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Aioi Nissay Dowa Insurance Co., Ltd.

**Formulation of Business Improvement Plan Related to Price Fixing**

February 29, 2024

Aioi Nissay Dowa Insurance Co., Ltd. (Representative Director, President: Keisuke Niiro), a member of the MS&AD Insurance Group, today submitted a business improvement plan to the Financial Services Agency pursuant to an order for business improvement dated December 26, 2023.

We sincerely apologize for the inconvenience and concern we have caused our customers and other stakeholders.

We will take this business improvement order seriously and solemnly, and work to restore trust by implementing improvement plans with the aim of becoming a truly customer-oriented non-life insurance company.

End

## Appendix

### 1. Introduction (Development of Business Improvement Plan)

We take seriously the suggestions regarding the Business Improvement Order received from the Financial Services Agency and deeply regrets them. In addition, we considered the problems and issues. Based on these, we reviewed our company's vision and formulated measures to prevent recurrence and improve the situation.

We aim to return to its "Mission, Vision and Values" and "Reinvent Ourselves" including its corporate culture. In addition, we will work together with our agents to promote "CSV x DX" in which we thoroughly implement activities that meet the expectations of our customers and society.

Furthermore, in the "Stage 2 of the Medium-Term Management Plan (FY 2024 to FY 2025)" that began in April 2024, we will make "CSV x DX" our basic strategy and all employees will work together to restore trust.

Reference: "Mission Vision and Values" Aioi Nissay Dowa Insurance Company's Vision

The Management Philosophy (Mission) is shared by all members of the MS&AD Insurance Group. In addition to the common action guidelines for all Group employees "Customer First, Integrity, Teamwork, Innovation, Professionalism," we have added our company's unique guidelines, "Community-based" and "Passion," and are making every effort to achieve our management vision.

Reference: CSV × DX aims to deliver new value that meets the needs of customers, communities, and society by utilizing the most advanced and unique technologies and digital data and collaborating with distinctive partners. It is an approach of working globally with customers, communities, and society to solve social and regional problems through all types of businesses in Japan and overseas.

Through CSV × DX, we are expanding the progressive, diverse and community-based efforts we have built to date.

#### Outline of the business improvement plan

- ✓ Total of 59 cases considered to be in conflict with the Antimonopoly Act and cases of inappropriate conduct in light of the purpose of the Act (★ to be included ★) were confirmed (\* Total number of cases including those reported to the Financial Services Agency so far.)
- ✓ In order to improve the environment for appropriate competition, we will review its relationships with client companies and agents (Business practices: strategic equity holdings, core business supports, secondments), clarify the rules for bidding and underwriting for coinsurance underwriting, and restructure the governance system in which management is actively and proactively involved.
- ✓ We will develop a system to promote customer-oriented business activities and underwrite insurance contracts based on insurance premiums calculated based on appropriate profitability management.
- ✓ We will build a system to take countermeasures without overlooking inappropriate actions at each layer of 3-line management.
- ✓ We will build a system to provide sufficient education and appropriate supervision to all employees and agents.
- ✓ We will review the system to ensure that sufficient checks and balances are in place to prevent inappropriate information exchange.
- ✓ It is a climate in which customer focus and compliance are emphasized. We aim to ensure that each employee correctly understands the "Mission Vision and Values" of our corporate vision, and act at all times based on it.

## 2. Clarification of management responsibility with respect to this disciplinary action

We take the Financial Services Agency's Business Improvement Order seriously, and to clarify where the responsibility lies as we take responsibility for preventing a recurrence, we will implement the following reductions in executive compensation.

Position * ( ):Division	Name	Reduction of remuneration
Representative Director, Chairman of the Board	Yasuzo Kanasugi	50% of monthly remuneration × 3 months
Representative Director, President	Keisuke Niiro	50% of monthly remuneration × 3 months
Representative Director, Executive Vice President	Masahiro Higuchi	30% of monthly remuneration × 3 months
Representative Director, Executive Vice President	Yutaka Ideguchi	30% of monthly remuneration × 3 months
Senior Managing Executive Officer (Professional Sales Development Dept. and Motor Sales Development Dept.)	Minoru Kaneda	10% of monthly remuneration × 3 months
Senior Managing Executive Officer (Dealer Production Development Dept.)	Eiji Yamada	10% of monthly remuneration × 3 months
Director, Senior Managing Executive Officer (Compliance Dept. and Internal Audit Dept.)	Osamu Yoshida	30% of monthly remuneration × 3 months
Director, Senior Managing Executive Officer (Corporate Planning Dept.)	Yusuke Shirai	20% of monthly remuneration × 3 months
Director, Managing Executive Officer (Production Management Dept.)	Yoshikazu Takahashi	30% of monthly remuneration × 3 months
Managing Executive Officer (Corporate and Financial Institutions Production Dept.)	Keizo Hasehira	20% of monthly remuneration × 3 months
Managing Executive Officer (Risk Management Dept.)	Keiichi Miyata	10% of monthly remuneration × 3 months
Executive Officer (General Manager of Production Management Dept.)	Shuji Ajiki	10% of monthly remuneration × 3 months

