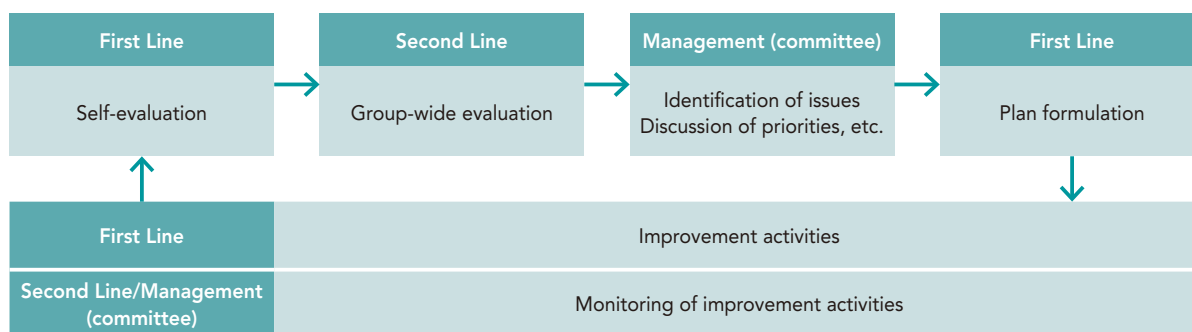


Initiatives to Upgrade Operational Quality

Reflecting on the incidents of the past fiscal year, we have recognized anew that high-quality operations are the backbone of both the Group's strength as a trust bank group and the trust we have earned from our clients and society at large. In order that we not only meet but exceed the expectations of our stakeholders, we have striven to refine our operational framework for constant improvement and enhancement of operational quality.

In fiscal 2022, we began full implementation of the PDCA cycle for improving operational quality, which is something we had been considering since fiscal 2021. This approach has established a system that allows us to identify and resolve issues on an ongoing basis. We will keep pushing for further enhancements in our bid to improve and upgrade service quality.

PDCA Cycle for Operational Process Improvement



Specific Actions

(1) Initiate the PDCA cycle to improve operational quality

Amid growing expectations from its clients and society, the Group has persistently worked on improving our operational quality every single day. However, we recognized that to provide secure and reliable products and services, especially in light of previous incidents, a system for constant identification and improvement of operational process issues would be crucial. As a result, we implemented the PDCA cycle.

Specifically, the frontline staff perform self-evaluations of the quality of the products and services they provide, after which a Group-wide evaluation is conducted in the Second Line of Defense. Based on these evaluations, we engage in discussions at the management level to decide the necessary improvement activities.

Products and services that the First Line of Defense focuses on are considered to carry relatively larger risks. With these trends in mind, evaluations are carried out in the Second Line of Defense and at the management level which take into consideration factors such as societal, environmental, and strategic changes to identify issues for which the potential risk is especially high.

The issues that we identify are incorporated into the business plan for the following year and become subject to monitoring the year after. This aims to enhance the effectiveness of our improvement efforts.

(2) Enhance visualization of the operational processes

Visualizing processes is extremely effective when constantly monitoring and optimizing the entire value chain related to products and services.

By enhancing the visualization of processes, the First Line of Defense can eliminate potential risks by reassessing processes that were previously taken for granted. The Second Line of Defense can then objectively evaluate the visualized process, providing guidance, advice, and management to the departments handling the First Line of Defense. Finally, by independently and objectively verifying the efforts of the First and Second Lines of Defense, the department handling the Third Line of Defense can increase the effectiveness of the Group's operational quality improvement activities. By clearly defining the roles of the First, Second, and Third Lines of Defense as such and establishing common ground for risk awareness, we can promote mutual understanding, which will lead to preventing the occurrence of potential risks and fostering risk culture.

The visualization of processes can also help us identify similar operations that were handled by different departments within the Group. By incorporating the positive aspects identified within similar operations, we can aim to improve the quality of our operations in an efficient manner. In addition, obtaining and managing quantitative information on resources that are necessary to carry out the operational processes will facilitate business portfolio reviews and enable us to carry out faster and more flexible decision-making that meets the needs of clients and society.