Business Improvement Plan – Progress Report

July 14, 2023
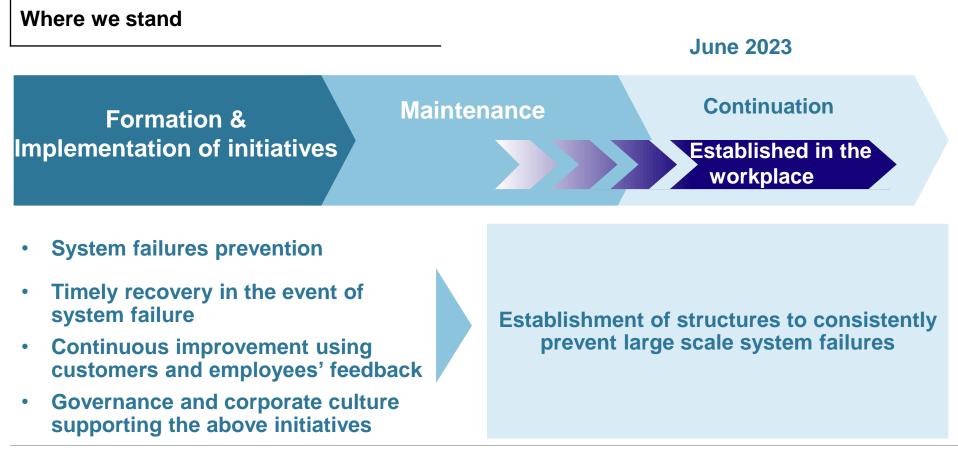
Mizuho Financial Group, Inc.
Mizuho Bank, Ltd.

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Business Improvement Plan – Current Status

- **Improvement measures are establishing themselves** in the workplace, and **their effectiveness is maintainable going forward**
  - They been stably implemented, and their continuous contribution to improvement has been confirmed
  - Follow-ups are also being implemented to maintain their effectiveness, as well as efforts for self-review, self-expansion and self-permeation, grasping changes in the external environment.

Where we stand

June 2023

Formation & Implementation of initiatives	Maintenance	Continuation
		Established in the workplace

- **System failures prevention**
- **Timely recovery in the event of system failure**
- **Continuous improvement using customers and employees' feedback**
- **Governance and corporate culture supporting the above initiatives**

Establishment of structures to consistently prevent large scale system failures

System Failures – Prevention and Response Enhancement

Systems

- Continuing inspections and measures to prevent system failures, and ensuring timely response and recovery should they occur
- Continuously preventing major system failures

	Actions taken	Improvement status[1]
System failures prevention	• Finished all of the following inspections by the end of FY22, continuing in FY23	• No. of major failures - 0 (FY21:11, FY22: 2)
Hardware inspections	• Finished replacement of parts that could cause failures: Approx. 380	• Incl. No. of hardware-related failures - 0 (FY21: 5, FY22: 1)
Software Release inspections	• Thoroughly reviewed software releases and knock-on effects	• Incl. No. of release-related failures - 0 (FY21: 2, FY22: 0)
Application inspections	• Finished system performance inspection for all 17 operations	• Incl. No. of performance-related failures - 0 (FY21: 2, FY22: 1)
Timely recovery	• Finished inspection of recovery methods for all 95 systems	• No. of cases taking >3 hours - 0 (FY21: 7, FY22: 0)

Enhancement of response capabilities

- Minimized customer impact through timely initial response and recovery in the event of a system failure
- Improved ATM functionalities for safe and reliable customers use

	Actions taken	Improvement status[1]
Timely initial response and recovery	• Rigorous initial response operations • Completed the visualization of systems and operations for all 30 operations and will maintain going forwards • Continuously implemented practical training • Formulated announcement text/completed the preparation of the announcement posting location	• Generally within 30 minutes from the preliminary report **Target range: within 1 hour** • No. of failures causing the transaction to be processed the next day[2] - 0 (FY21: 7, FY22: 2) • Timely notification possible, within one hour
ATM response	• Finished the installation of cameras with speakers at 1,801 locations • Completed improvements to prevent the capture of bankbooks/ATM cards	• No. of ATMs out of service[3] - 12 units at most FY21: 4,318 units • Capture of bankbook/card - 0 FY21: 5,244 cases

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Utilizing Customer & Employee Feedback/IT Governance/Reforming Corporate Culture

Utilizing Customer & Employee Feedback

- **Structure and infrastructure** for listening/utilizing feedback **are being enhanced, and operations are established. Frontline reputation is also improving**
- Building up improvement track record and implementing full-scale engagement with customers and employees

	Actions taken	Improvement status
Listening of feedback and opinions	• Tool development/operations in place: Visualization Engines[1] • Enhance communication between the front offices and the head office: Mirai Conference[2]	• Enhanced mutual understanding between frontline departments/branches and the head office; approximately 80% of branches noted improvement in the head office's approach. • Continuous communication with customers Continuous communication of details of improvement
Utilization of feedback and opinions	• Expanding improvement actions deriving from feedback and opinions • Improved & enhanced appointment reservation service at branches	

IT Governance

- **Practices enhancing understanding of the frontline situation and risk management are established, employee awareness is also improving.**
- Full-scale IT reforms have been launched to ensure stable business operations now and in the future.

