

Progress of Business Improvement Plan

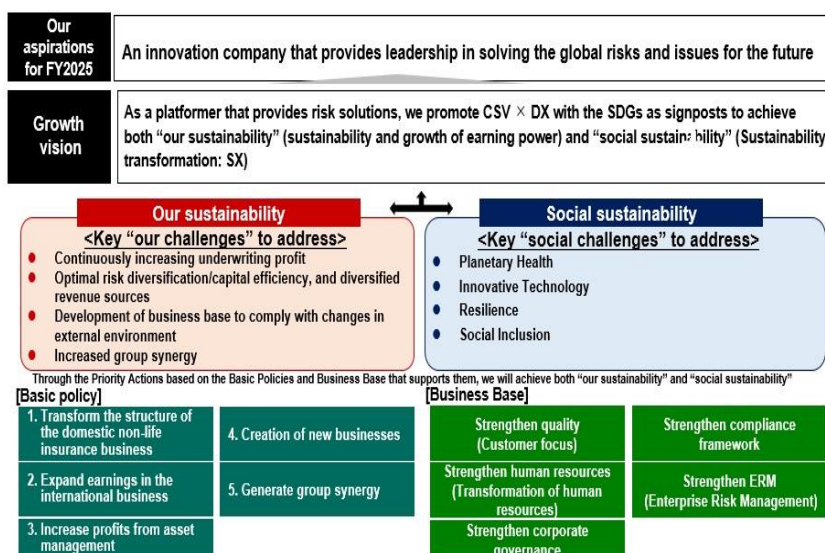
Mitsui Sumitomo Insurance Co., Ltd. (President: Shinichiro Funabiki), a member of the MS&AD Insurance Group, has been implementing specific improvement measures in accordance with the business improvement plan reported to Financial Services Agency on February 29, 2024. Today, we submitted its first progress report to Financial Services Agency.

In order to steadily implement the business improvement plan and rebuild our business model, we is revisiting Mission, Vision and Values (hereinafter, "Group MVV"), and is making efforts to realize the vision of Medium-term management plan (2022-2025), "An innovation company that provides leadership in solving the global risks and issues for the future."

<Group MVV>



<Overview of Mediumterm management plan(2022-2025)>

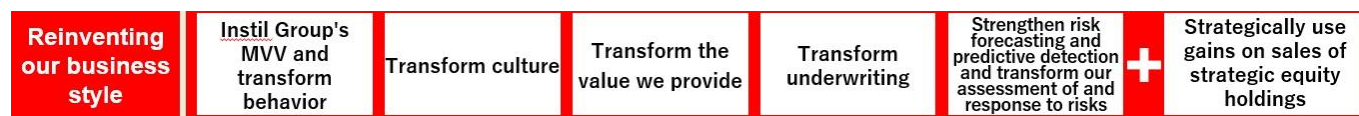


In addition to the vision of Group MVV and Medium-term management plan, we will address the root causes of issues identified in response to the Business Improvement Order, and will steadily implement and realize the following two points in order to transform ourselves into a truly sound and internationally competitive company.

- With "customer-focused" and "compliance" at the core of all business activities, and in a fair competitive environment, by enhancing the core value provided by insurance and its ability to provide risk solutions, we will build a business model to become a company that will be selected by customers continuously and realize sustainable growth and improvements in corporate value, as well as enhancing greater engagement among employees, based on a global evaluation standard.
- By appropriately implementing the PDCA(Plan Do Check Action) cycle, we will build a system to promptly grasp changes in the business environment surrounding we and the non-life insurance industry, and to constantly review and improve our business models, management strategies, governance, compliance and risk management, etc.

In order to ensure the implementation and realization of the above, all officers and employees will prepare the environment, and carry out the “Reinventing our Business Style ” that forms the foundation of these efforts.

