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February 29, 2024

Mitsui Sumitomo Insurance Co., Ltd.

Submission of Business Improvement Plan

Mitsui Sumitomo Insurance Co., Ltd.(President: Shinichiro Funabiki) of the MS&AD Insurance Group submitted its business improvement plan to the Financial Services Agency today in accordance with the business improvement order dated December 26, 2023.

We sincerely apologize for any inconvenience caused by this administrative action related to price fixing issues to our valued customers and all affected parties.

We are committed to addressing this matter seriously and have developed a business improvement plan that prioritizes “customer focus” and “legal compliance” as fundamental principles guiding all our business activities. Through diligent implementation of the plan, we are determined to fundamentally transform, improve, and enhance various aspects of our business including the competitive environment, business promotion system, insurance underwriting management system, legal compliance system, corporate culture, and governance system to restore the trust of our customers and stakeholders.

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Outline of Business Improvement Plan

We conducted a rigorous investigation in compliance with an order requiring reporting(No.1580/No. 2077) under Article 128, Paragraph 1 of the Insurance Business Act. This investigation, led by an investigative committee chaired by Yoshiharu Kojima, an attorney at law of the law firm Ikeda Someya, aimed to elucidate the actual occurrences of conducts believed to contravene the Antimonopoly Law and deemed inappropriate in accordance with the Law's objectives (hereafter referred to as “inappropriate conducts”).

As a result, we recognized that we had engaged in activities that is considered to be in conflict with the Antimonopoly Law against 76 policyholders in connection with the bidding of corporate insurance policies, and that these conducts were not limited to any specific department or individual, but were widespread, primarily within the corporate sales division of our company. Based on these findings, our company received business improvement orders based on Article 132, Paragraph 1 of the Insurance Business Act. Through additional investigation, we have discovered that inappropriate conduct in conflict with the Antimonopoly Law had been committed against 108 policyholders in connection with the bidding of corporate insurance policies.

We apologize for inconvenience or concern may have caused our customers and other stakeholders. We take the administrative actions very seriously will make every effort to make improve and prevent recurrence, and today submitted Business Improvement Plan to the Financial Services Agency of Japan.

In formulating this business improvement plan, we reviewed the Management Philosophy, the Management Vision, and the Management Guidelines (Mission, Vision, Value, hereafter referred to as “Group’s MVV”^{†1}) in order to review our company's standing in society and reviewed the behavior that should be the norm for all employees..

After establishing the basic concept of the business improvement plan and the code of conduct, improvement measures are concretely formulated based on the gap between the current issues in each area and the ideal target

Our management and all employees will collaborate to guarantee the execution of this plan, and through continuous improvement, we aim to regain the trust from society and customers.

Formulation of business improvement plan

Based on this business improvement order, we will restructure our business model to enhance our corporate value for the benefit of our customers and society. Our management will promptly identify the changes in our business environment and continuously review our business model and management strategy.

We will also establish a framework to strike the right balance between risk-taking and risk management to ensure the sustainability of our business model. To ensure the effective operation of this framework and maintain the optimal balance of our business model, all employees—not solely management—will commit to continuously optimizing our business model, and we will build a comprehensive system within each of the three lines(first line/second line/third line ^{†2}).

