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September 13, 2024  
Mitsui Sumitomo Insurance Co., Ltd.

## 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 second progress report to Financial Services Agency.

In order to eliminate the root causes of the issues identified in response to the business improvement order and to transform itself into a truly sound and internationally competitive company, we are making efforts to steadily implement and realize the following two points.

- With "customer-oriented" and "legal compliance" at the core of all business activities, and in a healthy competitive environment, by enhancing and enriching "the inherent value of insurance and risk solution capabilities," we will build a business model that will continue to be selected by customers and realize improvements in sustainable growth and corporate value, as well as greater engagement among officers and employees, based on a global standard evaluation axis.
- We will build a system to swiftly grasp changes in the business environment surrounding the nonlife insurance industry, and to continuously review and improve its business model, management strategy, governance, compliance and risk management, etc., in an appropriate manner.

All of the measures set forth in the Business Improvement Plan are progressing as scheduled as of the end of August 2024.

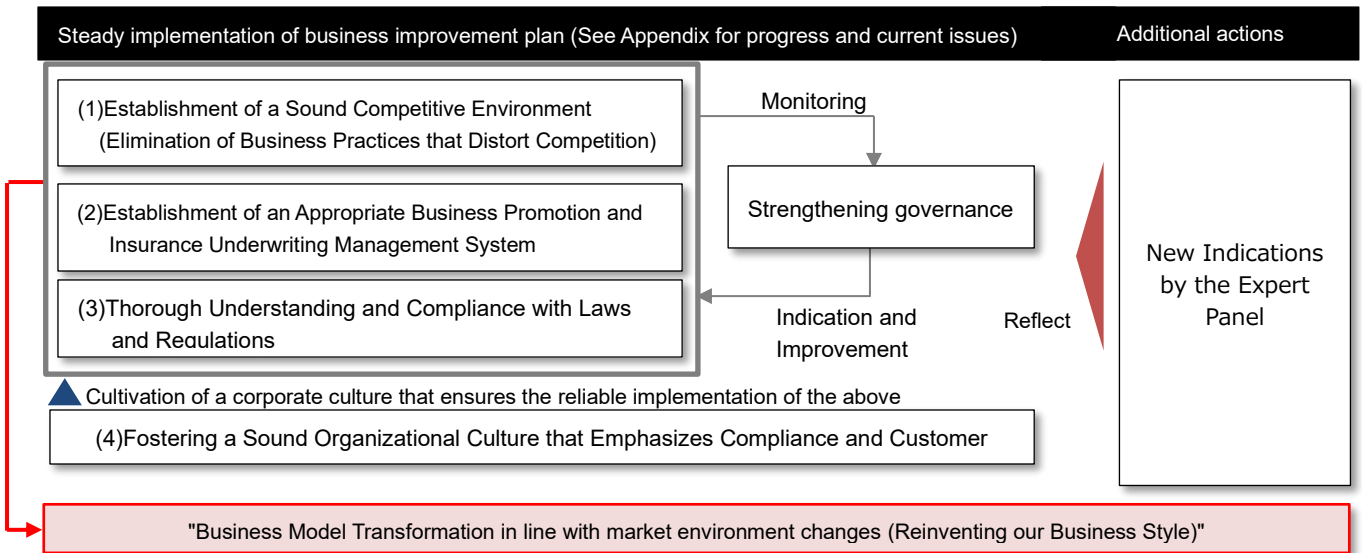
Based on “The Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector”, “Financial Services Agency's Insurance Monitoring Report released on July 3, 2024”, and “Opinions from outside experts”, the actions for Business Improvement Plan has been taken and the review of the measures from the perspective of timely manner and appropriateness (See the Appendix for details.)

We also take seriously the fact that we could not prevent the information leakage incident by insurance agents and employees seconded to the agent (as per the news release dated August 30, 2024), and will take further improvement measures to ensure thorough self-discipline and self-purification in order not to make a similar incident happen again. Specifically, in order to prevent the occurrence of inappropriate acts, we recognizes that it is necessary to further strengthen efforts in the areas of qualitative aspects such as "Fostering a Sound Corporate Culture (“Corporate culture that encourage individuals to speak up” and “Culture in which we take on the challenge reforms” “Customer-oriented business management” and “penetration of Group MVV \*1, ” knowledge of laws and regulations (legal literacy), reporting when fraud is recognized, and ability to foresee and predict risks.

