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Aioi Nissay Dowa Insurance Co., Ltd.

Progress of Business Improvement Plan (as of the end of May 2024)

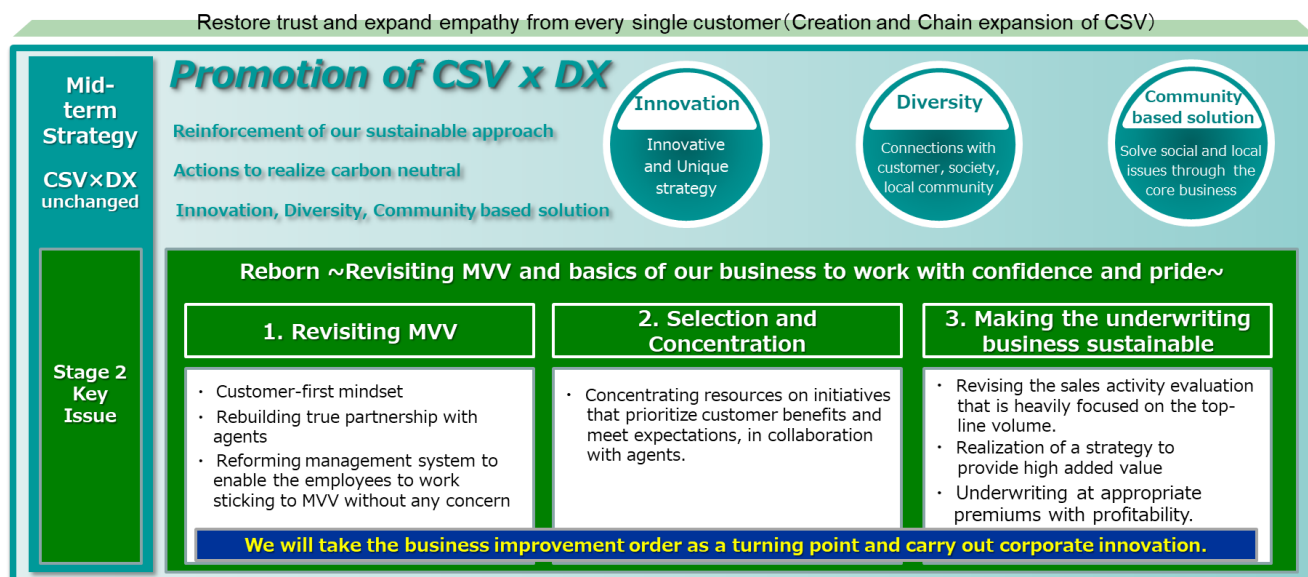
June 14, 2024

Aioi Nissay Dowa Insurance Co., Ltd. (Representative Director, President: Keisuke Niiro), a member of the MS & AD Insurance Group, has reported the first progress (as of the end of May 2024) on the business improvement plan to the Financial Services Agency today, in accordance with the business improvement plan<sup>※1</sup> reported to the Financial Services Agency on February 29, 2024.

We will continue our efforts to become a truly customer-centric company by implementing our business improvement plan and to restore trust. The details of the progress in the business improvement plan are as per the attached document.

\*1 [Formulation of Business Improvement Plan Related to Price fixing](#) (February 29, 2024 )

Revisiting our "Mission, Vision, Values", we aim to "reborn" by not even hesitating to change our corporate culture. In addition, together with our agents, we will promote "CSV x DX"<sup>※2</sup> by thoroughly implementing initiatives that meet the expectations of our customers and society. Furthermore, in the "Mid-term Management Plan Stage 2 (FY2024-2025)" starting in April 2024, all employees will work together on our core strategy of "CSV x DX" to achieve the restoration of trust.



※2 "CSV x DX" involves using cutting-edge technology, proprietary technology, and digital data, as well as collaborating with distinctive partners, to provide new values that customers, local communities, and society truly seek, through both domestic and international businesses. Furthermore, it involves global effort to resolve social and regional issues together with customers, local communities, and society. We, with CSV x DX at the core, are expanding various initiatives rooted in values of "innovation", "diversity", and "community involvement" that we have built up to date.

End

## 1. Introduction (Regarding efforts for the business improvement plan)

Our company is proceeding with improvement efforts in accordance with the business improvement plan. The top management themselves have shown their commitment and readiness to transform.

