

Governance

We are endeavoring to enhance our governance functions in order to ensure the stability of our IT systems and business operations, which underpin our strategy. Our initiatives include reinforcing legal compliance, ascertaining actual frontline conditions from multiple angles, optimizing processes for strategy and corporate resource allocation, and developing a framework for multilayered, specialized checks by both the supervisory and business execution lines.

Legal compliance

Given international demand for financial institutions to maintain the highest level of legal compliance, we have been working to develop a robust legal compliance framework. We are steadily implementing measures to improve operations and prevent further incidents, fortifying our compliance framework, and strengthening our operations for anti-money laundering (AML) and combating the financing of terrorism (CFT).

- (1) Holding training to improve executive officers and other employees' knowledge and awareness of foreign exchange laws and regulations, in line with their duties**
- (2) Enhancing operational processes and other mechanisms ensuring appropriate consideration and decision-making for compliance with laws and regulations, even during times of crisis**
- (3) Reviewing IT systems, expanding business contingency plans, and organizing frameworks to secure stable operations for AML/CFT, including in regard to the Foreign Exchange and Foreign Trade Act of Japan**
- (4) Developing a structure and implementing measures for appropriately recognizing and assessing risk in regard to departmental operations in order to ensure compliance with laws and regulations**
- (5) Improving control and check functions that can respond appropriately to revisions in laws and regulations by reviewing the process for performing confirmation obligations in accordance with the Foreign Exchange and Foreign Trade Act of Japan and by enhancing various monitoring systems**
- (6) Strengthening our organization and talent and the involvement of our executive management, all of which support the robust and continuous implementation of measures to improve operations and prevent further incidents, by establishing a specialist team for compliance with foreign exchange laws and regulations, by developing personnel, and by further involving executive management in ensuring the effectiveness of measures to improve operations and prevent further incidents**

Operational management reflecting feedback from the frontlines

From the standpoint of maximizing governance functions group-wide and in order to accurately identify current and latent risks and opportunities, through our entities we are enhancing our tracking of changes in the external business environment and of actual frontline conditions. We have improved our mechanisms for flexibly reviewing business strategy and corporate resource allocations based on assessment of frontline conditions, as well as our monitoring process. We have also established administrative guidelines to ensure continuity in these areas.

Further, we are deepening our communication with the frontlines about the underlying purpose of our strategies and policies, through messages from executive management on these strategies and policies, informational sessions on them at each department, and other means.

Regarding IT governance, we have developed a framework for multifaceted evaluation of on-the-ground issues faced by the IT frontlines of each group company, and we have established functions to coordinate policy design and implementation at Mizuho Bank and Mizuho Research & Technologies. Entities regularly share on-the-ground issues and discuss countermeasures, and we are reflecting these discussions in policy design and corporate resource allocation for IT systems.

Stronger management of IT system risk

Aiming to apply effective checks and balances appropriate to the unique characteristics of the MINORI system, we have expanded the scope and content of system risk management. Regular reports are made to executive management, and we are advancing discussion on the status of system risk early warning indicator management, which utilizes hardware failure management and maintenance schedules; the status of SCP revisions and training; the appropriateness of the allocation of IT personnel; the periodic evaluation of outsourcing, including to Mizuho Research & Technologies, by Mizuho Bank; and overall IT system risk based on execution of strategy and allocation of corporate resources.

In regard to potential risks related to individual processes in IT system development and operational management, we are conducting multifaceted monitoring by utilizing management methods and insights from risk categories other than system risk, most notably human capital risk and legal risk. Reports on the risks are also made to various committees.

Further enhancement of supervisory functions

In light of the series of system failures and other issues, the Board of Directors of Mizuho Financial Group established the System Failure Response Evaluation Committee, which is composed exclusively of outside directors, to verify the progress of measures to improve operations.