\*1: Mission (Management Philosophy), Vision (Management Vision) and Values (Action Guidelines)

In addition, in order to resolve the root causes of these issues, it is essential to steadily implement a business model transformation (a major change in business style). All officers and employees will work together to achieve this target

[Steady Implementation of Business improvement Plans and Reinventing our business style]



## 1. Progress of the Business Improvement Plan

As of the end of August 2024, all of the measures set forth in the Business Improvement Plan have been progressing as scheduled. According to the results of an awareness survey for all officers and employees, with the aim of "Toward the creation of a fair competitive environment", it was confirmed that "strictly refrain from inappropriate actions that distort competition. And the awareness and understanding of measures (such as the establishment, revision, and operation of systems, manuals, and rules), new measures, and legal compliance are steadily permeating.

On the other hand, to prevent the occurrence of inappropriate acts, there are still room to improve in "Corporate culture that encourage individuals to speak up" and "Culture in which we take on the challenge reforms" "Customer-oriented business management" and "penetration of Group MVV, " knowledge of laws and regulations (legal literacy), resolute attitude when fraud is recognized, and ability to foresee and predict risks. remain to be addressed. In addition, there are items that require further enhancement of efforts, such as "information leakage that occurred between Insurance agent and an insurance company.", we will consider and implement new improvement measures.

## 2. Progress and Issues of the main Measures

### (1) Toward the Establishment of a Fair Competitive Environment

We will pursue "customer-oriented business operations" and "the original role of insurance companies" toward the establishment of a fair competitive environment. To achieve this, we are striving to enhance sales activities based on customer-oriented business operations for its employees and agent. In addition, we and its client companies are striving to create the environment required for a fair competitive environment.

we are working to improve the environment.

We are working to develop rules and regulations related to the Antimonopoly Act, educate employees and agent, optimize coinsurance operations, reduce strategic equity holdings costs, prevent inappropriate benefits and special benefits, and appropriately dispatch seconded employees.

In addition, based on the report of the "Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector" (hereinafter, the "Expert Panel"), we will review agent fee structure, ensure appropriate comparative and recommended sales in multi-tied agent, and take measures to retain and hire technical adjusters.

#### Thorough and advanced activities based on Customer-oriented business management

- In July 2024, as part of the "Corporate Quality Month \*2" initiative, based on the "Policy on Customer-Oriented Business Management," we strives to thoroughly promote and instill customer-oriented business management through the delivery of a message from top management and a message from branch managers and holding workplace meetings for all organizations.

\*2 Taking the opportunity of the administrative action (June 2016) resulting from inappropriate claim payment, we have designated July of each year as "Corporate Quality Month," and implemented initiatives such as training and all section meetings to deepen each employee's understanding of the importance of quality improvement initiatives.

- Based on the results of an awareness survey of officers and employees conducted in August 2024, we have confirmed that officers and employees understand the policy on customer-oriented business management and its contents. However, it is necessary to further enhance the understanding of the policy. Therefore, new measures will be taken to promote activities based on the Group MVV's 5

Values (Customer Focus, Integrity, Teamwork, Innovation, Professionalism).

- In June 2024, to prevent the sales organization from focusing too much on the sales budget, we again publicized the policy and we thoroughly promoted the policy at a meeting of sales officers held in July 2024.
- In July 2024, with the aim of preventing the recurrence of fraudulent insurance claims, we began to consider the realization of customer-oriented business management and a highly transparent claim system, including the development of a system for customers to upload photos of damage immediately after the accident. We have begun to study the feasibility of these measures.
- From the awareness survey for officers and employees conducted in August 2024, it was confirmed that staff in the claim division understand the importance of a proper insurance claim payment and work on it on a daily basis. And understanding of appropriate business operations in light of fraudulent insurance claims case is being penetrated among officers and employees.

