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Aioi Nissay Dowa Insurance Co., Ltd.

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

December 13, 2024

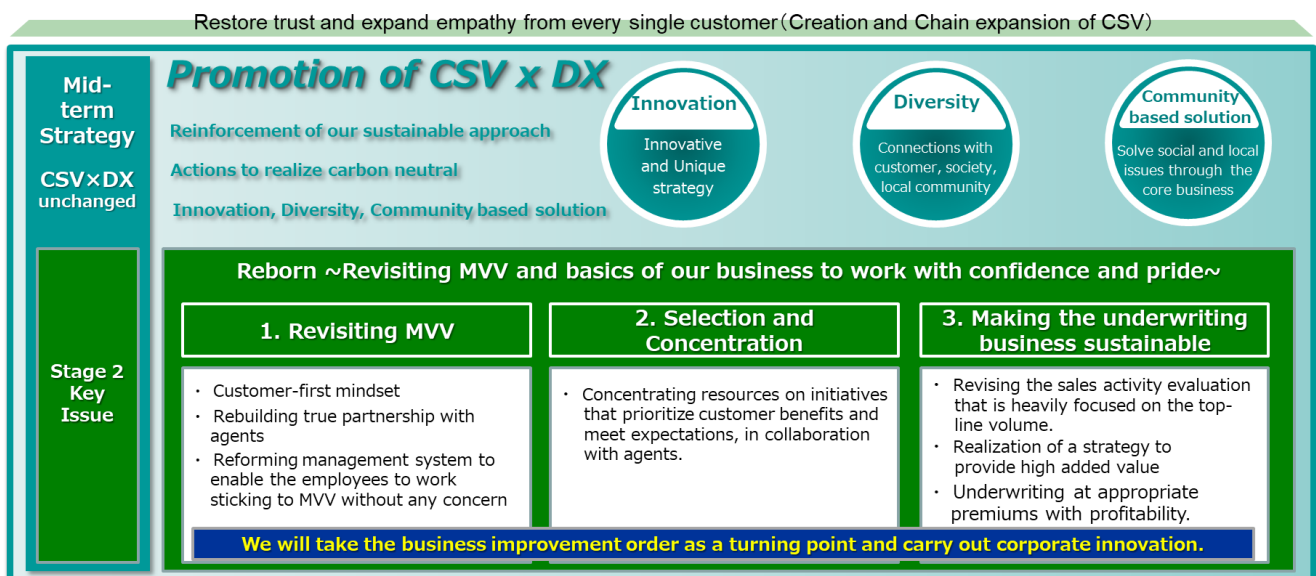
Aioi Nissay Dowa Insurance Co., Ltd. (Representative Director, President: Keisuke Niiro), a member of the MS&AD Insurance Group, has been implementing specific improvement measures in accordance with the business improvement plan^{※1} submitted to the Financial Services Agency on February 29, 2024. Today,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

In this case, our company received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission on October 31, 2024, based on the provisions of the Antimonopoly Act. We take these orders seriously and solemnly, and all employees are committed to continuing our efforts to implement business improvement plans steadily, practicing customer-oriented business operations. Additionally, our company has designated October 10 as a "Day to Reflect and Learn from Past Misconduct." On this day, we not only review price fixing activities but also look back on past misconduct to prevent the lessons learned from fading away. We will continue to hold these initiatives in the following years.

The details of the progress in our business improvement plan are provided in 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.

End

1. Introduction

This fiscal year, we established the "Corporate Innovation Promotion Committee," a new entity under the direct supervision of the President, to oversee our overall business improvement plan. The committee reviews the progress of the business improvement plan, considers issues based on feedback from frontline employees, incorporates opinions from external members, and discusses countermeasures. Feedback from frontline employees is actively gathered through forums and other dialogue sessions with employees nationwide, led by headquarters executives including the President.

Furthermore, in response to a series of information leakage incidents (*3), we have implemented measures such as revising the "Secondment Manual" to clarify our stance during discussions about ending secondments with affiliated agencies. This revision makes it clear that seconded employees are expected to fulfill their duties as employees of the host company.

Additionally, we will undertake initiatives in line with the business improvement plan while taking into consideration the contents of the report from the Financial System Council's "Working Group on Systems Related to the Non-Life Insurance Industry," an advisory body to the Financial Services Agency.

