

## Summary of Q&A

### Answerers

Izumi Kobayashi	FG Chairman of the Board of Directors
Tatsuo Kainaka	FG Member of the Board of Directors Chairman of the Nominating Committee
Masahiro Kihara	FG Senior Executive Officer New Group CEO
Koji Fujiwara	BK President & CEO
Masahiko Kato	BK New President & CEO
Koji Yonei	FG Senior Executive Officer Co-Head of IT & Systems Group

### 1. Governance

**Q. Regarding the appointment of the new managerial personnel. To what extent did you consider the balance between the legacy three banks and the promotion of external human resources?**

A. (Kainaka)

More than 20 years has already passed since the integration of the legacy three banks, and awareness of the legacy banks has become extremely weak even among the employees. If you mean the Nominating Committee considered maintaining that kind of balance and control by the Industrial Bank of Japan in personnel selection in this kind of crisis situation, I would be disqualified as a member of the Nominating Committee if I did that.

The committee always makes sure to genuinely consider who is the person most suitable to be the CEO, Chairman and Mizuho Bank President, respectively, in order to appoint the right people to the right positions.

Regarding the promotion of external human resources, naturally we have the option of inviting external people to be the CEO.

This time, in the process of considering new CEO candidates, we made a request to an external research agency and they made a list of candidates, and at that stage there were a few external candidates on the list. Then we entered the specific consideration stage but, as we expected, expert knowledge is necessary to serve as the CEO of a megabank, and we thought it was challenging for a person with no knowledge at all to come from outside and serve in this role. On the other hand, we considered various people to see if there were any candidates possessing that kind of specialist knowledge, but unfortunately there were no

people suitable for the position, so we went with an internal promotion. Note that the external research agency was also of the opinion that the promotion of external human resources is difficult.

The situation is largely the same regarding the appointment of the Chairman (Kaicho) as well.

**Q. You state that Mr. Shimono, an Honorary Advisor of IBM Japan, is to take up the positions of Mizuho Financial Group Executive Officer in Charge of Specially Assigned Matters and Mizuho Bank Member of the Board of Director, but what are those specially assigned matters? Furthermore, I would like you to tell us about the background to inviting him.**

A. (Kihara)

We definitely want him to look at the architecture and quality of the IT systems, including at Mizuho Bank, Mizuho Trust Bank, Mizuho Securities, and Mizuho Research & Technologies, from a broad perspective, and look at our technologies, development and business conditions, etc., and then give us advice on what kinds of resource allocations are appropriate.

**Q. What kinds of specific initiatives will you take in order to strengthen the supervisory functions of the Board of Directors?**

A. (Kobayashi)

Firstly, regarding the enhancement of personnel. I am not talking about the current business improvement plan; we have constantly discussed what kinds of skills, including the skills matrix, and what kind of experience a person needs to be matched to supervision within the CG (Corporate Governance) Code. In that context, we asked Mr. Shimono, who has IT systems expertise, to come to Mizuho Bank. Going forward, in forums for supervision and execution, I intend to consider the human resources necessary for governance enhancement. Having said that, my second point is that it is not realistic to invite all of the people who have the skills to be Board of Directors. I will actively utilize external knowledge as appropriate on each occasion and receive advice. Regarding getting verification of what we are doing, we intend to work on this well in advance.

**Q. How are you responding to the problems concerning the Board of Directors indicated in the administrative actions on November 26 (the indication that the Board of Directors has not sufficiently discussed the ideal types of candidates for major managerial personnel)?**

A. (Kobayashi)

When we appointed the previous CEOs and on the occasions when we appointed the business management team, as a committee centered on Outside Directors, we carried out personnel selection from the perspectives that the candidate had to sufficiently meet the personnel requirements, and was suitable for the issues faced by Mizuho at that time. However, a point for reflection is whether we could have held deeper discussions about the skills of the business management team overall, the character of the candidate, and how to build the strongest team by having members who complement each other.