#### Support client companies in developing their systems

- In June 2024, a risk management qualification system was launched for employees, and employees in charge of corporate sales are required to acquire the qualification. In addition, we are working to improve the risk management underwriting skills of employees and agents by holding risk management web training for employees and agent, encouraging employees to take advanced courses hosted by the General Insurance Institute of Japan and disseminating the Guidebook for corporate sales staff.
- Based on the results of an awareness survey of officers and employees conducted in August 2024, it was confirmed that officers and employees in the corporate sales division “practice sales activities that understand the trends and issues of client companies industries in order to propose customer-oriented, optimal risk solutions. And the changes of the staff mind-set are making steady progress.
- In July 2024, a risk management seminar for clients was held and the registration of the Risk Management Navi (RM NAVI: a tool to help clients improve their insurance literacy) have been promoted. We promoted them to improve their literacy and build risk management systems.

#### Promoting the sale of all strategic equity holdings

- We continue to promote activities to obtain approval from the companies in which it invests to sell all of its listed equity holdings, with a view to achieving ZERO shareholdings by the end of March 2030.

#### Formulation of standards for supporting client’s core business

- In June 2024, in order to prevent the provision of excessive benefits and special benefits, we launched an e-Learning course entitled "Rules for standards for supporting client’s core business." The course is mandatory for all employees in the sales, claims and head office divisions.
- Based on the results of an awareness survey of officers and employees conducted in August 2024, it was confirmed that all officers and employees are working with strict restraint on "inappropriate behavior that distorts the competitive environment". We will continue to work to instill this in our management.

#### Revision of secondment criteria

- The purpose of secondments will not be "Focusing on top line" or "Strengthening relationships with client companies and agent", but will be limited to the following seven purposes, and absolute requirements for secondments (Contributions for secondment are above our standards, the working

environment is appropriate, and the role of the seconded employee contributes to development of human asset,.) will be strictly applied.

(1)Securing diversity and development of human asset, of employees

(2)Strengthening agent's internal management system

(3)Regional revitalization (revitalization of the local economy) and innovation fields

(4)Developing and upgrading the risk management system of the company to which they are seconded

(5)Understanding and acquiring the knowledge of companies to which they are transferred and advanced business models in Japan and overseas

(6)Co-creation projects with business partners

(7)Other significant activities that contribute to the enhancement of value and improvement of business operations of MSI.

- In August 2024, we conducted a questionnaire survey of all seconded employees in order to ascertain whether they meet the absolute requirements for secondment (The working environment is appropriate, the role of seconded employees contributes to development of human asset,, etc.), and thoroughly checked whether they are involved in managing insurance contracts or deciding insurance premium shares.

Based on the results of the survey, we will hasten to ascertain the actual status of seconded employees who may not meet the absolute requirements through hearings by the Human Resources Department, and if any inappropriate situation is confirmed, we will promptly take strict measures (Cancellation of secondment before expiration of secondment contract period, etc.).

- Based on the discussions at the Expert Panel in July 2024, we have started to establish the Industry Guidelines by the General Insurance Association of Japan. Taking information leakage issue that occurred between Insurance agent and insurance companies seriously, we will review the current status of secondment to agents handling multiple insurance companies products in particular, taking into account the direction and purpose of the establishment of the Industry Guidelines, and based on the results of the above hearings, we will formulate stricter standards as necessary and operate them appropriately.

#### Development of rules relating to the Antimonopoly Act and employee education

- In August 2024, we additionally revised the "Insurance underwriting manual based on the Antimonopoly Act" in order to respond to changes in the environment and additional issues.

(2)Toward the establishment of an appropriate business promotion system and insurance underwriting management system

With a view to establishing an appropriate business promotion system, in order to realize sustainable growth in an appropriately competitive environment while changing market practices, we are examining a new type of business promotion and system, while significantly revising our approach to sales budgets and evaluation standards.

The establishment of an appropriate business promotion system has been implemented through the development of "Evaluation system(Sales target, personnel and performance evaluation, etc.) that does not constitute an inappropriate incentive in terms of compliance" stated in the report of the expert meeting.

#### Review of sales budgets and evaluation criteria

- In July 2024, as part of the "Month of Corporate Quality," we sent out a message from Branch Managers including the importance of "the future of sales" and a change from the traditional culture of providing convenience, etc. In addition, at the meeting of directors in charge of sales, we thoroughly implemented the above principles.
- Based on the results of an awareness survey of directors and employees conducted in August 2024, it was confirmed that directors and employees "understands the purpose and indicators of the sales organization evaluation system and engages in activities without excessively focusing on the top line" and are steadily working to move away from the past excessive focus on the top line.