**We will transform into a company that continues to be selected by customers**

**We will practice what is right and what should be done.**

**We will consider "What can we do together and for our customers?".**

**We transform customer gratitude into motivation for work and growth.**

<Roundtable discussion between management and employees>

In addition to the traditional employee meetings, we have newly started a roundtable discussion where the top management themselves have a dialogue with employees all over the country about our efforts toward becoming a truly customer-focused company. The contents of the roundtable discussions are made available to all employees as video content.



## 2. Status of Business Improvement Plan Initiatives (as of the end of May 2024)

All of the initiatives outlined in the business improvement plan are on track as of the end of May 2024. We will continue to steadily advance each initiative.

### 1. Considering and Implementing Measures to Foster Fair Competition in the Corporate Insurance Sector

#### Guidelines for communication with other non-life insurance companies

- We have established guidelines such as the principle prohibition of holding and participating in social gatherings only among non-life insurance companies, as this could raise doubts about information exchange. We have been conducting training for all employees to thoroughly implement these guidelines. 【April, 2024】

#### Review of strategic equity holdings policy

- In order to reduce strategic equity holdings to zero by the end of the next medium-term management plan (end of FY2029), we have made a reduction plan and specific implementation measures.
- We have held explanatory meetings for the sales department and have started negotiations with investees. 【May, 2024】
- When changing the classification of the stocks from strategic equity holdings to pure investment, we plan to prepare for pure investment so that we do not continue to hold the strategic equity holdings.

#### Review of support for clients' core business

- We have created guidelines with the aim of properly and fairly conducting the categorization of purchases of services and goods as a company and employees, without making the acquisition of insurance policies and the maintenance and expansion of share. 【April, 2024】
- Furthermore, we are carefully explaining to service providers that we do not condition the acquisition or maintenance or expansion of our share.

#### Review of secondment criteria

- We have created guidelines aimed at ensuring the acquisition, maintenance, and expansion of insurance share, are carried out appropriately and fairly without making them conditions, and we have made them known to all employees.
- In operation, we limit secondment to cases that meet the purpose of the secondment described in the guidelines such as providing high-quality services to customers and the requirements such as being a department, position, or person in charge where no problems arise from the relationship with the proper insurance payment in our company.

#### Clarification of rules regarding bidding and acceptance.

- We have established an "Information Acquisition Rule" for contract-related information (risk information, etc.) at the time of bidding and contract acceptance, and we are conducting training for all employees to thoroughly understand it. We also provide similar training for our agents. 【February, 2024】

## 2. Establishing an Appropriate Business Promotion System and Insurance Underwriting Management System

### Revision of sales division policy

- We have formulated the sales department policy for FY2024, and the advancement meeting held in April for all our employees (attended by all executives and branch managers, with other employees watching the video), we made known the measures we are taking to transform ourselves with a customer-focused approach.
- Specifically, in order to eliminate the sales culture and customs that have become commonplace for our company over the years, we have fundamentally reviewed everything, including our sales style, relationships with agents, branch management, and evaluation system.

### Revision of sales branch evaluation and award systems

- We have revised our evaluation system, which focused on policy issuance with an emphasis on the top line, and have renewed it to an evaluation that values the process, and have begun our efforts. 【April, 2024】
- We have abolished the top-line achievement, which used to be a prerequisite for winning awards, and are expanding the weight of process evaluation and customer satisfaction evaluation from the FY2024.
- We have positioned the “CSV x DX” initiative as the most important item in the process evaluation of sales departments, and have increased the weight of process evaluation such as “customer-focused sales activities” and “activities to create the future through solving regional and social issues.”

### Review of management of department and branch managers

- We have formulated “the Medium-Term Management Plan for Departments and Branches”, which outlines the activities (processes and KPIs) that should be carried out each year to achieve our goals. 【April, 2024】

### Strengthening the explanatory power of the sales department

- For employees in charge of corporate customers, we have created and shared a manual that describes standard activities such as “Overview of the Corporate Market”, “Basic Activities of Corporate Sales”, and “Headquarters Support Measures for the Front line”. 【May, 2024】
- Though the manual, we will understand the basic activities of corporate activities and the concept of risk management, and aim to strengthen our explanatory power.

### Enhancement of profitability improvement initiatives

- We have initiated a project to establish sustainable earning power centered on the insurance business. We held the first general meeting in April, 2024 and discussed improving earnings in domestic and overseas insurance businesses and establishing a revenue management system.
- We will oversee, manage progress, and lead measures on themes with large improvements in profit, such as ensuring the profitability of automobile insurance.

