Business Improvement Plan – Progress Report

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Mizuho Financial Group, Inc.
Mizuho Bank, Ltd.

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Contents

Business Improvement Plan – Current Status

- After their formation and fruitful implementation, inspections and other improvement measures are since establishing themselves as self-governed practices in the workplace.
  - The practices have been confirmed as effective, through stable and consistent implementation
  - In Q4 there were no serious system failures, the timeliness of initial response improved, and employee awareness advanced through internal and external communication.

Where we stand

End of FY2022

Formation & Implementation of initiatives

Maintenance

Continuation

Establishment in the workplace

- Carried out first round of inspections & responses
  - System failure prevention (maintenance inspection)
  - Enhancing of system failure response capabilities (timely initial response)

  ➤ Consistently prevented large scale system failures

- Initiatives to maintain effectiveness:
  - Awareness (Self-government, consistent reflection)
  - Knowledge (both on a company and employee level)
  - Wisdom (balancing effectiveness and efficiency*1)

*1 Reviewing the method, scope, and cycle for inspection and response

System Failures - Prevention

- Since the first round of system inspections, the practice of formulating and promoting preventative measures is also being established, which are based on understanding on-site situations and personnel management.
- The digitalization of inspections is also being considered currently, to ensure their continued effectiveness.

System maintenance

	Actions taken / Area of improvement	Current status[2]
System failure[1]	—	No. of Failures – **2** (none in Q4) (**11** between 02/28/21 and end of FY21)
Hardware-related	**Finished Inspections** 380 additional preventive replacements[3] Completed for all 95 systems[4]	No. of Failures – **1** (none in Q4) (**5** between 02/28/21 and end of FY21)
Software-related	**Software Releases** strengthened check structure, confirmed knock-on effects	No. of Failures – **0** (**2** between 02/28/21 and end of FY21)
Performance-related	**System Resources** overall enhancement and monitoring improvement	No. of Failures – **1** (none in Q4) (**2** between 02/28/21 and end of FY21)

IT governance

	Actions taken / Area of improvement	Current status
Understanding the frontline situation / Personnel management	**Dissemination of personnel management** **Accumulation of employees' voice and the full-scale start of the improvement cycle** 1,500 staff interviews 60 management-frontline dialogues	**Employee awareness is improving** - Improvement in the frontline perception of middle-management-level employees - The response rate for the staff survey for IT employees increased to about 80% by the end of 4Q.
Resource allocation	**Securing necessary management resources, such as IT investments and expenses**	
Risk management	**Enhancement of failure analysis**	

[1] System failures with significant impact (domestic impact, excluding externally caused) [2] Actual result of Apr 2022 to Mar 2023
[3] Preventive replacement of disks, etc., based on detected signs found through inspection [4] Inspection to find problems or things to be improved for system behavior at the time of switching to backup when failure occurs

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System Failures - Response Enhancement

- Framework for enabling timely initial response has been successfully established, enhancing response functionality to ATM failures
- Going forward, business operations will undergo continued reviewing. Frontline capabilities will be strengthened, and visualization of system configurations and work lines will be incorporated as organizational knowledge.

Initial Response Time

	Actions taken / Area of improvement[1]	Current status
Time lapse between detection and response	**Rigorous initial response operations** **Training using actual machines** 411 times	Generally **within 30 minutes** (Target range: within 1 hour)
External announcement		Most recently **within 1 hour**[3]
System recovery	**Visualization of systems and operations** Main 30 operations / second round started	No. cases taking >3 hrs: **0** (none in 4Q) (**10** between 02/28/21 and end of FY21)
Transactions processed the next day due to system failures		**2 cases** (none in 4Q) (**7** between 02/28/21 and end of FY21)

ATM Failure Response

	Actions taken / Area of improvement[1]	Current status
Number of ATMs out of service	**Improvement of ATM functionality** - Installation of cameras with speakers at all ATM sites - Improvement of specifications for capturing of bankbooks and cards	**29 units at most**[2] (02/28/21: 4,381)
Bankbook and card captures		**0 cases** (none in 4Q) (02/28/21: 5,244)

[1] Actual result of Apr 2022 to Mar 2023 [2] February 2, 2023: Impact of external line network failure; restored within 46 minutes after the line switchover [3] Oct 17: EBIS system failure, from internal detection to announcement [4] Number of domestic system failures that resulted in transactions that should have been processed on the current day but that were processed on the following day in part, including transactions in progress, etc. Number of affected transactions is decreased from few thousands to less than hundred.

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Utilizing Customer & Employee Feedback / Reforming Corporate Culture

- Structure and infrastructure for listening/utilizing feedback are being enhanced, and operations are established. Internal operations have been abolished, and tools are enhanced.
- Continuous improvements are to be made based on customer feedback, which should lead to perceived changes among employees.

Initiatives for Utilizing Feedback

	Actions/points to be improved	Current status
Listening of feedback and opinions	**Establishment of infrastructure** Rollout of Visualization Engines*1 at all branches **Encouraging communication between the front offices and the head office** Enhancement of Mirai Conference *2	**Continuing communication with customers** **Mutual understanding improved between frontline departments/ branches and the head office.** Approximately 80% of branches recognized improvement in the head office's approach by 4Q.
Utilization of feedback and opinions	**Web posting of examples of improvements based on customer feedback*3** **Reduction of operation workload based on feedback/opinions as a starting point** Improvement of tablet functions at branches, etc.	

Reforming Corporate Culture

	Actions/points to be improved	Current status
Proposals made by employee working groups and initiatives	**Internal operations abolished/improved** Approx. 400 **Consideration of re-definition of corporate philosophy, appointing of a Chief Culture Officer** **Introduction of internal SNS** **Promotion of management-frontline dialogue** Discussions, etc., between Group CEO/presidents and the frontlines **Initiatives encouraging regular reflection**	**Employee awareness is improving, with the staff survey response rate increased at about 80%** Trust in management is back to the pre-system-failure level. Response rates improved, partly due to survey UI improvements. **Continuing to provide fine-tuned operations via a well-organized structure that delivers perceptions of changes to each employee** Employee engagement improvement committee

*1 Infrastructure for visualization of feedback on branches *2 Dialogue between branches and the head office with a forward-looking approach to business operations. *3 https://www.mizuhobank.co.jp/company/activity/cs/case.html (in Japanese)

Governance

Legal Compliance

- **Establishment of procedures/structures related to foreign exchange laws and regulations; multi-layered initiatives to promote/ensure the penetration of essential understanding**, including message transmission and workshops
    - Clarifying the basic approach and action guidelines and communicating these to all employees as a message from the GCEO; head of divisions and general managers also transmitting messages in response to the actual situation of the front lines
    - Inspection activities by the front lines and the head office, with workshops at frontline departments and branches

- **Reinforcement of the self-govern actions** of the front lines and head office by reviewing training programs based on the level of understanding and changes in behavior, along with expanding inspections beyond the scope of foreign exchange-related laws

Implementing Supervisory Functions

- **Enhancement of multi-faceted information-gathering capabilities and expertise** by outside directors, to enhance effective governance structure in entire group
    - Close exchange of opinions with the top management of major group companies, visits and communication with front offices, MHRT[*1] offices, head office etc.
    - Nominated new candidates for outside directors, including ones with technology expertise

- **Continued improvement activities based on the evaluation process of the effectiveness[*2] of the Board of Directors** for the enhancement of supervisory functions

[*1] Mizuho Research & Technologies, Ltd.
[*2] Corporate Governance Report, Supplementary Principle [4.11.3]
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