Preventing further incidents of IT system failures

Measures taken after past IT system failures

■ Implemented the following measures in response to IT system failures in 2002 and 2011

- Developed and migrated to MINORI, the new core banking system

- Set up rules, frameworks, and contingency plans for system development & operation, risk management, responses in the event of system failure, etc.

Summary of causes identified by the Special Investigative Committee*

1. **Deficient organizational capability to respond to crisis situations**

2. **Deficient IT system management** [(1) Issues with the reassignment of IT personnel, (2) Insufficient preparations for stable IT system operation, (3) Points in common with the causes of past IT system failures]

3. **Deficient focus on the customer's perspective** [(1) Issues related to ATM capturing mechanisms for bankbooks and cards, (2) Lack of consideration of the customer when responding to the system failure, (3) Lack of acknowledgement of customers using ATMs]

4. **Issues with the corporate culture**

*From the Special Investigative Committee's report

Improving multilayered IT system failure responses:
In addition to enhancing IT systems and response to customers / crisis management,
ensure integrated management of these elements to build a multilayer defense mechanism

Continuous enhancement of our people and organization, in step with our customers and society

Main measures to prevent further incidents

IT systems

Set up structure suited to the characteristics of MINORI

- **Change ATM specifications and improve monitoring system**
- **Comprehensive MINORI-related inspection**
  - Re-examine not-yet-operational services (6%)
  - Force an error leading to a serious failure and check the ripple effects and countermeasures
- **In addition to drills on the system development and operation side, run drills with participation by customer divisions and drills for errors on actual ATMs**
- **Visualize staff portfolios and enhance organizational control**
  - List up staff skills and experience in detail, and assign the appropriate person for each role (including external hires)
  - Enhance the control structure, including setting up a technology and quality management organization and managing vendors

Response to customers / Crisis management

Ensure we always consider the customer's perspective, in normal times and contingencies

- **Organizational response that accounts for customer opinion**
  - Assign a service quality improvement officer (at all retail branches)
  - Launch a team at Head Office for analyzing social media and other data
- **Establish a framework centered on the impact on customers and settlements**
  - Divide individual BCP formats into larger groups (approx. 30 groups) and integrate with SCP based on a configuration diagram for each IT system
  - Shift from the conventional "check the manual" approach to hands-on drills and training which encourages independent thinking about potential impact on customers
  - Develop service-specific, cross-organizational networks at Head Office. Hold response meetings within an hour of a failure being detected
- **Create an executive position in charge of crisis management**

Further enhance ability to take organizational action, transcending rules and scopes of responsibility

Enhance our people and organization

- In addition to the points on the left, we will enhance our people and organization by methods including utilizing specialists with broad perspectives
  - Develop careers across multiple relevant departments and utilize external hires
  - Personnel performance reviews that prioritize constructive feedback
  - Simplify executive positions (abolish Senior Managing Executive Officer and Managing Executive Officer roles)
- Steadily promote structural reforms while continuing to pay due attention to the necessary allocation of corporate resources (in FY21, expanded personnel/expenses budget in advance)

Transform behavior

- Introduce mechanisms for more active communication, aimed at strengthening our ability to enhance organizational action (also enhance effectiveness of the in-house company system and dual-hat system at each company)
  - Shift from communication centered on documentation to "discussion first" communication
  - Stop negative evaluations for administrative errors and give positive evaluations for proposing measures for improvement
  - Create the positions of "branch communicator" and "Head Office instructor" and develop networks between them

■ Senior management will clarify the aims of these measures to prevent further incidents so as to ensure their effectiveness and continuity, and all members of the organization will implement the measures with a sense of purpose

- We will **set up an IT system failure response committee** within both the supervision and execution lines, and implement regular follow-ups