of \$8,942 and a gross DTL of \$7,008. The resulting net deferred tax assets is included in other assets in the Statement of Financial Condition. The gross DTA relates primarily to timing differences for rent liabilities and accrued expenses. The gross DTL results primarily from tax depreciation in excess of book depreciation.

The following table summarizes the change in the Company's unrecognized tax benefits from April 1, 2025 to September 30, 2025:

Balance as of April 1, 2025	\$	2,692
Decreases related to prior year tax positions		98
Increases related to current year tax positions		259
Balance as of September 30, 2025	\$	3,049

At September 30, 2025, the Company's net unrecognized tax benefits were \$3,313, which includes interest and penalties of \$1,057 and would affect its effective tax rate, if recognized. The Company does not believe that the total unrecognized benefits will significantly change within the next twelve months.

MCM is routinely examined by various tax authorities. The Company believes it has adequately provided for any potential adjustments from any audits and any adverse results would not have a material impact on the Company's unrecognized tax benefit balance within the next twelve months. MHA's Federal income tax returns beginning with tax year ended March 31, 2022 remain subject to examination by the Internal Revenue Service. Tax years from 2011 through 2022 remain subject to examination by the state and local tax authorities. Tax years from 2011 to 2022 are currently under New York State examination. Tax years from 2013 to 2014 are currently under New York City examination.

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **11. Income Taxes (continued)**

Pursuant to the Tax Sharing Agreement by and among Mizuho related companies, MCM files and is included in various combined and unitary state and local tax returns. Beginning October 1, 2017, MCM files and is included in the combined MHA federal tax return. The Company calculates the provision for income taxes by using a separate return method, with modifications. Under this method, the Company assumes it is filing a separate return with the taxing authorities, thereby reporting taxable income or loss and paying the applicable tax to or receiving the appropriate refund from the lead filer(s).

The current tax provision is the amount of tax payable or refundable on the basis of a hypothetical current year separate return with modifications. Deferred taxes are provided on temporary differences and on any carry-forwards that can be claimed on its hypothetical tax return(s). The Company assessed the need for a valuation allowance on the basis of the projected separate return results, with additional consideration for the consolidated group's capacity. At September 30, 2025, MCM had income tax payables of \$9,889 due to affiliates, which were recorded in accrued expenses and other liabilities in the Statement of Financial Condition.

### **12. Segment Reporting**

The Company has identified two operating and reportable segments on the basis of the way in which internally reported financial information is regularly reviewed by the Financial and Operations Principal, who is Chief Financial Officer ("CFO") of the Company and determined to be the Chief Operating Decision Maker ("CODM"). The following is a brief description of each reportable segment. Additionally, the CODM uses excess net capital, which is not a measure of profit and loss, to make operational decisions while maintaining capital adequacy.

Markets Division – this segment offers clients with a range of sales and trading services across fixed income and currency products, in both cash and derivative instruments to the full array of investors and issuers. Support/Other Function – this segment provides support to the core business activities of the above divisions, which primarily consists of treasury and corporate services.

Segment-level asset information is not regularly provided to the CODM for performance evaluation.



## **Mizuho Capital Markets LLC**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### **13. Commitments and Contingencies**

##### *Litigation*

In accordance with the provisions of ASC 450, *Contingencies*, the Company accrues for a litigation-related liability when the assessed likelihood of realizing a future loss is probable and the amount of loss can be reasonably estimated. In applying these principles, the information available may indicate that the estimated amount of loss is within a certain range. The Company accrues when an amount within a range of loss is identified as the most likely result.

On April 18, 2025, the CFTC closed its previously reported investigation of the Company regarding compliance with record keeping requirements related to business communications sent over unapproved electronic messaging channels. The investigation was closed without taking any action against the Company or otherwise necessitating any settlement payments from the Company.

The Company is periodically involved in litigation arising in the normal course of business. It is the opinion of management that the ultimate resolution of such litigation will not have a material adverse effect on the Company's Statement of Financial Condition.

##### *Clearing Organization Guarantees*

Associated with the Company's membership in LCH, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the clearing organization. Any potential contingent liability under this membership agreement cannot be estimated and the Company believes any requirement to make payments is remote. The Company has not recorded any contingent liability in the Statement of Financial Condition for this agreement. The Company has a swap guarantee fund deposited with the LCH.

##### *Affiliate Guarantees*

In connection with the Company's membership in LCH, the Company acts in the capacity of "Swap Clear Dealer Clearing Member" to affiliates that wish to clear transactions through LCH. In such capacity, the Company is required to provide collateral or assume other trade-related responsibilities on behalf of affiliates.

## **Mizuho Capital Markets LLC**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

#### **14. Variable Interest Entities**

The Company is involved with VIE's in the normal course of business. The Company's variable interest in VIEs include commitments, residual interest certificates, and certain fees in connection with municipal trusts.