[Overview of “Reinventing our Business Style” under Stage 2 of Medium-term management plan (2022 -2025)]



Implementation of “HR system innovation ” to promote these “reforms” and to realize our vision

End

1. Progress of the Business Improvement Plan

As of the end of May 2024, all of the measures described in the Business Improvement Plan have been progressing as planned. With regard to the effectiveness and penetration of each measure, partly because some issues were identified in the staff survey conducted in May we will continue to strengthen self-discipline and self-purification to eliminate the root causes.

2. Progress and Issues of the main Measures

(1) Toward the creation of a fair competitive environment

In order to create a fair competitive environment, we will pursue “customer-focused business operations” and “the original role of an insurance company”. For our employees and agents, we will thoroughly conduct sales activities based on customer-focused business operations and aim to enhance the level of our activities.

In order to improve the surrounding environment required for a fair competitive environment, we will reduce our strategic equity holdings to zero by the end of March 2030, which is the end of the next medium-term management plan. With regard to the supports for clients core business (Buying of the goods or services from the clients or agents), we will ensure the effectiveness of operations by establishing appropriate implementation standards to avoid excessive favoritism or provision of special benefits. As for staff secondment to our agents, we will only allow it for the purpose of development of employees' skills and strengthening the internal management systems of the agents.

In addition, we will steadily promote the optimization of coinsurance operations, the establishment of regulations and rules concerning the Antimonopoly Act, and employee and agent education.

Thorough and advanced activities based on customer-focused business management

- In April 2024, we revised our "Customer-focused business management policy," and are prompting understanding among employees by providing examples of specific actions based on the 5 Values of Group MVV (Mission, Vision, Value).
- In April 2024, we revised our domestic sales policy and are thoroughly ensuring that the sales department evaluation system does not operate too much focusing on sales budgets. Furthermore, we redefined the future of sales policy and are implementing activities based on customer-focused business operation.
- In April 2024, we revised our claims support policy and established a scheme for introducing repair shops to prevent the recurrence of fraudulent insurance claims. In addition, we started developing a system to prevent fraudulent repair cost claims. Furthermore, we are working on improving our technical skills and knowledge to properly assess repair costs, with the aim of strengthening our system for proper insurance payments.
- In April 2024, we reviewed our product development process and introduced a process where we conduct reviews from customer-focused perspective when developing or revising products and services. Through these efforts, we have started operations that pursue “understandability” for our customers.

Supporting client companies in developing their systems

- In April 2024, we established and disseminated a Basic Action Guidebook for corporate sales staff in order to propose risk solutions to client companies based on their business and surrounding environment. We also launched risk management qualifications for employees and planned and provided risk management training for employees and agents.
- In April 2024, we disseminated Risk Management Navi (RM NAVI), a tool to improve the insurance literacy of client companies, within our company and encouraged an increase in the number of registered companies. Furthermore, we are supporting the improvement of our customers' insurance literacy and the installation of risk management systems in client companies by conducting activities such as holding risk management seminars for client companies.

Promoting the sale of strategic equity holdings

- In order to reduce strategic equity holdings to zero by the end of March 2030, we are promoting activities to obtain approval from issuing companies to sell all of their listed shares.
- In May 2024, we clarified the definition of "Pure investment" and others in order to prevent strategic equity holdings from being easily held as a "Pure investment." Furthermore, as part of the development of our system,

we newly established a special organization for pure equity investment (the Equity Investment Team in the Corporate Finance Department), which is independent from the sales department and is responsible for the selection of stocks.

Formulation of standards for supporting client's core business

- In March 2024, we formulated standards for supporting client's core business to prevent the provision of excessive convenience and special benefits. These standards were stipulated in the "Domestic Sales Business Manual" and the "Manual for Purchasing, etc. (Business Support) of Products and Services Handled by Customers and Concurrent Business agent" for front line sales staff, and operations commenced.
- In April 2024, in order to ensure the effectiveness, we started monitoring the status of compliance with the standards by utilizing a speak-up system, etc.