### 3. Development and implementation of measures to improve environment for fair competition in the corporate insurance area

#### ① Recognition of problems

We believe that the following factors in the corporate insurance area created an environment that made antitrust violations and other risks likely to emerge. The failure of management to adequately address this issue constituted the problem.

- Due to the limited number of non-life insurance companies (hereinafter referred to as “other non-life insurers”) there are many opportunities to interact with other non-life insurers, which makes it easy to contact them.
- Factors beyond policy terms, such as strategic equity holdings and support for the clients' core business, have more than a minor influence on the relationship with the client companies.
- Ambiguous positioning of corporate agents affiliated with the clients' corporate groups (hereinafter referred to as "corporate agents")
- Coinsurance business practice of structuring insurance on the basis of the premiums of the leading insurer.

In addition, the Sales Promotion Departments of the head office did not have clear guidelines on how to interact with customers and agents about the bidding process.

#### ② Recurrence prevention and improvement measures

We will implement the following measures and monitor their progress. Based on the results, we will consider additional measures.

Recurrence prevention and improvement measures	Descriptions [ ]: Time of implementation
Rules regarding contact with other non-life insurers	We will formulate rules for contacts with other non-life insurers. Additionally, we will provide training to all employees to ensure effective implementation of these rules. [April 2024]
Review of business practices (strategic equity holdings, support for core business, secondments)	<ul style="list-style-type: none"> <li>▪ Review of strategic equity holdings [March 2024] Listed strategic equity holdings will be reduced to zero by the end of the next medium-term management plan (end of FY2029).</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Review of core business supports provided to clients and agents. [April 2024] Insurance contracts and/or maintaining/increasing market share will not be a condition for support. Rules and guidelines appropriate for each case will be developed.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Review of Secondments [March 2024] We will establish and adhere to the guidelines that define the objectives of and requirements for secondments.</li> </ul>
Initiatives Related to Coinsurance	We will establish rules for obtaining contract-related information, including risk information, during the bidding and contract underwriting processes for both our

	company and agents. Additionally, we will provide training to ensure effective implementation of the rules. [February 2024]
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Reference: Coinsurance is an insurance policy where multiple insurance companies jointly underwrite.

#### 4. Establishment of appropriate sales promotion and underwriting management system

##### ① Recognition of problems

The sales departments were required to maintain their shares of renewals and their position as the leading insurer, which made it difficult to offer appropriate risk-based premiums. At the same time, the department was pressured to improve its bottom line (e.g., to raise premiums and/or reduce coverage), which increased the need to engage in inappropriate conduct.

We also identified that in some cases, departmental and branch management focused on winning contracts, the evaluation of the operational process was unclear, and the sales strategy was top-line oriented.

##### ② Recurrence prevention and improvement measures

In addition to promoting customer-oriented sales activities, we will establish a system to underwrite insurance policies with premiums calculated based on appropriate profitability management.

We will implement the following measures and monitor their progress. Based on the results, we will consider additional measures.