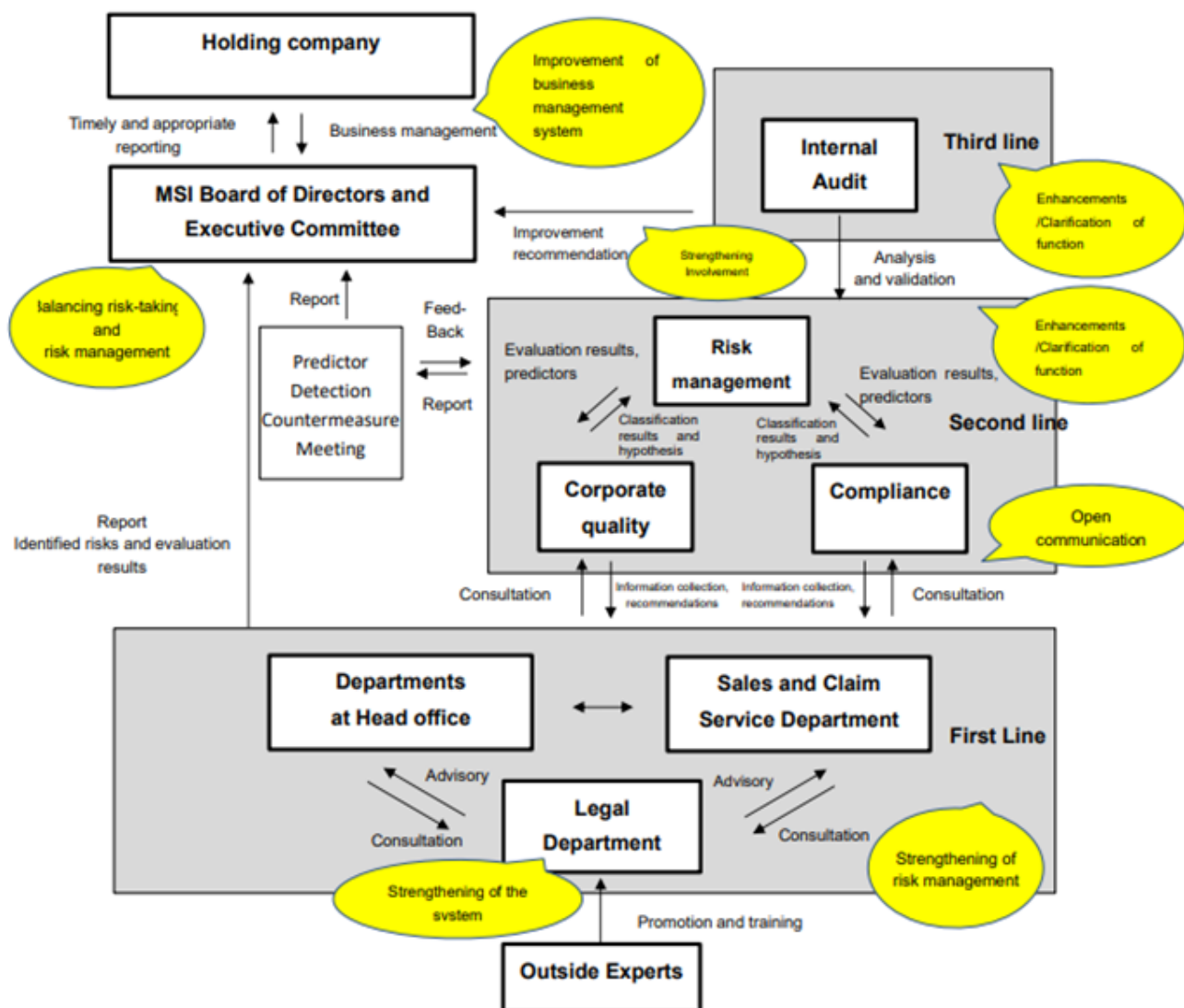
In order to ensure that the three lines fulfill their roles and functions, we will work toward developing a shared understanding of management philosophy and vision at a deep level between management and employees. After reviewing the code of conduct, we will ensure its integration among all employees and implement HR system reforms to facilitate the transformation of the organizational climate and corporate culture (hereafter referred to as "culture") that will serve as the foundation for realizing the Group's MVV.

To achieve the Group's MVV, the first line will deliver value that customers consistently choose in a fair and competitive environment. This will involve changing industry practices, enhancing customer-centric business operations, emphasizing the essential role of an insurance company, and thoroughly managing profitability.

In the second line, after clarifying the organizational structure, positioning, and area of responsibility, we will appoint personnel capable of fully demonstrating the role of risk management in an integrated manner. Our system will be strengthened through Predictor Detection Countermeasure Meetings, consisting of management, second- and third-line general managers, and outside experts.