On the other hand, I am strongly aware of the fact that it is extremely challenging for the holding company to ascertain the information of all of the frontline sites. I believe that what is important here is that the subsidiaries in each business operation implement their respective governance thoroughly, and then we share and understand the resulting information. If you ask whether we were sufficiently cautious regarding the governance of each business format subsidiary in our large group, I have extremely strong remorse that we have not been sufficiently cautious yet.

**Q. Have you been able to fulfil your role as an Outside Director serving as the Chairman of the Board of Directors? What kinds of discussions have there been in the board of directors regarding the distortions and adverse effects which occur when advancing cost structure reforms?**

A. (Kobayashi)

Concerning the IT systems, we have held discussions over many years on the grounds that the stable introduction of MINORI is an extremely big issue. On the other hand, I think it is clearly a matter for reflection that there were insufficient discussions regarding what kind of framework would be used and where the load would be imposed after the introduction and stable operation of MINORI; that is, there were no discussions specialized in this area and no reports about the present conditions in the field were made to the Meeting of the Board of Directors, although there were questions asked about whether the people in the field were all right in the discussions of the personnel plan.

Regarding this point, the mechanisms regarding the governance of each business operation

subsidiary were not sufficient, as I stated earlier.

Also, I think another factor was that due to COVID-19 the field visits by Outside Directors that had been made previously and the forums for discussions with a variety of people, including the heads of the legal entities, were extremely reduced.

The Outside Directors launch a system failures response verification committee after system problems have occurred, and they have held this committee seven times since last year. The system failures themselves are unambiguously a problem on the execution side, but we have discussed many times in the system failures response verification committee the issue of whether the execution side is implementing an appropriate response. However, we do not think that is sufficient yet.

We have completed the present improvement plan, but this is a plan, and the important issue is whether we can really execute it. Going forward, we Members of the Board of Directors intend to take responsibility for verifying whether the plan really is being executed, whether it is having an effect, whether it is sufficient, and whether there is anything that needs to be newly added due to changes in the environment.

**Q. At a time when ESG investment is thriving, is there a possibility that going forward you will review the 8 Honorary Advisors evaluated as a negative in terms of governance?**

A. (Kainaka)

As the Chairman of the Nominating Committee, I do not make decisions about the advisor system in particular, but I will answer from the perspective of what I think as a Board of Director. Regarding the indication that this is a negative point as seen by the investors, I will consider the matter taking into account those kinds of opinions, but naturally I think that the reality of the situation is also important.

In the end, I think the problem is whether those advisors are involved in the business management and having a bad impact, and I ask you to accept that nothing of that nature has occurred in Mizuho.

(Kihara)

The advisors are not involved in the business management at all. Consequently, I think that perhaps it is a matter of how to refer to the names, etc., but I intend to sincerely accept and think about the opinions we have received.

## **2. System failures and recurrence prevention measures**

**Q. What do new Group CEO Mr. Kihara and new President Mr. Kato think are the reasons why IT system failures are only occurring repeatedly in Mizuho, and how do they want to change these circumstances?**

A. (Kihara)

We have to truly reflect sincerely on this. Naturally I think the major points are whether we really were able to face the reality of the situation in the field and whether we were able to thoroughly absorb the ideas and opinions of the people in the field.

Presently, as the head of the Global Products Unit, I am deeply involved in the middle of the process of formulating the business improvement plan. I am saying that naturally we are thoroughly allocating business management resources taking into account the reality of the situation in the field. This time, in order to create a framework suitable for maintenance and operation, we have deployed about 70 personnel to the IT divisions, and we must take these kinds of steps firmly going forward.

Moreover, this is an era with large changes, so we must value the realizations of each individual. I intend to share these realizations with everyone, bring our values together, thereby bringing out constructive opinions, proactive behavior, and so on, and reflect these to business administration and management. I think that these steps will improve our business quality and increase the value that we can provide to our customers.

(Kato)

We are taking the fact that we caused system failures inconveniencing our customers again following 2002 and 2011 extremely seriously. I think failures in IT systems will not necessarily reach zero, but we have worked with a strong determination not to cause enormous harm to our customers a second time.