Recurrence prevention and improvement measures	Descriptions [ ]: Time of implementation
Review of sales department policies	We will transform our sales activities into "CSV × DX-type sales" centered on providing value to customers and society. [Fiscal 2024]
Review of the evaluation system for sales departments	<ul style="list-style-type: none"> <li>• Review of sales office valuation method [April 2024]</li> </ul> We will redesign our evaluation system, which previously focused on contract wins with an emphasis on the top line, to one that is more process-oriented.
	<ul style="list-style-type: none"> <li>• Review of managements of branch managers [April 2024]</li> </ul> The Department and Branch will formulate their department's medium-term management plan to clarify the activities, including processes and KPIs, necessary to achieve their vision in an annual plan.
Strengthening the explanatory skills of sales departments	We will create and distribute a manual for employees responsible for corporate contracts. The manual will describe standard activities and enhance their explanatory skills by improving their knowledge. [May 2024]
Insurance products profitability Management	We will identify, evaluate, and analyze trends in profitability in specific risk groups. We will confirm profitability and take risk control measures as necessary. [August annually]

## 5. Establishment of appropriate legal compliance system to ensure compliance with Antimonopoly Law and other regulations

### ① Recognition of problems

We believe that one of the problems was a lack of risk awareness, which resulted in our failure to adequately train and supervise our sales representatives and other internal personnel and agents with respect to the Antimonopoly Law and other relevant regulations.

In addition, we recognize that our three-line management system was inadequate in some respects and that we had a business management system that overlooked the occurrence of inappropriate conducts.

Reference: The following describes the three-line management system. "The risk management functions of operations, administration, and internal audit are sometimes referred to as the three lines of defense. It is a concept that helps financial institutions build an optimal system by deliberately assigning functions to be performed by departments and divisions in each line." (Excerpt from the Financial Services Agency's "Approach and methods of inspection and supervision regarding compliance and risk management " issued in October 2018)

### ② Recurrence prevention and improvement measures

We will implement the following measures and monitor their progress. Based on the results, we will consider additional measures.

A. Management's recognition of the risk of non-compliance in response to changes in the external environment  
(Awareness-raising among management)

Recurrence Prevention and Improvement Measures	Descriptions [ ]: Time of implementation
Strengthening of ERM Committee functions (risk detection)	In order to raise management's awareness of compliance risks, the ERM Committee will discuss a broad range of risks, including conduct risks, and ensure that these risks are promptly reported to management through the Executive Committee and other means. [April 2024]

Reference: The ERM Committee performs the following tasks:

- Discussion, review and recommendation on agenda items related to the advancement of ERM through the control of risk, return and capital.
- Discussion, review, and recommendation on agenda items related to important issues for the purpose of the following: raising awareness of significant risks within our company, our subsidiaries, and affiliates ("Group companies") to ensure soundness, safety, and stable management; organizing responses to such risks; and ensuring the effectiveness of the risk management system.

## B. Establishment of three-line management system

Recurrence Prevention and Improvement Measures	Descriptions [ ]: Time of implementation
Review of three line management system	<ul style="list-style-type: none"> <li>• We will define the Sales Promotion Division as the first line of defense at the head office. The division will take the initiative to address compliance risks in sales branches. We will define the Compliance Department as the second line of defense. It will take the initiative in monitoring the sales branches as well as the Sales Promotion Division. [FY2024]</li> </ul>
Enhancement of first line functions	We will make it a rule to register all bids (competitive quotations) to the sales activity support system to visualize sales activities. [June 2024 (Partially implemented in advance)]
Enhancement of second line functions	<ul style="list-style-type: none"> <li>• With respect to agenda items to be submitted to the Board of Directors and the Management Committee regarding new business models and management strategies, etc., the director or general manager of each second line department will review the issues and problems from the perspective of risk management and compliance with laws and regulations, etc. They will also include opinions representing the second line in the agenda. [April 2024]</li> <li>• The Compliance Department will proactively monitor the actual status of the first line by attending various meetings within the sales branches. The department will also review employees' psychological safety and ensure that their communication with supervisors, subordinates and co-workers is effective. [April 2024]</li> <li>• The Risk Management Department will evaluate the information provided by the Sales Promotion Division and the Compliance Department and provides regular feedback to the Compliance Department. It will also share the information with the third line. [April 2024]</li> <li>• Legal and conduct risks are quantified and appropriately reflected in risk categories. [April 2024]</li> </ul>
Enhancement of third line functions	<ul style="list-style-type: none"> <li>• In addition to the issues already identified, we will enhance the collection and analysis of concerns from a forward-looking perspective. [April 2024]</li> <li>• We will undergo verification and evaluation by an external evaluation organization and take necessary improvement actions based on the results. [April 2024]</li> </ul>
Establishment of system that enables second and third lines to function properly (including HR reform)	<ul style="list-style-type: none"> <li>• In order to ensure the high quality and diversity of our human assets, we will implement personnel rotations and secondments, and recruit external human resources. [April 2024]</li> <li>• Continuation and strengthening of career paths, such as the promotion of employees to department and branch managers after they have gained experience in second- and third-line positions. [Continued Implementation]</li> </ul>
Mutual Evaluation among first, second,	A cross-evaluation will be performed between the first line (sales branches and first line departments at head office), the second line (Compliance Department and Risk

third lines	Management Department) and the third line (Internal Audit Department). [September 2024]
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Reference: Risk Register (Our "Detailed Regulations on Risk Management by Risk Register")