### 3. Establishing an Effective Compliance System for the Antimonopoly Act and Other Relevant Regulations

#### Enhancement of the ERM Committee function (Risk detection)

- We have established a Risk Detection Subcommittee under the ERM Committee and have initiated its efforts.
- In the ERM Committee, we have been discussing a wide range of risks, including conduct risks, and promptly reports the results to management through the Management Committee, etc., in order to enhance management's awareness of compliance risks.

#### Reference: The ERM Committee carries out the following responsibilities:

- Discusses, reviews, and makes recommendations regarding the advancement of ERM management through the control of “risk”, “return”, and “capital”
- We will deliberate, verify, and make makes recommendations on significant matters to recognize important risks within the company and our subsidiaries and affiliates, organizational responses to such risks, and ensuring the effectiveness of risk management systems, with the aim of ensuring the soundness, safety, and stability of our management.

#### Review of the three-line defense system

- The Sales Management Department, the Corporate and Financial Services Business Development Department have been positioned as the first line and the Compliance Department as the second line, and we have been rotating their roles periodically.
- In addition to the above, the roles, responsibilities, and authorities expected of the second and third lines have been clarified. 【April, 2024】

#### Enhancement of the second line function

- We have revised “the operation rules for the Board of Directors and the Management Committee”. The new rules require the Corporate Risk Management Department and the Compliance Department to incorporate the opinions of the departments in second line into the agenda through committees for each issue. 【May, 2024】
- The Compliance Department actively monitors the status of the first line by participating in various meetings within the sales departments and branches. we have also verified the psychological safety of employees and monitored their operation to confirm if appropriate communication among superiors, subordinates, and colleagues are made in the departments. 【April, 2024】
- The sales promotion division and the Compliance Department provide information related to antimonopoly act and other relevant regulations to the Corporate Risk Management Department, which assesses the information and provides feedback regularly to the Compliance Department. This information is also shared with the third line for their review.
- We will also assess legal and conduct risks and appropriately reflected in the risk register, in which the cases are reviewed to make solution. 【April, 2024】

#### Enhancement the third line function

- In addition to the manifesting issues, we have been collecting and analyzing potential concerns proactively. 【April, 2024】

- We will undergo verification and evaluation by external assessment bodies and undertake necessary advanced initiatives based on the results.

#### Initiatives to Improve Auditing Skills

- We have formulated a plan to enhance our auditing skills and have initiated efforts to implement it.

#### Establishment of a framework to functionate the second and the third line effectively, including reform of our HR system

- In the periodic personnel changes, we have assigned young and mid-level staff to the departments in the second and the third line while appointed those with experience of working in second and third line as branch managers so that each department has a checking function. 【April, 2024】

#### Implementation of highly sophisticated and effective compliance programs

- We have incorporated an action plan related to Antimonopoly Act including education and training programs into our company-wide compliance program for FY2024. 【March, 2024】
- Referring to the compliance program, our sales departments have formulated their own compliance program. The progress of these programs has been reviewed on a monthly basis in department meetings, and corrective measures have been taken accordingly. 【April, 2024】

#### Implementation of training

- We have been conducting educational trainings utilizing case studies to ensure thorough compliance with the Antimonopoly Act and other relevant laws and regulations. 【Since June, 2023】
- We provide tools for each and every employee to be mindful of compliance, including customer-first principles and adherence to antitrust laws, and to discuss and exchange opinions. These tools are being utilized in meetings within branches and offices.

#### Development of a system to prevent inappropriate exchange of information (Implementation of automatic monitoring system)

- Starting from sales departments, we have introduced an automatic checking system which requires manager's approval before sending emails to other non-life insurance companies to prevent inappropriate information exchange. 【January, 2024】

### 4. Fostering a Sound Organizational Culture that Prioritizes Compliance and Customer Protection

#### Permeating the management's commitment to reform the corporate culture to employees

- At the annual progress meeting for all employees held in April, President Keisuke Niino himself declared we would be reborn as a truly customer-oriented company”.
- The President has expressed this commitment to compliance in a video message, company-wide meetings, and the

president's message at the New Year's address.