Revision of secondment standards

- In April 2024, the purpose of secondment on the premise of returning back was limited to "Securing diversity and human resources development of employees" and "Strengthening internal management system of agents" etc. and we strictly applied the requirements for secondment (payment for secondment is higher than our standards, the working environment is appropriate, and the role of the seconded employee contribute to their own skill development of human asset,).
- We will review the secondment rules based on the discussions at the Expert Committee on Structural Issues and Competition in the Non-Life Insurance Business hosted by Financial Services Agency.

Development of rules and regulations concerning the Antimonopoly Act, Employee/agent education

- In April 2024, we revised the "Insurance Underwriting Manual Based on the Antimonopoly Act" to make it easier to understand the items that are frequently inquired about from the front lines.
- In May 2024, we launched an e-learning course for all employees on relevant laws and regulations including the Antimonopoly Act. In addition, we incorporated a curriculum related to the Antimonopoly Act into the rank-specific training that has been conducted since April of the same year.

(2) Establishing proper business promotion system and insurance underwriting management system

We are considering new methods and strategies for sales promotion, including a major review of our approach to sales budgets and evaluation criteria, in order to change market practices and achieve sustainable growth within a fair competitive environment.

Starting in 2024, we have revised our sales budgets and performance evaluation criteria to be something that our sales department staff can truly agree with. In addition, we have established new support departments for corporate sales representatives (Corporate Market Strategy Department & Corporate Process Transformation Team) to ensure that they can receive the necessary support.

Furthermore, in order to establish a proper insurance underwriting management system, we are working to improve underwriting capabilities and risk literacy at we-wide level. We are building an environment and framework to enhance the risk literacy of all employees, not just those in the sales and product departments, and we are working to enrich our learning menu.

Review of sales budgets and evaluation criteria

- In April 2024, We lowered the weight of the budget achievement rate in the sales organization evaluation system.
- In April 2024, we revised the operation manual for the employee target management system to clearly state that target should be established without overemphasizing the budget achievement rate, and disseminated the information. At the same time, we revised the personnel evaluation operation manual to clearly state that the target should be evaluated according to the degree of contribution to the sales organization target.
- In April 2024, we revised the work handbook for line managers to reflect the business improvement order, and disseminated the information in the training for line managers conducted in the same month.
- In February 2024, we formulated the Employee Performance Standards for Organizational Managers based on our work rules, incorporating "ensuring psychological safety" into the five items that line division managers must comply with. This was disseminated during the Line General Manager and Section Manager Training held in April.

Drastic strengthening of profitability management

- In April 2024, we introduced "future earnings" and "future earnings improvement" as indicators for evaluating sales organizations. These indicators recognize and evaluate expected future profitability at the time of underwriting and its improvement effects.
- In April 2024, the Internal Audit Division established standards for conducting sampling verifications in sales branch audits as a mechanism for ex post facto verification of the validity of the process for underwriting products in the corporate insurance field. Sampling verifications began from the May sales branch audits.
- In April 2024, we consolidated the planning and profit management functions of each product department, which oversees specific items, into the Product and Service Planning Department, which has the overall planning and profit management functions for the product division.
- In April 2024, personnel exchanges between the product division and the reinsurance division were expanded with the aim of integrating management of underwriting and reinsurance.
In addition, monitoring of the reinsurance market cycle was started to monitor trends in the reinsurance market.
- In March 2024, Risk Survey Implementation Guidelines were formulated to strengthen risk surveys for corporate fire insurance, and a briefing session for sales staff was held in May 2024.

(3) Establishing proper legal compliance system

Our company will develop a risk management framework to ensure that our management team can fully exercise their imagination regarding the risks inherent in our business model and management strategy, and can comprehensively and quantitatively grasp risks to consider them broadly when examining our business model and management strategy.

Additionally, by enhancing our compliance program and improving its effectiveness, we aim to boost all employees' knowledge and sensitivity towards the risks inherent in their responsibilities. Simultaneously, we will create an environment where employees can report to their superiors and relevant departments at the head office or use internal reporting system without anxiety.