Regarding that part of our efforts, I strongly think that it is necessary to thoroughly take initiatives that are firmly rooted in the organization and do not wane over time.

In addition, as the person entrusted with the operating entity, naturally I think it is necessary to thoroughly collaborate with not only Mizuho Bank but also the Mizuho Financial Group and Mizuho Research & Technologies, which is in charge of the IT systems, and the other group companies, to thoroughly ascertain the reality of the situation in the IT field, listen to those voices, and then respond to the customers' needs.

**Q. I think your predecessors also tackled corporate culture reforms as hard as they could, but they could not change the corporate culture. Why can the changes be made by new Group CEO Mr. Kihara and what kinds of initiatives does he intend to take going forward?**

A. (Kihara)

The important thing is to go out among the employees as a part of business management to thoroughly bring out their opinions.

One more thing that I think is important is to thoroughly receive a variety of opinions and change accordingly. I think it is extremely important to lead from the front in making changes and to get people to strongly appreciate those changes.

Since last year, as the head of the Global Products Unit, I have held round-table talks with the employees every week. The employees have a variety of opinions about how the business should be streamlined in order to provide better services to the customers. I think it is important to receive those opinions and show that changes have actually been made. I am convinced that taking these steps will result in more proactive behavior and the culture will change.

**Q. Regarding MI Digital Services (MIDS), which is 65% owned by IBM Japan, are you considering changing MIDS into a Mizuho Financial Group subsidiary as you advance integrated operation of system management?**

A. (Yonei)

MIDS is a company which has the objective of implementing alliance business which introduces new operating technologies to Mizuho through collaboration with IBM. Using the opportunity of the present failures, we plan to collaborate more, communicate well, and carry out improvements to the operations, etc. together, but we do not intend to change the framework of this collaboration at the current time.

**Q. Have there been any problems with the recurrence prevention measures to date? Furthermore, how will you make improvements?**

A. (Kihara)

Regarding the events which occurred up until June, we have completed changes to the specifications of the ATMs, inspections of the IT systems in which the failures occurred, and inspections of similar events, and I think we have thoroughly implemented the recurrence

prevention measures up until June. On the other hand, subsequently new failures have occurred, so this time we have formulated prevention measures taking into account these new events. Broadly speaking, there are three key points.

Firstly, thoroughly practice predictive management in the infrastructure foundation and thoroughly embed this in daily business processes to make it a natural part of our daily operation.

Next, there is the thorough allocation of business management resources in order to realize preparations suitable for the maintenance and operation phase. Regarding this point, we have already working together with external parties.

Finally, there are the walkthroughs of the BCP and SCP at normal times rather than times of crisis. Take an overview of the business processes and the IT systems overall to determine what kinds of preconditions there are. For example, thoroughly examine matters such as the cutoff time in the case of foreign exchange processes or what the preconditions for functioning are in the case of IT systems and, if there are any risks, minimize them.

(Fujiwara)

There were system failures in 2002 and 2011, but the fact that we caused so much worry due to the series of system failures this time is heartbreaking. We have had many requests from our customers saying they would like to use Mizuho with peace of mind, and we have certainly received strong requests from customers saying they want a stable business and stable IT systems.

For this reason too, it is important to ensure that we can achieve a stable business while carrying out meticulous inspections and receiving expert knowledge and the advice of external resources.

There was also the reflection that as we transitioned to the maintenance and operation phase after the release of MINORI, we should have allocated business management resources taking into account the reality of the personnel and frontline situation, but I think that not allowing past failures to be forgotten is the most important.

Among the airlines and railroad companies with whom we do business, there are cases in the past, in the context of having caused a variety of accidents and failures, of continuing initiatives with the determination not to allow those accidents and failures to be forgotten. Mizuho also intends to advance these recurrence prevention measures keeping in mind our determination not to cause trouble to our customers a second time by implementing initiatives to ensure that the accidents and failures are not forgotten, and the united efforts by the frontline offices to minimize accidents and failures in the unlikely event that they occur.