In the third line, we will assign the staff who understand business models and management strategies, increase their involvement in management processes and establish a comprehensive auditing system from compliance audits, risk-based audits to advisory support to contribute to management strategies.

<Diagram>



†1: MS&AD Insurance Group, to which our company belongs, has adopted the Group's MVV since its establishment in April 2010 and aim to realize and achieve this goal.

†2: Based on the concept of risk management by financial institutions, the business unit is called the first line, the management unit is called the second line, the internal audit unit is called the third line, and the general term of all units is called "three lines."

1. Efforts to create fair and competitive environment

In order to establish an appropriate competitive environment, we will ensure that our employees and agents are fully engaged in sales activities based on customer-centric business operations and that the level of our activities is enhanced in order to realize our customer-centric business operations and our insurance company's proper role. We will also work to improve the surrounding environment required for an appropriate competitive environment in both our company and our client companies.

(1) Customer-centric business operations

In addition to efforts to review and establish the policy on "customer-centric business management," the Company will disseminate the importance of "customer-centric business management," the intent of the policy review, and the significance of the initiatives from the top management to all employees in the "Company Quality Month" established in July of each year, in order to disseminate the information to all employees and make it fully known.(from May 2024)

(2) Support for system development of client companies

We will strengthen the assistance for our client companies in developing risk management systems.(from April 2024) This includes creating a model bid specification to facilitate their bidding process, promoting our clients its use, and advocating its standardization within the industry.(from March 2024)

(3) Correction of competitive factors

In order to promote the transformation to a competitive environment in which the provision of quality products and services can be evaluated, which is the primary role of insurance companies, we will take the initiatives as follows.

① Further reduction of strategic equity holdings

We established the policy that we will not hold strategic equity holdings for insurance transactions. (February 2024) We will reduce our strategic equity holdings(listed stocks) to ZERO within the period of the next medium-term management plan (by the end of March 2030).

② Review of support for client's core business

We will review the management of core business support for clients, which may be one of the factor to hinder the proper competitive environment in the corporate insurance business, and formulate standards for core business support implementation in order to purchase services and goods necessary for the execution of business with appropriate quantity, quality, and effectiveness. We will also start monitoring "inappropriate core business support."(from April 2024)

③ Review of secondment criteria

The purpose of secondment with the agreement to return to the company is limited to "securing diversity and human resources development of employees," "strengthening internal management systems of agents," "regional revitalization (regional economic revitalization) and innovation fields," "development and upgrading of risk management systems of secondments," "acquisition of know-how and knowledge of secondments and deepening understanding of business models," "co-creation projects with business partners," and "other projects that contribute to the upgrading of our company's own offering value and improvement of business operations". Secondment for the purpose of "increase the premium" or "strengthening of relationships with client companies and agents" and secondment for the purpose of merely replenishing staff at secondments are not implemented in principle.(from April 2024)

(4) Optimization of coinsurance arrangement management

① Management of coinsurance

We will steadily implement various measures based on the rules and regulations concerning the Antimonopoly Law, which were established in October 2023, and the guidelines prepared by the General Insurance Association of Japan. At the same time, we will continue to examine our approach to the most appropriate insurance arrangement for customers and new ways of creating coinsurance arrangement.

② Study on corporate agent functions

We will define/disseminate the target and expected roles of corporate agents, clarify the scope of their involvement

in the insurance arrangement process, and establish a framework for supervision.(from April 2024)

- (5) Development of rules and regulations regarding the Antimonopoly Law and education of employees and agents
- ① Development of a new insurance underwriting manual aligned with the provisions of the Antimonopoly Law
The new manual has clarified the rules for sharing information with other companies. We are ensuring that it is thoroughly disseminated internally. (from October 2023)
 - ② Implementation of a process to specify the source of information from other companies
If information is obtained from a party other than the policyholder at the time of underwriting, an Antimonopoly Law Compliance Confirmation Sheet has been used to document the source of the information.(from October 2023)
 - ③ Establishment of employee counseling service on Antimonopoly Law
To enable all employees to consult proactively on legal issues, including the Antimonopoly Law, we have established a new consultation service with legal counsels who specialize in this area.(from November 2023)

2. Establishing proper business promotion system

In order to establish proper sales promotion system, while changing market practices, we will examine new ways and systems for sales promotion that can achieve sustainable growth in a proper competitive environment.