As part of our efforts under the business improvement plan, we have designated October 10th as a "Day to Reflect and Learn from Past Misconduct." On this day, we not only review actions related to price fixing but also reflect on past incidents to ensure that the lessons learned are not forgotten.

During this year's "Day to Reflect and Learn from Past Misconduct," a total of 213 participants, including executives, department and branch managers, deputy department and branch managers, as well as external directors, gathered at our training facility, the Seiseki-Sakuragaoka Center, for training sessions and group discussions.

On that day, we revisited past misconducts such as antitrust violations and incidents of unpaid or underpaid insurance claims, considering the historical context at the time. We engaged in discussions and learned about the "three things that must never be forgotten." Additionally, the President emphasized the importance of passing down our history and the need for the management team to be the first to embrace change for transformation. The President aimed to rally everyone around the commitment to "enhance the strengths our company has built over time while collectively shaping the future corporate culture."

Three Key Points that must never be forgotten

We always place "customer-centricity" at the core of our thinking and actions.

Reflecting on the changing times, we reconsider our "accepted norms".

We listen to others' opinions and express our own thoughts and views.

Furthermore, participants attended a training session led by an external lecturer titled "Perspectives on CSV x DX Management from Global Business Studies." They engaged in group discussions on themes such as "what to change and what to value in oneself and the workplace." Based on these discussions, the participating officers and staff developed their own "action declarations" to bring the day's learnings back to their respective workplaces and share them with their team members. To ensure these insights are shared among all officers and staff, a recorded video of the training is viewed, followed by discussions in each workplace about "lessons learned from past misconduct," "positive aspects of our company that should be passed down," and "practices to implement in each workplace."



Through the initiatives of the "Day to Reflect and Learn from Past Misconduct," we aim to cultivate a healthy corporate culture. We will continue to hold this event annually, enhancing it as a platform for even better learning experiences.

In our pursuit of business operations that prioritize customer-centricity, we are committed to steadily implementing each initiative. By doing so, we strive to regain the trust of our customers and collaboratively build a new corporate culture with all officers and staff.

2. Status of Business Improvement Plan Initiatives (As of the End of November 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 August 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.
- In November, a rule was established requiring the heads of sales branches to inspect the actual conditions of their organizations, with the headquarters' front line conducting monitoring. This is scheduled to be implemented starting January 2025.

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, and been continuing negotiations with investees.
- Based on the establishment of the General Insurance Association of Japan's guidelines, we are continuing to review our internal systems to clearly separate the management of policy-related stocks and pure investments.

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.
- 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 been continuously engaging in workplace discussions using study materials that include case studies.
- We have been prudently advancing our dialogue with service providers, purchasing partners, and vendors.
- In November, a rule will be established requiring the heads of sales branches to inspect the actual transaction conditions within their organizations, with the headquarters' front line conducting monitoring. This is scheduled to be implemented starting January 2025.

Review of secondment criteria

- Based on the formulation of the guidelines by the General Insurance Association of Japan, we revised the "Basic Policy on Secondment" in September.
- We have engaged in discussions with agents, excluding affiliated companies, and reached an agreement by the end of November on the timing for terminating secondments to the insurance department.
- By November, our management and seconded employees held meetings to confirm whether the actual work at the host organizations aligned with the "Basic Policy on Secondment." Additionally, we revised the "Secondment Manual" for employees to ensure proper business operations, including the handling of personal information at the host organizations.

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.
- We conducted training sessions to ensure strict adherence to these rules and provided similar training to the agencies.
- A rule has been established requiring the heads of sales branches to inspect the actual conditions within their organizations, with the headquarters' front line conducting monitoring. This was implemented starting in October.

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 x DX," we conducted a mid-term review of the sales department evaluation and award regulations.
- We awarded initiatives from the first half of the fiscal year that focused on processes and served as good examples, such as efforts contributing to "CSV x DX".

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 x DX-based sales).
- For branches and departments where management issues have been identified, direct guidance from the headquarters department is being implemented.
- In order to further establish process-oriented management, we formulated the "Approach to Process-Oriented Evaluation and Management" in October, and distributed explanatory guides and videos to employees.

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.

Enhancement of profitability improvement initiatives

- We have established a project to build sustainable profitability centered on the insurance business. At the third general meeting held in October, we discussed early detection of signs leading to deteriorating profitability and specific measures for improving and expanding profitability, and 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.
- In our sales branch evaluations, we have introduced new bottom-line indicators that reflect profitability, and continue to work on improving our financial performance.