**Q. I would like you to tell us about enhancement of the maintenance and operation personnel.**

A. (Yonei)

If we include the cooperating companies and the employees who not full-time, we have increased the people involved in MINORI by about 120 personnel. Compared with the time when we last reduced them, this is an increase of about 20%. Previously the additional employees were employees possessing know-how and knowledge of infrastructure at the time when MINORI was built, but I plan to add the employees who are necessary for further polishing up the maintenance and operation while also communicating with the people on the front line.

**Q. I would like you to tell us about the events on December 30 and January 11.**

A. (Yonei)

The event on December 30 was caused by a failure in IT systems settings. On the last day of a normal month, the core time of all of the banks is extended to 4:30 p.m., but it was necessary to set it to the normal 3:30 p.m. at the end of December only. We got this setting wrong and used the same setting as for a normal month. This means that the checker, etc. overlooked something in the work processes, so I intend to thoroughly review the work processes.

The event on January 11 had a different cause to the failures in 2020 although they had in common the superficial phenomenon that connecting to the IT system became difficult. We are still confirming the details but the regular work and the operation confirmation work at the start of the year clashed, so the setting for accelerating access to the database did not go well. At the moment access to the status of the database has been improved and fixed, but I intend to further delve deeply into the details of recurrence prevention, etc.

### **3. Other**

**Q. Responding to the system failures is an urgent issue. Can this be combined with the transition to the next generation of financial services?**

A. (Kihara)

I think the next-generation finance will only be established for the first time when stable operation of the IT systems is realized. MINORI is an open system capable of the service which has recently been called "BaaS." I perceive that tackling the stable operation of the



business and IT systems, which is in the business improvement plan, will enable us to truly offer next-generation finance.

**Q. You say that you will invest the necessary business management resources when advancing the business improvement plan, but is there a possibility that you will reduce the revenue plan?**

A. (Kihara)

We are confirming whether or not there is a gap from the perspective of ascertaining the reality of the situation in the field for stable operation of the business operations. In that process, we will make the necessary investments in personnel and IT systems. On the other hand, regarding our Net Business Profits, we have achieved the plan we set in the 5-Year Business Plan one year ahead of schedule. The necessary investment in human resources and IT systems that will be necessary going forward is not completely clear, but I believe that there is a possibility that it is higher than the initial plan; therefore, we will be able to absorb the costs arising from the IT system failures and we do not intend to lower the revenue plan at the current stage.

Firstly, I intend to examine the reality of the situation in the field necessary for stable operation in order to thoroughly ascertain how much of a gap there is.

**Q. You talked about how cancellations of personal bank accounts are increasing. To what extent do you think the system failures are having an impact on the business?**

A. (Kihara)

There is an impact on the business to a certain extent, and it is a fact that there have been a few bank account cancellations. On the other hand, I intend to thoroughly entrench the business improvement plan and thoroughly explain it to the customers in order to recover their trust and minimize the impact of the system failures.

**Q. What does the fact that the younger brother of new Group CEO Mr. Kihara is the Deputy Chief Cabinet Secretary mean for Mizuho? Furthermore, were you aware of his closeness to the administration when making the personnel appointment this time?**

A. (Kainaka)

When appointing Mr. Kihara to be the new Group CEO, we did not take into consideration the fact that his younger brother is a politician at all. We also do not think that this fact is an advantage for this position. In the first place, the agencies which are the supervisory agencies,

namely the Financial Services Agency and the Ministry of Finance of Japan, are organizations that take care to implement rational administration that places importance on logic and facts. I also understand this well because I served as a public servant for a long time, but things such as aerial dogfights utilizing politicians are what I dislike the most. Therefore, I think the most important thing is to continue our sincere response in order to build enduring relationships of trust with the supervisory agencies. We appointed Mr. Kihara to be the new Group CEO from the perspective of whether or not he was the person who could do that.