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Aioi Nissay Dowa Insurance Co., Ltd.

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

September 13, 2024

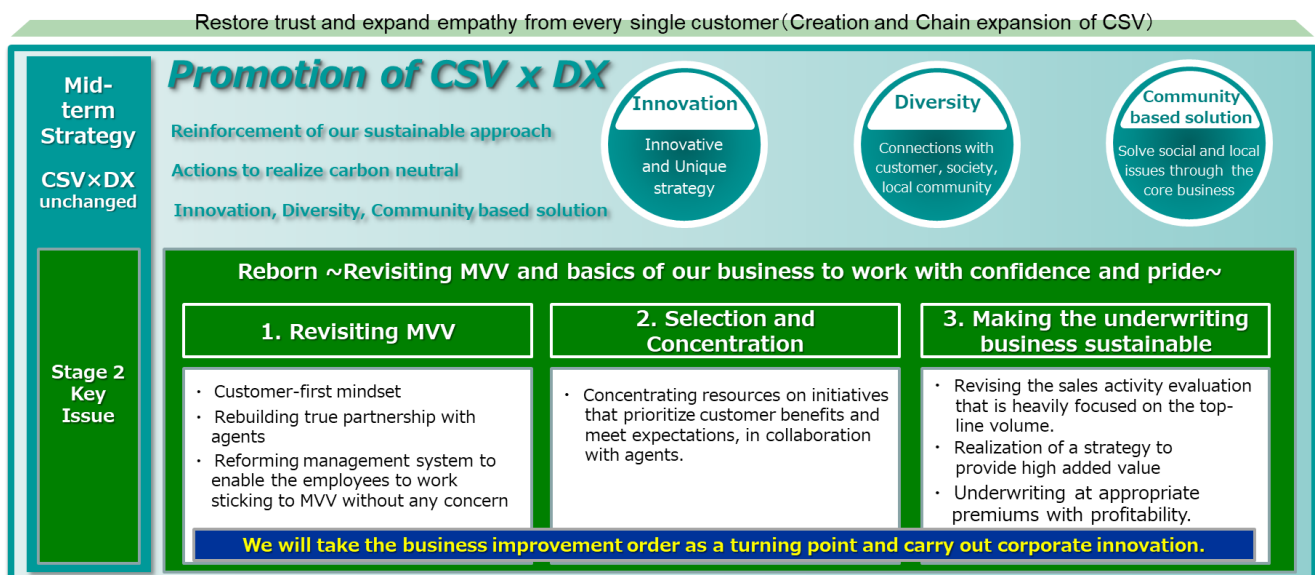
Aioi Nissay Dowa Insurance Co., Ltd. (Representative Director, President: Keisuke Niiro), a member of the MS&AD Insurance Group, has been implementing specific improvement measures in accordance with the business improvement plan^{※1} submitted to the Financial Services Agency on February 29, 2024. Today, we submitted the second progress report (as of the end of August 2024) to the Financial Services Agency.

Additionally, regarding the series of information leakage incidents that have recently occurred, we recognize that these incidents have been ongoing over a long period and are not confined to specific departments but stem from company-wide systems and culture. We take this matter very seriously. Aiming to become a truly customer-centric non-life insurance company, we will further strengthen our efforts and implement additional improvement measures to regain 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"^{※2} 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.

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1. Introduction

We are implementing various measures in accordance with the business improvement plan. Through opportunities for dialogue between top management and frontline employees, such as roundtable discussions, we are listening to the objectives and significance of corporate innovation as well as the challenges and concerns employees face in their efforts to regain trust. We are striving for further improvements based on these insights.

In addition, we take the recent series of information leakage incidents very seriously.

To ensure shared awareness among all employees, we issued a letter from the President on August 9 titled "Improving Awareness of Personal Information and Creating a New Corporate Culture." In this letter, directives were given for branch and department managers to take the lead in improving the workplace environment to foster employee mindset reform and enable a corporate culture where proper reporting and consultation can take place. It also conveyed the message that we will work together to create a new corporate culture. Moving forward, the Corporate Innovation Promotion Committee will continue to lead discussions from the perspectives of exercising risk ownership and enhancing risk detection and sensitivity, and we will implement necessary measures accordingly.

As part of our future initiatives, we will consider revising our measures based on the report from the Financial Services Agency "Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector" and feedback from external experts. Our efforts to regain trust have only just begun, and we will continue our steady efforts to implement customer-centric business operations.

2. Status of Business Improvement Plan Initiatives (As of the End of August 2024)

The initiatives outlined in the business improvement plan are all progressing as scheduled. We will continue to steadily advance each initiative.

