

January 20, 2006

**To whom it may concern**

Mizuho Financial Group, Inc.  
Mizuho Corporate Bank, Ltd.  
Mizuho Securities Co., Ltd.

**Improvement Measures to Prevent the Placement of Erroneous Orders**  
**(Submission of “Report based on the Business Improvement Order”)**

With regard to the erroneous order that Mizuho Securities Co., Ltd. (“Mizuho Securities”) placed on December 8, 2005 regarding the brokerage of an agency order for the shares of J-COM Co., Ltd., we deeply regret that we have brought confusion to the market and great inconvenience to various related parties.

Due to this erroneous order, Mizuho Securities has received a Business Improvement Order (dated December 22, 2005) from the Financial Services Agency of Japan (“FSA”). Looking ahead to proactively reforming its business operation system, Mizuho Securities has assessed improvement measures including preventive measures against the recurrence of the placement of erroneous orders. As a result, Mizuho Securities has devised drastic improvement measures, incorporating the findings by the Special Committee established last December which consists mainly of external advisers. Such measures include the improvement of IT systems and the reconsideration of rules for system operations to prevent the recurrence of the placement of erroneous orders. Today, Mizuho Securities has submitted its “Report based on the Business Improvement Order” (“the Report”), including such improvement measures, to the FSA.

Mizuho Securities has acknowledged this administrative order with great seriousness, and consequently, commits to surely implement the improvement measures and to prevent the future recurrence of similar errors to the best of its ability.

At the same time, Mizuho Financial Group, Inc. commits to further strengthen management and control of the entire group and strive to enhance corporate governance, while supervising the steady implementation of the improvement measures by Mizuho Securities.

The main points of the improvement measures devised by Mizuho Securities (submitted today as the Report) are as follows:

## **1. Implementation of immediate measures regarding the placement of orders for IPO shares**

- ◆ The following immediate measures have been implemented and will be in effect until drastic improvement measures regarding the ordering systems for equity-related products are implemented and preparedness in terms of crisis management is established.
  - (1) Segregation of the sales function and the execution of orders (system entry) by designating system operators for the Financial Institution Sales Department, etc. to execute orders and prohibiting the entry of orders into the ordering systems by sales staff
  - (2) Tightening of double-check rules regarding the placement of orders for IPO shares (e.g., double-checking of order entries by someone other than the initial operator) and thorough reiteration of such rules through educational training
  - (3) Real-time monitoring of the placement of abnormal orders for IPO shares before initial pricing and the placement of large-lot orders
  - (4) Adoption of rules regarding the authorization of deactivating warning alarms (when such alarms are triggered) upon confirmation of the warning details by someone other than the initial operator

## **2. Necessary plans to improve the design and operation of ordering systems for equity-related products**

- ◆ By the end of March 2006, the following improvements, mainly focusing on the configurations of the ordering systems regarding equity-related products, will be conducted. Through such actions, the effectiveness of the checking function upon the placement of orders will be enhanced and safeguard systems to prevent the placement of erroneous orders due to manual input errors will be improved. Furthermore, the plans for such actions will be revised, if necessary, in consideration of market trends and future environmental changes.
  - (1) Changes in the upper limit on the acceptable total order price and the acceptable quantity of shares
  - (2) Setting of upper limit on the acceptable quantity of shares with reference to the total number of outstanding shares
  - (3) Tightening of checking functions regarding orders for IPO shares before initial pricing
  - (4) Revising of procedures to limit the deactivation of high-level warning alarms to qualified officers
  - (5) Improvement in alarm indication such as enlarging alarm windows and setting the alarm sound
- ◆ By the end of January 2006, the overall operational environment of systems will be improved to prevent manual input errors by the enhancement of training in operating systems and reforms to operational flows/organization.
  - (1) Enhancement of training
    - Establishment of “Equity Business Training Office” and conducting of training programs according to the skills of staffs
    - Establishment of “Operation Training Office” within the Personnel Department and introduction of system operation training courses
  - (2) Early detection of abnormal orders
    - Establishment of “Transaction Monitoring Office” and monitoring of the placement of orders for equity-related products
  - (3) Reforms to organizational structure to clarify role-sharing regarding transaction execution
    - Establishment of “Transaction Execution Office” and enhancing management of transaction execution through assignment of experienced managers.

### **3. Improvement measures regarding responses to emergency situations such as the placement of a large-scale erroneous order**

◆ The following improvement measures and responsive measures will be assessed and implemented, and preparedness in terms of crisis management will be established. Such measures are aimed to minimize impacts on clients and the market arising in emergency situations such as the placement of large-scale erroneous orders and to resolve such emergency situations at an early stage.

- (1) Preparation of emergency contact lists and establishment of direct exclusive phone lines with exchanges
- (2) Establishment of a new response manual for large-scale erroneous orders and clarification of line of instruction/contact regarding emergency responses
- (3) Review of decision-making processes to adequately conduct timely disclosure in case of emergency
- (4) Preparation of plans for emergency response drills and regular conducting of such drills

### **4. Enhancement of internal management controls and business management**

◆ The management will proactively conduct the following measures company-wide to enhance internal management controls and business management.

- (1) Establishment of Equity Committee for the purpose of further intensifying management's involvement in equity-related businesses (Chairman of Committee: President)
- (2) Establishment of Compliance Committee (including external advisers) to deliberate compliance issues (e.g., confirmation of facts, investigation of causes, and assessment of preventive measures against the recurrence of similar incidents when transaction incidents occur; enhancement of the compliance system)
- (3) Enhancement of company-wide operational risk management
- (4) Enhancement of internal auditing structure through the enhancement of auditing on the placement of orders, increasing of internal auditing staff, and strengthening of IT systems audits

### **5. Identification of responsibility**

◆ Considering the responsibility related to the placement of the erroneous order on December 8, 2005 regarding the brokerage of an agency order in the shares of J-COM Co., Ltd. with great seriousness, disciplinary actions have been taken as shown in the appendix.

Disciplinary actions in relation to  
the placement of erroneous order in the shares of J-COM Co., Ltd.

1. Reduction of senior executive officers' remunerations

- Mizuho Financial Group, Inc.
 

President & CEO, Terunobu Maeda	30% reduction for 1 month
1 Managing Director	10% reduction for 1 month
  
- Mizuho Corporate Bank, Ltd.
 

President & CEO, Hiroshi Saito	30% reduction for 1 month
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- Mizuho Securities Co., Ltd.
 

President, Makoto Fukuda	50% reduction for 3 months
3 Deputy Presidents	25 – 30% reduction for 3 months
2 Managing Directors	10% reduction for 3 months

2. Actions towards employees

- Mizuho Securities Co., Ltd.
 

11 Employees	Reprimand, Warning, Stern Admonitions
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