- The purpose of the Risk Register is to recognize major risk events that our company should monitor, by capturing the presence or absence of changes in risks facing our company and the occurrence of new risk events in light of recent environmental changes.
- We implement quantitative and qualitative risk management for the risks identified in the Risk Register, and periodically examine the status of risks and the status of risk management to improve our efforts.

#### C. Establishment of a system for appropriate training and supervision of employees and agents

Recurrence prevention and improvement measures	Descriptions [ ]: Time of implementation
Enhancement of compliance program and improvement of its effectiveness	<p>We will include an antimonopoly compliance agenda (including education and training) in the corporate compliance program for FY 2024. [April 2024]</p> <ul style="list-style-type: none"> <li>▪ In formulating the corporate compliance program, we will increase the involvement of Risk Management Department to align the subjects more closely with actual risk conditions. [April 2025]</li> <li>▪ Sales branches develop their own individual compliance programs based on the corporate program, review progress at monthly meetings, and take necessary action accordingly. [Implemented]</li> </ul>
Training, etc.	<ul style="list-style-type: none"> <li>▪ To ensure strict compliance with the Antimonopoly Law and other regulations, training is conducted using materials based on actual cases. [Continuously implemented since June 2023]</li> </ul>
Establishment of mechanisms to prevent inappropriate information sharing	<ul style="list-style-type: none"> <li>▪ Emails addressed to other non-life insurers require approval by management at the time of transmission, and system checks will be implemented. [Implemented sequentially since January 2024]</li> <li>▪ Emails from our sales department to other non-life insurers will be inspected using keywords. [October 2024]</li> </ul>

Reference: Corporate Compliance Program

Our Corporate Compliance Program (hereafter referred to as "Corporate Program") is a practical compliance-related program that gives specific assignments to our employees.

Each organization has its own approach to addressing the assignments stipulated in the Corporate Program. In addition, since compliance issues vary across branches, we have decided to formulate divisional and branch compliance programs tailored to the specific conditions of each division and branch.

## 6. Fostering healthy organizational culture that emphasizes compliance and customer protection

### ① Recognition of problems

We believe that one of the problems was the culture of disregard for compliance and customer protection that was fostered by the sales division, which prioritized its own convenience and engaged in inappropriate conduct even though it was aware that such conduct was illegal or inappropriate, and by the compliance, risk management and internal audit divisions, which failed to detect such conduct. In addition, we recognize that we have failed to practice "Positive Compliance," an initiative to not only comply with laws and regulations, but also to think autonomously and practice what should be done and what is right.

Reference: What is "Positive Compliance"?

We define "Positive Compliance" as an initiative to not only comply with laws and regulations, but also to think autonomously and practice what we should do and what is right.

### ② Recurrence prevention measures and improvement measures

Our goal is to ensure that each employee has a correct understanding of our Mission, Vision, and Values (hereinafter, referred as "MVV" ) and is able to act accordingly at all times.

We will implement the following measures and monitor their progress. Based on the results, we will consider additional measures.

Recurrence prevention and improvement measures	Descriptions [ ]: Time of implementation
Extending management's commitment to corporate culture reform to employees	Video messages (for all employees) on compliance, meetings for all employees, and the President's message at the beginning of the year. [Has been conducted as needed since June 2023]. The management communicates messages to employees regarding corporate culture reform. [Conducted as needed from April 2024]
Designation of October 10 as a day to reflect and learn from past misconduct	October 10 will be designated a "Day of Reflection and Learning from Past Misconduct (tentative name)" to reflect not only on this price fixing issue, but also on past mistakes to ensure that the lessons learned do not fade away. [Scheduled to be implemented annually from FY2024]
Promotion of Positive Compliance	Through the Department and Branch Business Quality Improvement and Compliance Committee, we aim to cultivate a corporate culture wherein employees autonomously consider aligning their actions with our MVV and doing what is right and what we can be proud of.
Review of the Evaluation System	The personnel evaluation system will be reviewed as follows. <ul style="list-style-type: none"> <li>• We will eliminate traditional performance elements from the evaluation system and instead, prioritize behavior based on our MVV. [April 2024]</li> <li>• Actions that contribute to the promotion of products and services aimed at solving</li> </ul>