- (1) Review of evaluation criteria
- ① Review of the evaluation criteria of the sales department
We will review the evaluation criteria that heighten the importance of securing profitability through customer-centric initiatives and foster a business mindset that contributes to customers and society(from April 2024).
 - ② Proper management of individual evaluation
We clearly state that target of the sales staff will be set in conjunction with the organizational evaluation items of the sales organization. and we will ensure that our customer-centric initiatives are properly evaluated(from April 2024).
- (2) Strengthening the corporate sales division
- ① Establishment of support organizations
The corporate process transformation team was established in the commercial marketing & sales promotion department (November 2023) to prevent inappropriate behavior due to the lack of experience and skills of corporate sales representatives.
 - ② Improvement of workplace environment for sales representatives
We will reorganize and enlarge the corporate sales department in order to review the types of industry in which they are in charge and to stimulate communication by enlarging the size of the organization, thereby realizing an environment in which they can work properly. In line with the enlargement of the organization, we will actively promote units that can be established under the authority of the line manager and strengthen cooperation among sales representatives including the unit manager, thereby creating an environment in which it is easy to consult (from April 2024).

3. Establishing proper insurance underwriting management system

In order to establish a proper insurance underwriting management system, we will improve underwriting capabilities and risk literacy at the company-wide level.

- (1) Fundamental strengthening of profitability management
- ① Strengthening Underwriting
We enhance the insurance underwriting with an emphasis on profitability by sophisticating the current risk base profitability management. We will also collaborate with external companies to examine and verify the practical application of AI technology in calculating insurance conditions and premiums that accurately reflect actual risk conditions based on data.

② Insurance rate management based on risks

We will enhance the current risk-based rate management, grasp the expected value of future expenditures (claim, etc.) and the risk margin (reinsurance cost and capital cost) of insurance contracts, incorporate the risk margin into the rate management, and thoroughly apply risk-based insurance rate to ensure profit based on the expected value (from October 2024).

③ Review of the evaluation system of the sales division

A new index that recognizes and evaluates profitability at the time of underwriting will be introduced as the "medium- to long-term contribution to corporate profits" index under the organizational evaluation system (from April 2024).

④ Verification of the appropriateness of the insurance premiums, etc., offered by sales division to client companies

The internal audit department validates the underwriting process for corporate insurance products using two methods: on-site inspection and on-site monitoring (sampling check). (from April 2024).

4. Establishing proper legal compliance system

In order to establish proper legal compliance system, we will strengthen our forecasting and predictive detection functions by ensuring that management has sufficient imagination for the risks present in our business models and management strategies, by developing a risk management framework that enables us to grasp risks in a broad and quantitative manner and to consider them widely in advance when considering our business models and management strategies, and by establishing a system for sharing information with management in a timely manner.

(1) Strengthening the compliance and risk management system

In order to strengthen our ability to detect predictors related to legal and conduct risks, we have newly established the Predictor detection team in the Risk management department (November 2023), the Customer focus team in the Corporate quality control department (November 2023), and the Improvement recommendations team in the Internal audit department (December 2023). We have also established the Legal conduct risk unit within the Predictor detection team (November 2023). Additionally, we have formed the Predictor detection countermeasures committee (December 2023) which is tasked with assessing and predicting how shifts in the social environment and the diversification of values will impact our existing and new business strategies. It will facilitate in-depth discussions on legal and conduct risks, including a review of business strategies.

(2) Fostering an environment conducive to internal reporting

At present, the Human resources department and the Compliance department conduct careful investigations based on thorough confidentiality and protection of whistleblowers, etc., and when reporting is confirmed, appropriate corrections and guidance (including personnel disciplinary actions) are implemented. In addition, we are strengthening our efforts to create an environment where whistleblowers can be reported with peace of mind (from November 2023) by making it known within the company that we are leading to improvements in the workplace, and dispelling concerns about "confidentiality" and "protection of whistleblowers" faced by some employees.