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 are continuing our 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.
- In the Risk Detection Subcommittee, we discussed new risks in July based on the results of surveys on operational risks (such as operational errors) associated with departmental system changes, and we developed prevention and improvement measures.
- As part of the risk status report for the second quarter, the progress of the Risk Detection Subcommittee's initiatives was reported to the ERM Committee, Management Meeting, and Board of Directors in October.

<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 Coordination Department and the Corporate & Financial Sales Development Department are positioned as the first line at the headquarters, while the Compliance Department is positioned as the second line. The first line at the headquarters is actively addressing compliance and risk issues in sales branch offices and has begun monitoring both the sales branches and sales promotion departments.
- Along with the above, we are clarifying the roles, responsibilities, and authorities expected of the second and third lines.
- 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.
- In order to clarify how the first line at headquarters will fulfill its role and provide support for issues and risks arising in the branch, and to enable branch employees to evaluate these initiatives, we published the information on the internal portal in November.

Enhancement of the second line function (Review of Cases by the Second Line)

- 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.
- 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.

Enhancement of the second line function (Strengthening the Functions of Second-Line and Third-Line Responsible Officers)

- 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.

Enhancement of the second line function (Assessment of Actual Conditions by the Second Line)

- 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.
- In September, we formulated the second-line personnel development program and annual schedule, and began implementation in October.

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.
- The Information Collection and Analysis Team has implemented new initiatives such as setting up a suggestion box for auditors to post insights and concerns identified during audits, conducting forensic investigations or consulting with lawyers on concerning issues, and identifying risks hidden in ongoing company initiatives. These efforts are leading to specific recommendations for the relevant departments at the headquarters.

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 enhanced the auditors' skills by accompanying external evaluation agencies during on-site inspections.
- In September, we held a seminar conducted by an external lecturer for all auditors, focusing on improving "discovery ability" and "sensitivity" as part of our efforts to advance internal audits.
- We received the evaluation results from an external assessment agency in November, and we were rated "GC: Generally Conforming" across all evaluation criteria.

<External assessment agency>

External assessment by an audit firm based on the "International Standards for the Professional Practice of Internal Auditing" and other relevant standards.

<Rating>

Evaluation in three stages from best to worst: GC (Generally Conforms), PC (Partially Conforms), and DNC (Does Not Conform).

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.
- We have hired one individual with a legal background, specifically someone who holds a lawyer qualification, as an external talent.
- In the personnel transfer policy for April 2025, we will implement a job rotation aimed at strengthening the functions of the second and third lines.

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. Additionally, in light of the occurrence of a new information leakage incident, we will strengthen our information management framework to prevent recurrence.

- 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.

<Company-Wide compliance Program>

Our company has established a "Company-Wide Compliance Program" as a concrete action plan related to overall corporate compliance. We are committed to further enhancing the compliance mindset to establish corporate ethics and adherence to laws and regulations.

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. We conducted a total of eight training sessions by November.
- In response to a 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.
- We conducted follow-up training for first-year employees in October and for second-year employees in November.

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.
- The system adaptations were fully completed in November, and since the implementation of system checks, it has been operating appropriately.

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. The President has visited and held discussions in eight branches. 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.
- We have been distributing news of best practice examples to sales departments and claim service departments to encourage the promotion of positive compliance.
- In October, we added ethics training as a learning content for employees, focusing on criteria for determining "what is right and what should be done."
- In November, the executive in charge of the second line visited the sales and claims service departments and held an employee roundtable discussion on the theme of practicing 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 x DX).
- Based on the results of corporate culture surveys and engagement surveys, we continue to ensure integration by providing appraisal training to evaluators.
- Through performance management interviews, we are conducting individual coaching in November for evaluators who have challenges in implementing process evaluations.

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.

- In November, we conducted the third "Corporate Culture Survey." We will analyze the survey results and consider further measures.

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.
- In November, outside directors visited the sales branch to listen to the voices of on-site employees regarding the realities of sales activities, including interactions with agents, and engaged in an exchange of opinions.

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.
- Since August, regional representatives have also participated as observers to incorporate the feedback from frontline.
- By November, a total of eight meetings have been held. External committee members, external directors, and external auditors participate monthly, providing input on issues and 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. We are continuously implementing measures for cases with risk concerns and are working to enhance risk sensitivity by promoting cross-functional information sharing through the Group Risk Management Meeting. This includes sharing insights and knowledge across the group's risk management departments.

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