	regional and social problems (CSV × DX) will serve as the basis for evaluation. [April 2024]
	<ul style="list-style-type: none"> <li>▪ In order to assess whether senior management and managers demonstrate an appropriate sense of ethics, risk sensitivity and compliance awareness, whether they take appropriate action, and whether they properly evaluate their subordinates, we will establish a system whereby senior management is evaluated by managers and other employees, and managers are evaluated by their subordinates. [October 2024]</li> </ul>
	<p>Review of the evaluation system for head office executives and regional executives and associate directors [FY2023]</p> <ul style="list-style-type: none"> <li>▪ Promotion of products and services that contribute to solving regional and social issues (CSV × DX), diversity, equity and inclusion, and engagement have been newly added to the evaluation criteria to encourage executives to demonstrate the process-oriented activities and corporate culture reform efforts.</li> </ul>
Questionnaire survey of officers and employees	Questionnaires on the fostering of corporate culture will be conducted. Surveys of managers and employees regarding the appropriateness of sales targets and performance reviews will be conducted. [October 2024]

Reference: About Quality Improvement and Compliance Committee at Sales Departments and Branch Office

The purpose of this committee is to improve business quality, improve customer satisfaction, and promote compliance with laws and regulations in order to protect customers and improve convenience at the sales departments and branches. The committee is established at each sales department or branch and chaired by the general manager of each.

## 7. Fundamental reinforcement of the management control (governance) system to effectively implement the above measures and to ensure that they are firmly in place.

### ① Recognition of problems

Management was not sufficiently aware of the need to formulate specific rules and the risk of violating the Antimonopoly Law, etc., given the nature of coinsurance, where contact with other companies prior to the conclusion of a contract is highly probable.

We believe that it is necessary to recognize that significant compliance risk events are often inextricably linked to business models and management strategies, and that compliance risk is fundamentally inherent in these.

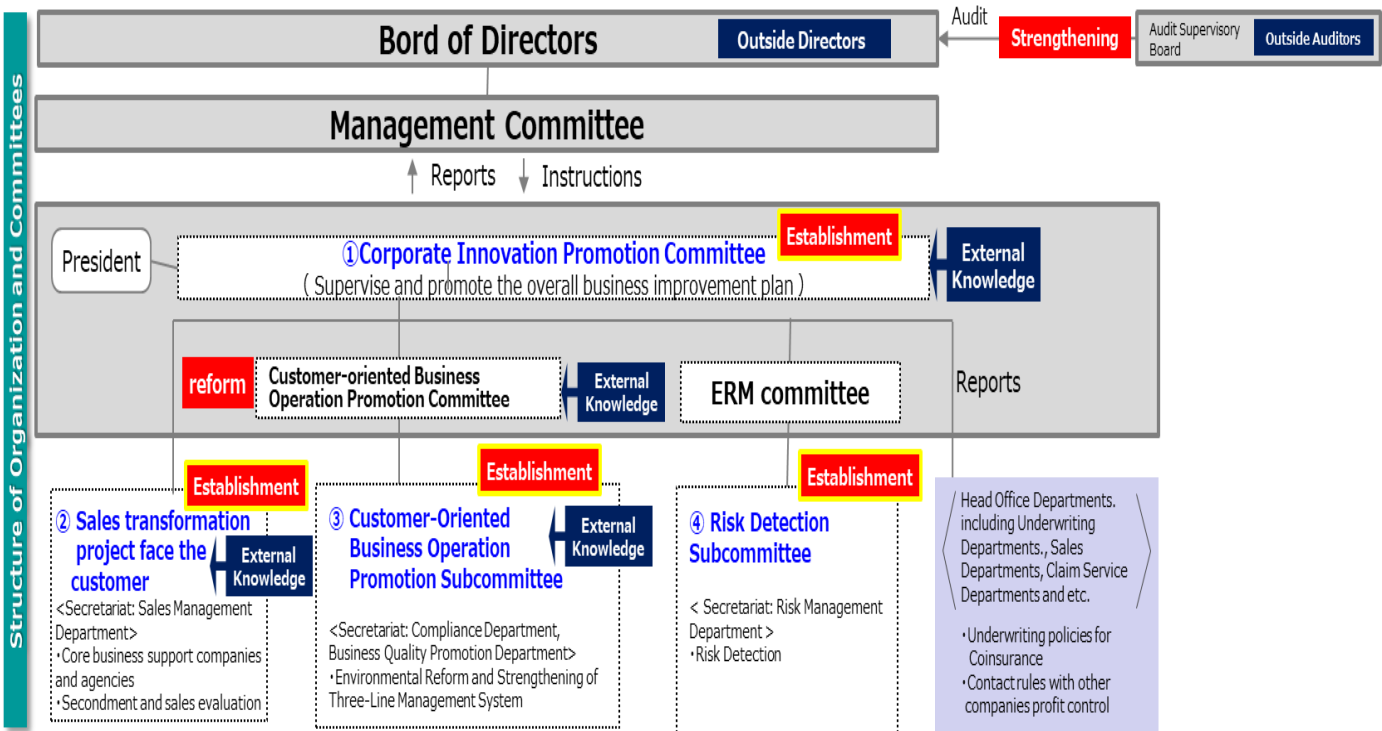
### ② Recurrence prevention and improvement measures