(3) Strengthening heads-up on the first line

We will establish a system to automatically detect emails sent from sales representatives to email addresses with domains from other insurance companies and provide real-time feedback to line section managers. In second line and third line, we will monitor emails sent to other companies afterward. (from April 2024)

(4) Strengthening function of the second line

① Strengthening the compliance department

In order to strengthen the system of the Compliance department under the leadership of the management, we will establish a system in which employees in the Compliance department have high knowledge of all relevant laws and regulations, including the Insurance Business Act, and can make appropriate decisions with high risk sensitivity. In addition, we will establish a system in which we can appropriately determine the need for consultation with external experts regarding legal risks other than the Insurance Business Act, and proactively consult with external experts. (from April 2024)

②Securing the Diversity of Human Resources on the Second Line

We will define and clarify the skills required for each department on the second line, prepare learning programs that can be systematically mastered, and develop human resources. We will also recruit employees from outside through matching of necessary skills.(from April 2024)

(5)Strengthening function of the third line

The Internal audit department will comprehensively and comprehensively grasp and analyze internal and external information, conduct flexible reality checks based on detected risk predictors (hypotheses), and establish a system to promptly make recommendations to management. In addition, with regard to price fixing issues, we will examine the status of establishment of recurrence prevention measures through off-site monitoring, and conduct audits, etc. as necessary.(from February 2024)

5. Fostering sound corporate culture

In order to foster a sound corporate culture, we will take the lead in initiatives to ensure that all employees understand the Group's MVV and importance of customer-centric business operations. We will promote a corporate culture that encourages individuals to speak up and initiate reforms in a psychologically safe environment.

(1) Initiatives to be led by management

① Messages from top management

We will regularly send out top management messages to employees with their own words to convey the thoughts and determination of top management to ensure that top management takes the lead in implementing reforms.

② Review and penetration of Group's MVV and code of conduct

Based on the results of a survey conducted among all employees to respond to changes in the social environment and to foster common awareness among employees, we will review the Group's MVV and code of conduct. We will create a tool in the Value penetration project and the management will take the lead to raise awareness among all employees.

③ HR system reform

In the upcoming HR system reform to be implemented from 2025, we will develop HR systems and processes that prioritize skills rather than the traditional seniority-based management and promote a corporate culture that encourages individuals to speak up and initiate reform. We will also incorporate the experience of the second and third lines into the management's succession plan.

(2) Other Initiatives

We will redesign our internal portal to effectively communicate management messages. We will also establish an internal website named "Brush-up Box" where employees can post diverse opinions and perceptions about all aspects of the company's operations to activate two-way communication in each department.(from January 2024)

6. Fundamental strengthening of the management (governance) system

We will further strengthen the functions of the Board of directors and the Audit & supervisory board based on the evaluation and advice of external organizations in order to drastically strengthen our business management (governance) system. In addition, as a means of enhancing internal auditing, we will implement advanced auditing, such as providing advice that contributes to management strategies, instead of the conventional "compliance auditing" or "risk-based auditing."

(1) Improving governance by management

①Enhancement of Board of directors function

To enhance the effectiveness of the board of directors, in addition to self-evaluation by board members, we will incorporate objective evaluations by external organizations and draw insights from advanced practices both domestically and internationally. (from April 2024)

②Strengthening the functions of officers in charge of the second and third lines

The functions of the officers in charge of the second and third lines will be strengthened through exchanges between the officers in charge of the second and third lines with the first line divisions and a review of the division of duties between the second and third lines.(from April 2024)

③ Establishment of a framework for making decisions and exercising authority based on risk assessment

In response to risks associated with business execution based on management strategies, etc., we clarify that the responsible officer and the person exercising authority must identify and assess risks, and then make appropriate decisions and take necessary actions.(from April 2024)