#### Promotion of positive compliance

- The compliance slogan was established based on the perspective of positive compliance, and its inclusion in the branch compliance program was made mandatory. The compliance department checks the status of Plan-Do-Check-Action cycle management of the branch compliance program. 【April, 2024】

#### Reference: Positive Compliance

We define "positive compliance" as the activity of proactively thinking and practicing what is right and what should be done, not just complying with laws and regulations.

#### Revision of personnel evaluation system

- We have started to renew the evaluation system to the one that focus on the process each employee has gone through. 【April, 2024】
- As one of the criterion of the personnel evaluation, we have set an item named “promotion of positive compliance, specific actions related to customer-focused business operation”.
- We have prioritized actions that align with our Mission, Vision, and Values over conventional achievement we used to value the most.
- Regarding the evaluation of bonus determination, we have been basing on actions that contribute to the promotion of products and services (CSV x DX) that to solving regional and social issues.

#### Survey on corporate culture for managers

- With the aim of assessing the establishment of our culture reform efforts centered on business improvement plans, we have started a quarterly survey related to the cultivation of corporate culture. Based on the analysis of the survey results, we will consider additional measures as needed. 【May, 2024】

## 5. Fundamentally Enhancing the Business Management (Governance) System to Ensure the Sustainable Implementation of the Improvement Measures

#### Check-and-balance function of the board of directors and auditors against the management team

- We are considering methods to enhance the check-and-balance function of the board of directors in preparation for external evaluations by third-party organizations. 【April, 2024】
- We regularly hold information exchange meetings among external directors to enhance their understanding of the company's actual circumstances, thereby strengthening the check-and-balance function towards the board of directors and other bodies.

#### Establishment of new committees to promote each initiative

- We have established a new "Corporate Innovation Promotion Committee" under the direct control of the president to oversee the entire business improvement plan. At the committee, we receive reports on the execution status of each

initiative of the business improvement plan from the responsible committees and executives, and confirm the progress of recurrence prevention measures and improvement measures. We also discuss common issues. The content of these discussions is reported to the board of directors and management meetings. 【April, 2024】

- We are incorporating the opinions of three external members into our initiatives.

Strengthening the functions of committees in charge of each order (establishment of new projects and subcommittees)

- We have established new "Customer-Centric Business Transformation Project", "Subcommittee for Promoting Customer-Centric Business Operations", and "Risk Detection Subcommittee" to manage each order. 【April, 2024】
- In the "Customer-Centric Business Transformation Project", we are reviewing old business practices and establishing transaction rules for appropriate sales activities based on customers, and considering measures to reduce workload to create more time to face customers.
- In the "Subcommittee for Promoting Customer-Centric Business Operations", we are reviewing measures aimed at transforming into a customer-oriented corporate culture and establishing a three-line management system, monitoring progress, and considering further initiatives.
- In the "Risk Detection Subcommittee", we aggregate and analyze risks (including conduct risks) detected by each department of the head office, report to the Board of Directors and Management Meetings, and also share with the responsible departments.

Improving management control over business companies by the holding company

- In order to detect risks inherent in the group and respond autonomously, we have established the "Group Risk Countermeasures Meeting" in which related officers of the holding company and domestic insurance companies of the group participate, and the "Group Risk Discussion Working Group" in which all departments of the holding company participate (both of which include external experts). 【April, 2024】
- In order to enhance the function of the audit by integrating the knowledge inside and outside the group, we have established the "Group Auditors' Meeting" for discussion and exchange of opinions (including the external auditors) of the holding company and the domestic insurance companies of the group. We have decided to hold it in the first and second half of the 2024 audit fiscal year. 【April, 2024】
- As matters that need to be reported from the business company to the holding company, we have listed matters related to "identification (foresight and early detection) and evaluation of risks and necessary responses" and "cultivation of a sound corporate culture" in the group management contract and the holding company board of directors regulations. We have strengthened our system to ensure that important management matters of the group companies are reported to the holding company in a timely and appropriate manner. 【April, 2024】
- To strengthen governance in conjunction with our group companies, we have started having our full-time officers from the holding company observe the management meetings of our company and MSI. 【April, 2024】
- To strengthen the audit function by the internal audit department, we have reorganized and established new organizations with the aim of improving risk sensitivity and enhancing monitoring across the entire group. 【April, 2024】
- In order to build a more robust compliance promotion system as a group, we have revised the holding company's



compliance program and added "Promotion of compliance education and training for thorough compliance with laws and regulations" and "Strengthening of internal management system for compliance with the Antimonopoly Act".  
【April, 2024】

End