#### Drastic strengthening of profitability management

- In June 2024, we released a video and explanatory materials explaining the introduction of "future profit amount" and "future profitability improvement amount" as indicators for sales organization evaluation to recognize and evaluate the expected future profitability at the time of underwriting. At the meeting of directors in charge of sales held in July 2024, we took thorough measures to ensure that management does not place too much emphasis on sales budgets.
- As a mechanism for Internal Audit Departments to verify the post appropriateness of the underwriting process for products in the corporate insurance, we formulated standards for conducting sampling verification in sales location audits and conducted sampling by the end of August 2024. We confirmed that there were no problems.
- In August 2024, we conducted a reinsurance market survey for the renewal in July and considered predictive management of market changes. We will continue to monitor the reinsurance market cycle and thoroughly implement predictive management.
- In July 2024, we increased the number of corporate sales staff with the same level of underwriting skills as Underwriting Department. In order to improve the underwriting skills of the Corporate Sales Department, we launched a system for the Underwriting Department to train the underwriting skills of corporate sales staff. To strengthen underwriting for co-insurance follower cases, we held a briefing session for Sales Department employees in August 2024 and established management guidelines (effective from October 2024).

### (3) Establishing proper legal compliance system

We are developing 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. We are working to develop a risk management framework so that the management team can fully imagine the risks inherent in its business models and management strategies.

In addition, by enhancing the sophistication and effectiveness of the compliance program, we will raise the knowledge and sensitivity of all employees to be aware of the risks involved in their duties.

At the same time, we will develop an environment in which employees who are aware of problematic events can report to their superiors and relevant departments at the head office or use the whistle-blowing system with confidence.

As a countermeasure to the three-line model, we consider it particularly urgent to strengthen the functions of the second line. We will work to ensure the diversity of human resources in the second and third lines, while actively gathering opinions from the first line and external knowledge, and building

a mechanism to share information with top management and relevant departments in a timely manner. In this way, we will drastically strengthen our forecasting and predictive detection functions. Furthermore, in light of the descriptions in Financial Services Agency's insurance monitoring report released on July 3, 2024, we will strengthen our predictive detection efforts in the third line.

#### Strengthening 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. Issues to be discussed include consideration of measures to strengthen predictive detection, identification of risks using examples and internal information from competitors and other industries, and risk recognition and hypothesis building that captures changes in the social environment. Based on this, we make decisions in a timely and appropriate manner. We identify and evaluate risks in corporate decision-making in cooperation with related departments, such as identifying risks in the current business model and assuming risks that will be created by reforming business styles.
- Under the public recruitment system for personnel movements that began in July 2024, in order to strengthen personnel in the second and third lines, we included the second line in the public recruitment system and began recruiting mid career personnel for the second and third lines. In addition, with the establishment of the Legal Department, professional personnel qualified as attorneys were employed.

#### Enhancing the compliance program and improving its effectiveness

- From May to July 2024, the Compliance Department held discussions with the related department of the program regarding items requiring improvement to understand the current status of the program and resolve issues (improve evaluation).

#### Strengthening of checks and balances on the front line

- In July 2024, we confirmed that the system that automatically detects e-mails sent to e-mail addresses with the domain of the competitors and provides feedback to managers in real time (started operation in April 2024) is functioning effectively.

#### Strengthening the functions of the second Line

- In August 2024, we newly established the Legal Department, which is based on the Legal team of the General Affairs Department, with the aim of strengthening responses to legal risk and enhancing legal support for company-wide business execution. By strengthening the recruitment and development of specialists (lawyer who is well versed in corporate legal affairs and has experience as an in-house lawyer), we will strengthen the functions of the second line in legal and conduct risk. At the same time, we will strive to improve the legal literacy and the ability to make appropriate legal judgements of all employees while providing the information about the revisions of law regulations related to business operations and legal risk in a timely and appropriate manner to the head office departments and frontlines.
- We launched the "REAL VOICE Project (to collect questions and feelings of discomfort about the organization and business operations felt by first line employees)" and the "Fresh EYE" to establish a system in which the second line collects direct opinions from the first lines and reports any signs of legal and conduct risks to top management based on the collected firsthand opinions. This system enables to promptly identify and assess problems and make the necessary decisions to prevent problems and minimize risks. In June 2024, a website for posting incongruity was set up to allow first lines to post comments.