We are also working to strengthen structural and operational aspects at Mizuho Bank and other subsidiaries, with a view towards enhancing supervisory functions across the group. Specifically, we are ramping up our activities aimed at more multifaceted tracking of the state of business execution, engaging in discussions with outside directors at subsidiaries, and expanding the role of external talent at the group's supervisory bodies.

Multilayered system failure response capabilities

Enhancement of multilayered system failure response capabilities: IT systems

To prevent system failures, we are implementing two types of inspection: inspection of important infrastructure platforms, which ensures there is no risk of material failure in important systems, and inspection of applications, which ensures stable operation of important systems.

The inspection of important infrastructure platforms targets 109 systems supporting operations that need to be in continuous service, even in an emergency such as a natural disaster or system failure. It covers maintenance deadlines, expansion of inspection standards to facilitate replacement of components before a system failure occurs or maintenance support expires (preventative maintenance), and operation when a system failure occurs. This enables clarification of policies to address risks, issues, and points in need of improvement.

The inspection of applications targets 27 systems supporting 30 settlement operations that would require prompt activation of the contingency plan in the event of a system failure, due to the potential impact on customers, market transactions, etc. The inspection covers re-examination of MINORI services that have not yet been put into use, control of the threshold, and control of the risk of system processing time exceeding operation deadlines, the latter two in relation to the operation volume and system resource use rate. It serves as a regular inspection based on changes in operations.

Main measures for improvement		Through end of Mar 2022	Current status (Apr – Jun 2022)	Jul – Sep 2022	Oct – Dec 2022	Jan – Mar 2023	From Apr 2023	
Prevention of system failures	Inspection of important infrastructure platforms	Maintenance deadline	Inspection completed	Will continue checking as regular inspection				
		Preventative maintenance	MINORI Foreign exchange settlement Bank of Japan settlement	Shared platform (private cloud)	Other shared platforms and transaction channels	(Considering whether to add inspection targets)	Will continue checking as regular inspection	
		Operation when a system failure occurs	MINORI (Main HUB) Foreign exchange settlement Bank of Japan settlement	MINORI (deposits/foreign exchange, etc.) and transaction channels (ATMs)	Transaction channels and market/external settlement	Overseas and others	Modification	Will continue checking as regular inspection
	Inspection of applications	Re-examination of services that have not yet been put into use	Inspection completed					
		Limit management/operation volume & processing deadlines	Foreign exchange settlement	Deposits, domestic exchange, ATMs, and market/external settlement	Will continue checking as regular inspection based on changes in operations			
		Regular inspection based on changes in operations			Deposits, domestic/foreign exchange, ATMs, and market/external settlement	Taxes/public funds, and others		



Koji Yonei
Senior Executive Officer
Group Chief Information Officer
(Group CIO)

Currently, we are forging ahead with initiatives to prevent system failures, including early warning indicator management for failures, preventative maintenance of hardware, and operations checks of automatic switching. Understanding that we cannot completely eliminate system failures such as unexpected hardware failures, we are also pursuing initiatives to minimize impacts on customers by bolstering our frameworks for responding to failures and implementing relevant training. We have already addressed the direct causes of the previous system failures and completed upgrades to functions, among them changes to the specifications that led to ATMs retaining bankbooks and cards when system errors occurred. Our improvements aimed at stable IT system operations are steadily moving forward.

Up until now, we have employed a range of technologies and developed cutting-edge financial systems, most prominently MINORI, in order to provide quick and convenient services to customers and maintain our reliability. Going forward, we will continue to respond to our customers' changing needs and endeavor to ensure stable IT system operations as part of providing highly convenient services.

■ Enhancement of multilayered system failure response capabilities: Customer support

In order to minimize impacts on customers in the event of a system failure, we are undertaking two initiatives. The first is customer support in which system and business contingency plans are linked together and IT and user departments work in collaboration to ensure prompt customer support. The second is changes to ATM specifications and enhancement of customer support capability, which enable us to promptly provide information and support to customers without keeping them waiting at ATMs.