(2) Enhancing Auditors' Audits

In order to develop a system in which the content of audits by company auditors can be fully utilized in the activities of second line and third line, opportunities for setting priority audit items in audits by company auditors and for regular reporting from second line and third line to company auditors will be increased.(from April 2024)

(3) Strengthening the functions of the third line

① Securing human assets to enhance internal auditing

To enhance internal auditing, we will strive to develop and secure human assets capable of conducting audits that contribute to management (management audits). To achieve this goal, we will allocate human assets with the necessary experience and skills and strengthen personnel rotation with other departments to establish a career path leading to the Internal Audit Department.(from April 2024)

② Improving risk response

By responding flexibly to identified risk predictors and changes in the status of significant risks, and by promoting and supporting initiatives with an awareness of best practices, we will strengthen our advisory functions. We will conduct proactive audits from a management perspective that contribute to the effective achievement of management objectives and the sustainable growth and enhancement of the corporate value of our Group.(from April 2024)

③ Strengthening corporate culture verification

Our company's culture will be appropriately examined from a third-line perspective through internal audits, etc., and a system will be established to enable top management to implement its current status, issues, and recommendations in a timely and appropriate manner (from April 2024).

7. Clarification of the management responsibility

After receiving the Business Improvement Order, we worked to identify the responsible departments and clarify the location of management responsibilities. We take our responsibilities seriously and will reduce executive compensation for the following executives.

Title, Name	Reduction of remuneration
Representative Director: Noriyuki Hara Chairman of the Board	50% of monthly remuneration × 3 months
Representative Director: Shinichiro Funabiki President, Chief Executive Officer	50% of monthly remuneration × 3 months
Director, Executive Vice President: Tomoyuki Shimazu	35% of monthly remuneration × 3 months
Senior Executive Officer: Hisaya Okuda	20% of monthly remuneration × 3 months
Director, Senior Executive Officer: Hiroshi Tatematsu	40% of monthly remuneration × 3 month
Director, Senior Executive Officer: Shigeo Kudo	35% of monthly remuneration × 3 months
Senior Executive Officer: Yoshiharu Shimmi	20% of monthly remuneration × 3 month
Managing Executive Officer: Takuya Tsuda	10% of monthly remuneration × 3 months
Director, Managing Executive Office: Naoki Iguchi	35% of monthly remuneration × 3 months
Executive Office: Takehiko Arimoto	10% of monthly remuneration × 3 months
Executive Office: Junichiro Mizukami	10% of monthly remuneration × 3 months
Executive Office: Kazuhiro Tsuji	10% of monthly remuneration × 3 months
Executive Office: Hideki Kawatsu	10% of monthly remuneration × 3 months
Executive Office: Souichi Azuma	10% of monthly remuneration × 3 months

NB: The above list indicates executive officers who have been in charge of responsible departments since FY2018.

8. Promotion of business improvement plans

The measures in the Business Improvement Plan to prevent recurrence will be incorporated into the second stage of the medium-term management plan (2022-2025) starting in April 2024. They will be steadily implemented under the leadership of the management. Additionally, we will confirm the status of the measures and assess their effectiveness.

The Business planning department, which is based on the Business planning team of Corporate planning department, will be newly established for steady implementation of the Business Improvement Plan. In addition, the new Structural transformation promotion team will be established within the department to plan policies and measures to realize our vision, and to implement and monitor the progress of cross-divisional initiatives.

Furthermore, the Structural transformation promotion committee will convene at least six times annually as a platform for executive-level discussions aimed at resolving issues related to this transformation. The meeting summary will be presented to the Management committee and Board of directors for discussion and endorsement. This will implement the PDCA cycle and ensure the effectiveness of recurrence prevention measures.

The Internal audit department as independent from the first and second lines, reviews the overall progress of the Business Improvement Plan, and reports the assessment of the progress of the Business Improvement Plan to the management team based on the advice of outside experts. When there are areas where there are problems in the progress of the Business Improvement Plan, recommendations and advice are provided to the relevant departments and the management team.

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