(For progress since the end of May 2024, please refer to the underlined)

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 rules regarding interactions with other non-life insurance companies, including a general prohibition on hosting or participating in social gatherings exclusively with other non-life insurers. In response to the series of information leakage incidents, we revised the interaction rules in August and conducted training for all employees to ensure strict adherence to these rules.

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 been continuing negotiations with investees.
- When reclassifying the strategic equity holdings to pure investments, we are conducting internal reviews to ensure that we do not effectively continue to hold strategic equity holdings.

Review of support for clients' core business

- We categorized the purchase of services and goods by the company and employees, and created guidelines aimed at ensuring such purchases are conducted appropriately and fairly, without being conditioned on securing insurance contracts or maintaining and expanding business share. These guidelines were communicated to all employees through training sessions. Additionally, in July, we revised the guidelines to clarify the operational rules and the verification process for decision-making.
- Furthermore, we are carefully explaining to service providers that we do not condition the acquisition or maintenance or expansion of our share.
- In the sales department, we have started workplace discussions using study materials that include case studies since August.
- As we prudently advance our dialogue with service providers, purchasing partners, and vendors, the number of consultations from sales departments to the headquarters has increased. We will continue to aim for appropriate and fair operations through careful and thorough dialogue.

Review of secondment criteria

- We created guidelines to ensure that secondments are conducted appropriately and fairly, without being conditioned on securing insurance contracts or maintaining and expanding business share. These guidelines were communicated to all employees.

- In operation, we only continue secondment in cases that meet the purpose of the secondment described in the guidelines such as providing high-quality services to customers and fulfill the requirements such as being a department, position, or person in charge where no problems arise from the relationship with the proper insurance payment.
- We interviewed with all seconded employees to ensure they correctly understand the guidelines.

<In Response to the Series of Information Leakage Incidents>

- In August, we conducted a special training session for all seconded employees on compliance with various laws and regulations, including the Act on the Protection of Personal Information. We will continue to enhance the training program moving forward.
- For the heads of departments managing seconded employees, we will implement measures to ensure that they thoroughly understand important considerations regarding various laws and regulations, including the handling of customer information, before the secondments take place. We will strive for the appropriate handling of customer information.
- We take the issue seriously and will expedite understanding the actual situation through surveys and individual interviews with seconded employees. At the same time, our company will proceed with appropriate reviews and strict management of all assignment destinations, including agencies, regardless of whether they are exclusive or shared
- We will consider revising our company guidelines as necessary, based on the content of the 'industry guidelines' that will be newly established for secondment rules as industry standards.
- In the future, if it is discovered that any operations are being conducted that do not comply with our company guidelines, we will promptly correct them and take strict measures accordingly.
- We will continue to engage in dialogue with the host companies regarding the objectives and roles of the secondments.

Clarification of Roles in Insurance Solicitation by Agencies

- We have established information acquisition rules that clarify that, in principle, contract-related information (such as risk information) should be obtained directly from the policyholder during bidding and underwriting. The rules also specify the necessary procedures to follow when information must be obtained from agencies. In June, we conducted training sessions to ensure strict adherence to these rules and provided similar training to the agencies.

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

Revision of sales division policy

- We have formulated FY2024 sales division policy and are fundamentally reevaluating all aspects, including sales styles, relationships with agencies, branch and department management, and evaluation systems, to eliminate longstanding sales practices and customs that have become the norm for our company.

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.
- 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 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”. Additionally, to accelerate initiatives contributing to "CSV × DX," we conducted a mid-term review of the sales department evaluation and award regulations in July.

Review of management of department and branch managers

- We have formulated the "Branch and Department Mid-Term Management Plan" and clarified the activities (processes and KPIs) that need to be undertaken to achieve the annual goals. We will transform our management to focus on providing value to customers and society (evolving and establishing CSV × DX-based sales).
- For branches and departments where management issues have been identified, direct guidance from the headquarters department is being implemented.

Strengthening the explanatory skills 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”.
- Through manuals, we aim to enhance the explanatory skills of sales representatives by helping them understand the basics of corporate sales and the principles of risk management.
- We conducted training for all employees to ensure thorough understanding and adherence to the manual in July.

Enhancement of profitability improvement initiatives

- We have established a project to build sustainable profitability centered on the insurance business. In July, we held the second general meeting, where we discussed early detection of signs leading to profitability deterioration and specific measures for improving and expanding profitability. We are actively promoting these initiatives.
- We will oversee, manage progress, and lead measures on key themes with significant improvements in profit, such as ensuring the profitability of voluntary automobile insurance.
- We have introduced new bottom-line indicators that reflect profitability in the evaluation of sales department

3. Establishing an Effective Compliance System with 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 discuss 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.