Customer support in which system and business contingency plans are linked covers the 27 systems supporting 30 settlement operations targeted in the inspection of applications. Visualization of the system configuration and operation flows, reconfirmation of the impact of system failures, confirmation of the contingency plans, and training to ensure prompt customer support in the event of a failure were all completed as planned by the end of June with collaboration between the IT and user departments. We will continue to make further improvements going forward.

With the changes to ATM specifications and enhancement of customer support capability, we changed specifications at all Mizuho Bank ATMs across Japan to prevent cards and bankbooks from being retained, ensuring customers will not be kept waiting. We are also installing cameras with speakers by ATMs so as to promptly provide customer support in case of trouble.

Main measures for improvement		Through end of Mar 2022	Current status (Apr – Jun 2022)	Jul – Sep 2022	Oct – Dec 2022	Jan – Mar 2023	From Apr 2023
Enhancement of system failure response capabilities	Customer support in which system and business contingency plans are linked together	Foreign exchange settlement Market (foreign currencies)	Deposits, domestic exchange, ATMs, and market/external settlement (JPY), taxes/public funds, and others	Will continue to take actions			
	ATM	Introduction of specifications that do not keep customers waiting	Release completed	Will continue to work on improving specifications			
		Installation of cameras with speakers	Preparation for installation completed	Completed at 632 offices (about 30%)	Expanding incrementally		Completed at all 1,809 offices



Toshiro Egawa

Managing Executive Officer
Head of the Retail & Business
Banking Division
Mizuho Bank

As a division made up of user departments, we are implementing company-wide training aimed at entrenching our business contingency plans, with an understanding that system errors can happen. In this way, we are endeavoring to reinforce our structure for minimizing inconvenience and concern to customers and providing prompt customer support in the event of a system failure.

Further, in order to fully meet the rapidly changing needs of our customers and society, we are aggregating and analyzing feedback from the general public, customers, and frontlines across multiple channels, and we are undertaking initiatives to integrate the lessons from this feedback into our customer support. Our focus on such inputs extends to customer views that may not be immediately apparent at the surface level, which we supplement by actively tracking the actual status and experience of customer interactions among employees at frontline offices.

Through such initiatives, we are ensuring that all of our employees will recommit themselves to serving our customers, that the quality of service at Mizuho will improve, and that these efforts will become ongoing rather than superficial or temporary. With this as our role, we will work alongside our customers to improve Mizuho's corporate value and achieve continuous growth.

Personnel and organization (corporate culture)

Under Mizuho's dedication to serving customers and society, we are putting in place a work environment that encourages employees to speak and act freely, continuing our initiatives to reform our corporate culture and become an organization where everyone can take initiative on their own and engage in constructive communication.

On an ongoing basis, we will create frameworks that enable employees to feel secure in giving feedback and to share their discoveries.

To provide employees with an easily accessible platform for submitting their feedback, we have set up a corporate culture reform page on the Mizuho group's employee intranet, and we are using it as a central location to publicize related initiatives and progress.



Corporate culture reform page on Mizuho group's employee intranet

Business operations for serving customers and society: Eliminating internal operations

To free up more time for serving customers and society, in February 2022 we began asking employees to submit proposals for eliminating unnecessary or inefficient internal operations, under the direction of management and with the aim of moving forward quickly.

Employees submitted about 620 proposals in the first three months. These have already led to elimination of some regular internal reports and records and to reductions of meeting materials. In addition, for less common ideas, we call for comments from the rest of the organization as a way of setting priorities when exploring what to eliminate. The initiative is serving as a means to make the most of everyone's individual discoveries and feedback.

Employee-led working groups

One of the means we have been using to gather discoveries and feedback from employees and the frontlines is employee-led working groups, which we established in April 2022. There are four working groups—"Values / Action principles", "Communication transformation", "Business style transformation", and "Support in proactive actions"—and each is made up of about 30 to 50 members.