#### Strengthening the functions of the third line

- In June 2024, the Human Resources Department and the Internal Audit Department discussed their organizational vision and personnel plans for FY2025 and beyond. Details such as personnel plans will be determined in preparation for regular personnel movement in the future.

#### Examining monitoring methods for agents

- In July 2024, audits began based on the new symptom detection management items in agent audits. In October 2024, the Compliance Department will begin direct audits of selected agent (The third line of direct audits by the Internal Audit Department is scheduled to begin on a trial basis in the second half of FY2024.).

#### (4) Cultivating a Sound Corporate Culture

In order to cultivate a sound corporate culture, we are working to instill Group MVV and “customer-oriented business operations” among all employees.

In order to cultivate a sound corporate culture, we are working to cultivate “Corporate culture that encourage individuals to speak up” and “Culture in which we take on the challenge reforms” while maintaining psychological safety. We believe that it is important to send an appropriate message from top management and strengthen two-way communication, and top management is taking the lead in creating a new corporate culture by appropriately changing itself.

#### Initiatives led by top management

- In July 2024, top management and employees held a roundtable discussion on customer-oriented initiatives. In addition, President message on Corporate Quality Month was disseminated to ensure that each and every employee understood and practiced customer-oriented initiatives. President message is delivered 10 times a year. In August 2024, a town hall meeting (Shin-communication meeting) was held. President directly engaged in dialogue with employees. Based on the opinions expressed at the meeting, we will create and deploy tools to encourage employees to change their awareness and behavior based on Group MVV.
- When exercising authority related to duties such as "establishment, revision or abolition of strategies and policies" and "establishment, revision or abolition of measures and business processes", the results of "risk identification, assessment and response" are described in proposals or approval documents submitted to the Management committee.

#### Other Initiatives

- In August 2024, the Internal Audit Department conducted an evaluation of initiatives to foster corporate culture, including top management. We have selected a third-party organization and begun to examine a hypothesis regarding the corporate culture and a questionnaire plan.

#### (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 taking into account the evaluations and advice of external organizations. We believe that it is urgent to enhance the internal audits and have been securing appropriate human resources to realize sophisticated audits, such as “providing advice that contributes to management strategy” instead of “compliance audits” or “risk-based audits”. In addition, apart from the officers in charge of the second line, we have newly appointed dedicated officers for the third line to be in charge of the Internal Audit Department, in order to strengthen the functions of the



second and third lines.

#### Strengthening governance by top management

- In August 2024, in order to obtain an objective evaluation from an external organization for the FY2024 evaluation of Board of Director and improve its effectiveness, together with the holding company the consideration of a third-party organization and examination of the details of its implementation have been progressed.

#### Strengthening audit & supervisory board member Audit

- Regular reporting from second and third lines to Audit&Supervisory board member has been implemented. In addition, office of audit & supervisory board and the corporate planning department hold information exchange meetings to diversify office of audit & supervisory board's information gathering methods.

#### Strengthening second and third line functions

- With the aim of confirming that “Corporate culture that encourage individuals to speak up” and “Culture in which we take on the challenge reforms” are being fostered on the first lines, the directors in charge of the second line visit departments, and dialogues with the first line employees have been conducted.
- In August 2024, in order to establish a system in which the third line evaluates and verifies the risk management activities of the first and second lines from an independent standpoint, and to strengthen the functions of governance, a full-time director in charge of the third line was appointed to oversee the Internal Audit Department. By separating the directors in charge of the second line and the third line, the third line will strengthen the “management and supervision of the second line ” and enhance the functions of the second line.

#### Ensuring the appropriateness of the Executive officer, general manager

- In July 2024, the Compliance Department conducted a survey of the managers of the Compliance promotion sections of each branch, and actively gathered information on issues, notices, and questions that have arisen in the sales division.

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