	Actions taken	Improvement status
Understanding the frontline situation	• Carried out the first round of personnel interviews • Established management-frontline dialogue	• Employee awareness is improving, IT employee survey is showing signs of improvement in awareness.
Risk & Resource allocation	• Enhance system risk management • Allocating recourses required for systems operations	• Launched IT reforms that go beyond improvement.

Reforming Corporate Culture

- **Developed and announced the new Corporate Identity and the targets for engagement scores and inclusion scores**
- The scores is at the initial stage of for improvement, and promoting widespread understanding of the Corporate Identity and engagement with employees with full scale is now under progress

	Actions taken	Improvement status
Culture	• Developed and announced the new Corporate Identity • Launched new employee-driven plans • Abolish/improved internal operations: Approximately 400	• Employee awareness improving • The engagement and inclusion score are still on the way of showing positive signs, and company-wide initiatives are taken to the pervasion of the Corporate Identity.
Organization development	• Planning interactive organizational development program[3] for managers	

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. Program of experimental leaning and support skilling for middle-management to achieve To-Be of each offices.

Governance

Legal Compliance

- **Self-governing practice in improving operations is established, including the visualization of operations based on legal compliance and inspection reviews in relation to changes in the external environment.**
- **Essential understanding by employees is also developing through training, personnel exchanges, and obtaining qualifications.**

	Actions taken	Improvement status
Enhancing operation infrastructure	• Visualize work lines, training to promote essential understanding of relevant laws and regulations, development of training guidelines, etc.	• Level of understanding of training content is improving. Measured improvement in comprehension in pre- and post-training questionnaires; more than 90% of participants understood the content. Ongoing monitoring is performed from the same perspective as the retention level.
Improving analytical skills	• Review inspection items based on risks and changes in the external environment	• The number of employees with external/international AML/CFT certificates is increasing.

Implementing Supervisory Functions

- **Maintain and continue initiatives such as gathering multifaceted information, enhancing expertise and follow-up to management.** For even further establishment, **create and start operation of an improvement cycle** centered on the management policy of the Board of Directors.

	Actions taken	Improvement status
Gathering multi-faceted information	• Improving the Board of Director managing policy, continuing communication between outside directors and management and employees, etc.	• Evaluation of the effectiveness of the Board of Directors: overall effectiveness confirmed
Enhancing expertise	• Enhancing resource allocation and discussions of the Executive Officers, appointment of outside directors including the perspective of technology expertise	

Cross-field activities

- **Steady promotion of company-wide efforts encouraging consistent reflection.**
  - Include reflecting and learning from near-misses as an improvement measure
  - Installation and enhancement of exhibition spaces for regular reflection
  - Continuous publication of company newsletter for crisis management, which highlights initiatives to support stable business operations, etc.

Initiatives to Maintain Effectiveness

- **Ongoing measures are not merely maintained, but are self-permeating, establishing themselves in a self-governed manner**
- The longevity of their effectiveness will be continuously checked going forwards

Efforts to maintain effectiveness

Succession of experiences & feeling responsibility	• **Implementing regular hands-on training** to prepare for system failures and cyber-attacks
	  - Blind Scenario training for management and employees with a sense of reality and tension
	• **Installing and enhancing exhibition spaces** relating to system failures
	  - Exhibition spaces to provide opportunities to reflect on failures and learn about their prevention
	  - Confirmed that employees expressed the importance of remembering the crisis and their determination to take action based on that knowledge

Visualization of improvement expertise & permeation within the organization	• Planning **practical training sessions** and other opportunities to **further strengthen IT inspection skills and techniques** • **Expand visualization and inspection methods for system configurations and work lines** - Expansion of operations in scope, with rollout to overseas and group companies

Balancing effectiveness and efficiency	• Improving efficiency **using system and tool-based solutions, AI etc.**
	  - Use of tools for inspections and personnel management; improve the accuracy of data analysis.
	• **Review the content of inspections and responses based on changes in the internal and external environment**
	  - Detection of trends and signs of system failure using SNS and immediate communication with related parties, etc.