The working groups hold discussions with executive management every month. Attendees have included the Group CEO, the heads of Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, and Mizuho Research & Technologies, and the heads of the Strategic Planning Group and Human Resources Group. Between May and June, the discussions tackled Mizuho's current situation and issues, covering topics such as the purpose of Mizuho's corporate identity, factors needed to enable proactive action, methods for promoting communication, and approaches to reviewing operations. Throughout the six-month operational period for the groups, executive management and employees will regularly work together to identify issues, based on real feedback from employees, and to develop better solutions and improvements.

Becoming an even more inclusive organization

Towards continuously strengthening our personnel and organization, we are enhancing not only our personnel development approach, which supports employee's individual growth, but also our organizational development approach, which improves cooperation between employees.

For select entities and offices, we have been analyzing issues in relationships between supervisors and other employees and in the office culture. To address these issues, we have been listening to employees' candid feedback and implementing initiatives to provide employees with the assurance that their views are welcomed, as a step towards developing relationships in which employees can speak their minds (also referred to as "psychological safety").

To further accelerate these initiatives and raise motivation and performance across the organization as a whole, in April 2022 we established a dedicated office for organizational development. The office focuses on relationships between colleagues and proactively supports workplace-centric efforts while improving collaborative processes within the organization. Specific initiatives have included round table discussions between multiple offices, aimed at promoting mutual understanding among colleagues; training utilizing the results of an engagement survey targeted at general managers; and support for improving teamwork across workplaces, based on direct feedback from employees and bringing in external coaches. Through these initiatives, we are becoming an even more inclusive organization that enables every employee to reach their full potential and that makes the most of employees' capabilities as a united group.

Dialogue between the Group CEO and employees

As part of creating opportunities for the Group CEO and employees to exchange their discoveries and views, we created a separate page on the Mizuho group’s employee intranet, called the GCEO’s Room.

The page collects all of the Group CEO’s regular messages to employees.

Also on the page are functions that allow employees to apply to participate in a dialogue session with the Group CEO, with these sessions being held with about 10 employees per session on an ad hoc basis, and that allow employees to send messages to the Group CEO directly.



GCEO’s Room page on the Mizuho group’s employee intranet

From his appointment in February through the end of June, the Group CEO has held 13 dialogue sessions with employees, with over 100 employees participating on their own initiative. Every session has featured a range of topics, from employees’ views on everyday business operations, proposals for business models, and concerns about career development to questions about whether or not being CEO is an enjoyable job. The feedback and proposals from the dialogue sessions have also contributed to elimination of internal processes and operational improvements.

Strengthening communication between frontlines and Head Office

Since July 2021, we have been aiming to encourage employees at Mizuho Bank to think through and take on everyday challenges on their own initiative and to apply the lessons learned from failures to future opportunities. One component of this has been “communicator and facilitator” activities promoting dialogue between the operational frontlines and Head Office. In these activities, frontline communicators who provide operational services and Head Office facilitators who determine operational processes repeatedly and freely exchange information and views in a space where such sharing is welcomed and respected—a space where psychological safety is assured. In doing so, they further elevate their commitment to developing better services together. This has allowed for effectively reflecting issues and needs that can only be identified through direct interaction with customers into operational processes and has led to improvements integrating feedback from the frontlines, such as easier-to-understand materials for customers. Aside from this, we are endeavoring to strengthen communication between the frontlines and Head Office across multifaceted channels. Some examples are an employee public comment system enabling frontline employees to participate in the process of developing new policies and a survey by frontline offices evaluating Head Office communication.

Ongoing initiatives: Designating a month for reexamining the system failures

The series of system failures that began on February 28, 2021 were preceded by large-scale system failures in April 2002 and March 2011. To maintain our commitment to preventing further incidents, we will use the month of February to reexamine the system failures every year.

In February 2022, we compiled the actions every employee can take for customers in light of the system failures and publicized them throughout the group. Employees in each office reflected on and discussed the system failures and Mizuho’s response to them as a means of maintaining awareness of what had happened and of what we can do.