We will establish a system to ensure that all preventive and corrective measures are proactively and positively implemented with clear accountability at the management level, and that continuous progress is ensured by sharing and discussing progress updates at the management level.

Recurrence Prevention and Improvement Measures	<p>Descriptions</p> <p>[ ]: Time of implementation</p>
Checks and balances on management led by the Board of Directors and corporate auditors	<ul style="list-style-type: none"> <li>▪ We will conduct an external evaluation by an outside institution and, through the use of professional evaluation, improve the checks and balances on the Board of Directors. [April 2024]</li> <li>▪ Outside directors will visit sales departments and branches to obtain a better understanding of the actual situation through increased opportunities for dialogue with employees. [April 2024]</li> </ul>
Establishment of committees to promote initiatives	<p>Establishment of the Corporate Innovation Promotion Committee (tentative name) [FY2024]</p> <ul style="list-style-type: none"> <li>▪ As directly under the president, this committee will promote initiatives by reviewing reports from the committees and executives in charge of each initiative in the Business Improvement Plan and the status of business execution in each relevant department, confirming the progress of reoccurrence prevention and improvement measures, and discussing common issues.</li> </ul>
Strengthening the functions of committees and other bodies responsible for each mandate	<p>Launch of new customer-centric sales reform project [FY2024]</p> <ul style="list-style-type: none"> <li>▪ This cross-divisional project at the head office will plan, promote and monitor measures for the sales branches to focus on sales activities based on "CSV × DX" by facing customers together with agents.</li> <li>▪ This project is responsible for reviewing business practices (strategic equity holdings, business support, secondments) and process-oriented evaluation of sales branches as part of efforts to comply with the recent Business Improvement Order.</li> </ul>
	<p>Reorganization into the Customer-Oriented Business Operation Promotion Committee (tentative name) [FY 2024]</p> <ul style="list-style-type: none"> <li>▪ This committee will reorganize the current Quality Improvement and Compliance Committee. The head office department, sales department and claims department will address business quality and compliance issues from a customer-oriented business perspective.</li> <li>▪ This committee is in charge of reforming corporate culture and strengthening the three-line management system as part of efforts to respond to the recent Business Improvement Order.</li> </ul>
	<p>Establishment of Risk Detection Subcommittee [FY2024]</p> <ul style="list-style-type: none"> <li>▪ This subcommittee will consolidate and analyze risks (including conduit risks) identified by each department at the head office and issue instructions for countermeasures, with the aim of achieving comprehensive risk management.</li> <li>▪ This subcommittee is in charge of risk identification as part of efforts to respond to the recent Business Improvement Order.</li> </ul>

Improvement of management supervision system by holding company	The progress of the business improvement plan will be reported to the holding company on a regular basis. The holding company will strive to establish a framework for proper business supervision of all Group companies, including the Group's domestic insurance companies, in order to strengthen the governance of the entire Group, and will oversee and guide the steady implementation of the business improvement plans formulated by our Company and Mitsui Sumitomo Insurance Co., Ltd. [April 2024]
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Reference: Structure of the organization and committee responsible for the business improvement plan



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