##### *Municipal Tender Option Bond Trusts*

Municipal TOB trusts may hold fixed- or floating-rate, taxable or tax-exempt securities issued by state and local governments and municipalities, and are typically structured as a single-issuer entity whose assets are purchased from investors in the municipal securities market. These trusts finance the purchase of their municipal securities by issuing two classes of certificates: long-dated, floaters that are puttable pursuant to liquidity facility agreements and residual interest certificates ("residuals"). The floaters are purchased by third-party investors, typically tax-exempt money market funds. The residuals are purchased by original owners of the municipal securities that are being financed.

The Company is engaged in two types of TOB trusts: third party TOB trusts and MCM TOB trusts. Third party TOB trusts are those for which the residuals are purchased by customers of the Company, whereas the residuals issued by MCM TOB trusts are purchased by the Company. Often times, the Company commits to provide liquidity to third party TOB trusts. The maximum exposure to loss from these liquidity agreements was \$581,462 at September 30, 2025. If such a trust is unwound early due to an event other than a credit event on the underlying municipal bonds, any shortfall between the bond sale proceeds and the redemption price of the Floaters would be paid by the Company to the trust to consummate the redemption. In addition, the Company executes reimbursement agreements with the Residuals holders, which requires the holders to reimburse the Company for any payment made under the liquidity arrangement.

The Company may serve as a tender option provider or a credit enhancement provider for certain MCM TOB trusts. The tender option arrangement allows floater holders to put their interests directly to the Company at any time, priced at par. At September 30, 2025, there were no municipal bonds subject to a credit guarantee provided by the Company.

The Company may serve as a voluntary advance provider to third party TOB trusts. In this capacity, the Company has the option to provide loan advances to the trust to purchase optionally tendered Floaters which have not been remarketed to new investors. As of September 30, 2025, the Company had no outstanding voluntary advances to third party TOB trusts.

# Mizuho Capital Markets LLC

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### 14. Variable Interest Entities (continued)

The Company considers both third party TOB trusts and MCM TOB trusts VIEs. Third party TOB trusts are not consolidated in the Statement of Financial Condition of the Company, as the power to direct the activities that most significantly impact the trusts' economic performance rests with the Residuals holders.

MCM TOB trusts are generally consolidated in the Statement of Financial Condition of the Company because it holds the residual interest and thus has the unilateral power to cause sale of the trusts' bonds.

The table below presents the carrying amounts, and classification of assets and liabilities on the Company's Statement of Financial Condition, which relate to its variable interests in unconsolidated VIEs, and the Company's maximum exposure to loss as well as total assets of the unconsolidated VIEs based on currently available information at September 30, 2025:

**Assets on Statement of Financial Condition related to unconsolidated VIEs (1):**

Receivables from brokers/dealers, clearing organizations and customers	\$2,351
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**Liabilities on Statement of Financial Condition related to unconsolidated VIEs (1):**

Maximum Exposure to Loss (2)	\$581,462
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Total assets of unconsolidated VIEs	\$722,026
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(1) A unconsolidated VIE is an entity in which the Company has any variable interest or continuing involvement, regardless of the likelihood of loss.

(2) The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities.

# **Mizuho Capital Markets LLC**

## **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

*(Unaudited)*

### **15. Net Capital Requirements**

MCM is dually registered as a SD with the CFTC and SBSB with the SEC. MCM is subject to the capital and financial reporting requirements for swap dealers and major swap participants of the CFTC Rule 17 CFR 23.101, and net capital requirements for security-based swap dealers of the SEC Rule 18a-1. The Company qualifies for the Alternative compliance Mechanism under the SEC Rule 18a-10 therefore is subject to only comply with the CFTC's net capital requirements in lieu of complying with the SEC capital rules. The Company has elected to follow the Bank Based Approach and is required to maintain minimum net capital, as defined, equivalent to the greatest of \$20,000, 8% of Uncleared Swap Margin or of Risk Weight Assets.

At September 30, 2025, the Company's net capital of \$2,020,335 was \$652,959 in excess of the required amount of \$1,367,376. Advances to affiliates, repayment of subordinated liabilities, dividend payments, and other equity withdrawals are subject to certain limitations and other provisions of the SEC and other regulators.

### **16. Subsequent events**

Under the provisions of ASC 855, Subsequent Events, companies are required to evaluate events and transactions that occur after the Statement of Financial Condition date but before the date the Statement of Financial Condition is issued. As such, the Company is required to evaluate and recognize in the Statement of Financial Condition the effect of all events or transactions that provide additional evidence of conditions that existed at the Statement of Financial Condition date, including estimates inherent in the preparation of the Statement of Financial Condition.

The Company evaluated all events subsequent to September 30, 2025, through December 4, 2025, the date on which the Statement of Financial Condition was issued. Other than what is disclosed in Commitments and Contingencies (Note 13), there were no material recognizable or non-recognizable subsequent events during this period.