As a countermeasure to the three-line model, we believe it is particularly urgent to strengthen the functions of the second line. By securing the diversity of human resources at the second line, actively collecting opinions from the front line and external knowledge, and building a system to share information with top management and relevant departments at the head office in a timely manner, we will drastically strengthen our forecasting and predictive detection functions.

Strengthening the Compliance and Risk Management System

- At the predictive detection countermeasure meeting newly established in December 2023, we are discussing ways to strengthen our predictive detection capabilities for conduct risk.
Discussions are ongoing. The details of the discussions are reported to the Management Committee. In addition, the head office departments are in the process of developing evaluation models to calculate the impact (Direct losses and damage to corporate value) of legal and conduct risks.
- In April 2024, we increased the number of female and younger employees who were transferred to second and third lines. We also transferred employees with diverse careers between departments.
- In April 2024, we clarified the skills necessary for the second line and released a learning program necessary for acquiring these skills. We added the status of efforts towards acquiring and demonstrating these necessary second-line skills to the application requirements for the post-challenge system that will start in July of the same year. We will continue to secure talented individuals with suitable skills and motivation.
- In April 2024, we increased the number of transfers from the first line to the second and third lines, and placed young and mid-career employees with extensive experience in sales and claims departments.

Enhancing the compliance program and improving its effectiveness

- In April 2024, we reviewed the compliance program to enhance its effectiveness, including education and training, measures for items requiring improvement.

Strengthening checks and balances on the first line

- In April 2024, we have built and started operating a system that automatically detects emails sent by sales representatives to email addresses with domains of competitors, and provides real-time feedback to line managers.

Clarifying the roles and responsibilities that the management expects for the second and third lines

- In April 2024, the responsibilities of the Compliance Department (second line), Corporate Risk Management Department, and the Internal Audit Department (third line) were divided. The Compliance Department was responsible for laws and regulations other than those in Insurance Business Act, Corporate Risk Management Department was responsible for risk detection, and the Internal Audit Department was responsible for sharing issues related to company-wide business operations and making recommendations for improvements. This system enabled us to address legal and conduct risks from a more multifaceted perspective.

Strengthening the Functions of the Second Line

- In April 2024, we have clarified in our job regulations that the authority to determine the applicability of employee misconduct incidents belongs to the Head of the Compliance Department's Investigation Office. This allows for thorough and speedy information sharing, and for new legal risks that may lead to employee misconduct incidents, the Head of the Investigation Office will make judgments while consulting with lawyers if necessary.
- In May 2024, we have established a system where the second line collects the unfiltered voices of the first line, reports the signs of legal and conduct risks to the management team based on these collected voices. The management then quickly identifies and evaluates the issues, and prepares to make necessary decisions for prevention and minimization of damage.

Strengthening the Functions of the Third Line

- In March 2024, we conducted a risk assessment that serves as a premise for the FY 2024 Internal Audit Plan based on the risk assessment conducted by the second line (Corporate Risk Management Department). We intend to continue similar initiatives in the future.
- In April 2024, we increased the number of personnel transferred from other departments to the Internal Audit Department. We are prompting personnel rotation with other departments and establishing a career path which offers more opportunities for employees to learn and work in the Internal Audit Department.
- In December 2023, we established the Internal Audit Department Improvement Recommendations Team. Since April of the same year, sample cases for on-site monitoring have been selected by three dedicated members based on on-site audits in the past, information provided by second lines, and off-site monitoring information.

Examining Monitoring Methods for agents

- In April 2024, we expanded the symptom management items in agent audits and thoroughly informed the first line of the items. Since July of the same year, we will be starting agent audits incorporating these items. Since October of the same year, we will be conducting direct audits by the Compliance Department to the agents that violated these standards.

(4)Fostering sound corporate culture

We are working to reaffirm Group MVV and “customer-focused business management ” in all employees, and cultivate a“corporate culture that encourages individuals to speak up ” and a “culture in which we take on the challenge of reforms ” while maintaining psychological safe environment.