- Based on the first quarter report from the Risk Detection Subcommittee, we discussed new risks in July, such as operational risks (operation errors) associated with change of system, and confirmed preventive and improvement measures.

<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 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 reorganizing their risk management functions.
- Along with the above, we are clarifying the roles, responsibilities, and authorities expected of the second and third lines.
- The Sales Promotion Department is actively involved in the compliance and risk issues of sales departments. Additionally, monitoring of the sales departments and the Sales Promotion Department has begun.
- We have begun mutual evaluations between the first line and the second line.
- We are reviewing the schedule and issues of the organizational restructuring planned in FY2025.

Enhancement of the second line function

- We 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 second line into the agenda through committees for each issue. This operation has been well established.
- For proposals submitted to the Board of Directors and the Management Meeting, executives or managers from the second line are verifying issues and concerns from a risk management and compliance perspective.
- 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.
- The Risk Management Department evaluates the information provided by the Sales Promotion Department and the Compliance Department, regularly provides feedback to the Compliance Department, and also shares this information with the third line.
- We also assess legal and conduct risks and appropriately reflect in the risk register.

Enhancement of the third line function

- In addition to addressing existing issues, we are strengthening the collection and analysis of concerns from a forward-looking perspective. Additionally, we have started new initiatives such as analyzing free description from various employee surveys.
- We will undergo verification and evaluation by external assessment bodies and will implement necessary enhancement measures based on the results.

Initiatives to Improve Auditing Skills

- We have formulated a plan to enhance auditing skills and have begun implementing initiatives. Through tasks such as information analysis, hypothesis construction, and on-site verification, we aim to improve auditors' sensitivity to potential issues.
- We started accompanying external evaluation bodies on field inspections in July.

Establishing a System for the Second and Third Lines to Function Effectively (Including HR Reforms)

- In regular personnel rotations, we have assigned young and mid-level talents to the second and third lines and promoted individuals with experience in the second and third lines to branch and department manager positions. Additionally, we are advancing efforts to secure external talents.

Implementation of sophisticated and effective compliance programs

- We have added the initiatives related to compliance with Antimonopoly Act to the company-wide compliance program for FY2024.
- Referring to the compliance program, our sales departments have formulated their own compliance program. The progress of these programs is reviewed during monthly department meetings, and corrective measures is taken if necessary.

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. In response to the series of information leakage incidents, we conducted another training session on the Personal Information Protection Law for all employees in August.
- We provide tools for each and every employee to be mindful of compliance, including customer-first principles and adherence to Antimonopoly Act, 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.
- In August, we released a feature to sort emails to other non-life insurance companies and strengthened system checks

to prevent inappropriate information exchanges.

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

Conveying Management's Commitment to Corporate Culture Reform to Employees

- At the annual progress meeting for all employees held in April, the top management declared we would be reborn as a “truly customer-oriented company”.
- In addition to the existing employee meetings, the top management has initiated new roundtable discussions to directly engage with employees nationwide. Since June, the President has visited and held discussions in four branches (a total of six branches since April). The content of these roundtable discussions is made available to all employees as video content.
- In response to the series of information leakage incidents, the President issued a letter in August titled "Improving Awareness of Personal Information and Creating a New Corporate Culture." The letter instructed branch and department managers to take the lead in improving the workplace environment to foster employee mindset reform and enable a corporate culture where proper reporting and consultation can take place. It communicated the message that we will work together to create a new corporate culture.

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.
- Starting in June, we have been distributing news of best practice examples to sales departments and claim service departments to encourage the promotion of positive compliance.

<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 revamped our evaluation to focus on processes and have begun implementing this approach.
- In the personnel evaluation system, we have set “promotion of positive compliance, specific actions related to customer-focused business operation” as evaluation criteria.
- We have abolished the previous performance elements in our personnel evaluations and now assess employees based on the behavioral requirements specified for each qualification grade, in line with our mission, vision, and values.
- We base our evaluations primarily on actions related to promoting products and services that contribute to solving regional and societal issues (CSV × DX).
- Based on the results of corporate culture surveys and engagement surveys, we continue to ensure integration by providing appraisal training to evaluators.

Survey on corporate culture for staff

- 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 results of the first "Corporate Culture Survey" conducted in May, we have reiterated the significance and objectives of this survey. Regional managers themselves are leading by example in customer-centric initiatives and are committed to driving corporate culture reform.
- In the second "Corporate Culture Survey" conducted in August, we found that more specific issues and challenges have been identified. Based on the survey results, we are examining the issues regionally and have initiated efforts to address workplace challenges and reduce the workload on employees.

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.
- 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.
- We held the fifth committee in August and have integrated the feedback from all members, including three external committee 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. They are formulating and promoting measures aimed at executing the business improvement plan.
- 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.

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