By sending appropriate messages from top management and strengthening two-way communication, top management will take the lead in changing itself appropriately,creating a new corporate culture.

With the aim of building a sound corporate culture, we will continue to verify the validity of measures through internal questionnaires and audits by the Internal Audit Department, and strive to identify any problems and take appropriate measures according to the situation.

Initiatives led by top management

- In April 2024, we revised the Rules of organization and delegation of authority to clarify that when exercising authority related to duties such as ”the establishment, revision or abolition of strategies and policies” and “the establishment, revision or abolition of policies and business processes”, we will identify the existence of problems, assess and respond to risks accordingly.
- In April 2024, we clarified that the results of resolutions made by Board of Directors and decisions made by the directors in charge will be included in proposals and decisions. Based on the new rules, the relevant

departments, in cooperation with Risk Management Dept., have begun operations to include proposals and approvals submitted to the Management Committee.

- CEO Messages have been distributed 10 times a year. In January 2024, a "Management Message" banner was placed in a prominent place on the top page of the internal portal, allowing users to navigate to CEO Message page with just one click.

Other Initiatives

- In May 2024, to promote Group MVV, we formulated "Examples of OK/NG Actions" for directors and department and branch managers and shared them with all employees.
- In May 2024, as part of evaluation of the Internal Audit Department's efforts to foster corporate culture by top management, we began examining issues identified in audits from a corporate cultural perspective.

(5) Fundamental Strengthening of the Corporate Management (Governance) System

Based on evaluations and advice from external organizations, we will further strengthen the functions of the Board of Directors and Audit & Supervisory Board.

In addition, with regard to internal audits, we will secure appropriate human resources to realize sophisticated audits, such as "providing advice that contributes to management strategy" instead of "compliance audits" or "risk-based audits".

We will further invigorate the exchange of personnel and career paths between the Internal Audit Department and various other departments. Through this, we will promote the correct understanding and sharing of the significance and purpose of audit.

Strengthening Governance by top management

- In April 2024, we began considering the selection of a third-party organization in order to obtain an objective evaluation from an external organization for the FY2024 evaluation of Board of Directors and improve its effectiveness.
- In March 2024, we established and implemented a system to share the management methods of Board of Directors, measures to strengthen the corporate governance system, and good practices among major affiliates in Japan and overseas through the annual monitoring of the corporate management system for overseas entity.

Strengthening audit & supervisory board member Audit

- In April 2024, we reports regularly to audit & supervisory board member from second and third lines. In addition, information exchange meetings were held between office of audit & supervisory board and the Corporate Planning Department in an effort to diversify information-gathering methods of the audit & supervisory board

Strengthening second and third line defense functions

- In April 2024, officers in charge of second and third lines began visiting departments and branches to confirm the status of fostering a "corporate culture that encourages individuals to speak up" and a "culture that takes on the challenge of reform" on the first line.
- In April 2024, HR rotation with other departments is being strengthened to enhance the sophistication of internal audits. The Improvement Proposal Team at The Internal Audit Department used on-site monitoring methods to verify detected signs.
By utilizing the on-site monitoring methods, they began working to promptly provide information to top management and head office departments, and make improvement proposals.

Ensuring the appropriateness of responsible stass such as Executive officers, General managers,

- In May 2024, the Compliance Department. started hearings to staff assisting their General Manager (field manager).
In addition, a roundtable meeting was held with those in charge of compliance at each department and branch to actively gather information on issues, notices, and questions arising in the sales division.

Improvement of the Management control system by the Holding company

- In April 2024, in the group management supervision contracts we began to specify "Other required topics in

Group operation ” that we reports to the holding company. As a result, we began to include “Important Management Matters Related to Conduct Risk ” and“ Important Management Matters Related to Changes in the External Environment ” as the reporting items.

- In May 2024, from the perspective of strengthening the governance of the Holding Company, dedicated executives of the holdings company began to participate as observers in our Management Committee. We will continue to work to build a system for the Holding Company to conduct appropriate management of its operating companies.

End