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December 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 the third progress report to Financial Services Agency.

In light of the importance of the business improvement plan, the company is sincerely addressing the issue company-wide. However, on October 31, 2024, the company received Cease and desist order and Administrative monetary penalty payment order based on the Antimonopoly Act from the Japan Fair Trade Commission. We take this order solemnly, and by facing the root cause of the problem anew, we will strive to regain the trust of our customers and society by working tirelessly together with all executives and employees.

In executing the business improvement plan, we are working towards the sure implementation and realization of the following two main points to eliminate the root causes of the issues recognized upon receiving the business improvement order and to be reborn as a truly sound company with international competitiveness.

- 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.

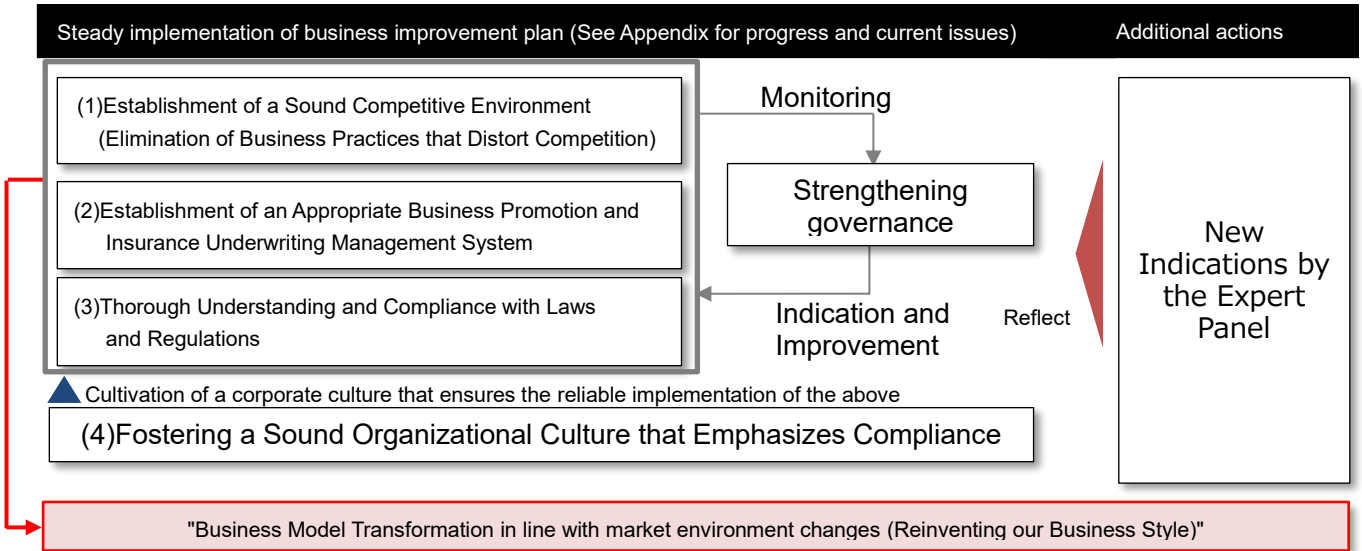
All of the measures set forth in the Business Improvement Plan are progressing as scheduled as of the end of November 2024. (See the Appendix for details)

In addition, the Company has steadily implemented improvement measures to address the issues described in the order to request a report on information leakage incident dated July 22, 2024, and the reports submitted to Financial Services Agency dated August 30, 2024 and September 30, 2024, and is strengthening its efforts to prevent a recurrence.

Furthermore, we are revising measures based on the report of the "The Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector", the discussions in the Financial System Council's "Working Group on Systems Related to the Non-Life Insurance Industry," and opinions from external experts. We will continue to take further improvement measures to thoroughly enforce self-discipline and self-cleansing actions (See the Appendix for details).

Anticipating changes in the future market environment, it is essential to steadily execute the transformation of the business model <Reinventing our business style> and to establish an environment where "true customer-oriented principles can be executed," by quickly breaking away from industry practices that hinder proper competition and further refining the original value and risk solution capabilities of insurance, and we will proceed with all executives and employees united.

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



End

1. Progress of the Business Improvement Plan

As of the end of November 2024, all of the measures set forth in the Business Improvement Plan have been progressing as scheduled.

<Evaluation of Overall Progress by External Experts>

- Overall, the implementation status of measures is evaluated as being carried out according to plan. It is crucial to organize the relationship between each measure and the final goal, the evaluation of effectiveness, and the remaining issues.
- Throughout, it can be observed that the business improvement plan is being steadily executed, with no significant discomfort.
- Each measure can be evaluated as being implemented according to the time track. It is essential to continue to proactively engage, considering whether it is purpose-appropriate.

Moreover, in the awareness survey conducted among all executives and employees, indicators such as "penetration of Group MVV*1" and "knowledge and understanding of rules, etc." have improved, confirming that all executives and employees are facing the execution of the business improvement plan, which is based on "customer-oriented principles" and "compliance with laws and regulations," more sincerely than ever before.

*1: MVV=Mission(Management philosophy), Vision(Management vision) and Values(Action guideline)

On the other hand, challenges remain in areas such as "fostering a healthy corporate culture (ease of communication between the front line and headquarters)" and "reporting when recognizing fraud" to prevent the occurrence of inappropriate acts. Furthermore, based on the "information leakage that occurred between insurance agents and insurance companies," there are items that require further strengthening of efforts, and 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 are pursuing “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 on initiatives such as establishing regulations and rules related to the Antimonopoly Act and educating executives, employees, and agents, reducing strategic equity holdings, preventing excessive conveniences and special benefits, proper dispatch of secondees, revising the agent commission structure, ensuring appropriate comparative recommendation sales at agencies contracted with multiple insurers, and retention and recruitment measures for technical adjusters.
- Through surveys of officers and employees, we are confirming the improvement in the penetration of each initiatives, and we will continue to take measures aimed at further establishment.

Thorough and advanced activities based on Customer-oriented business management

- In September 2024, through the report of employees meetings (conducted in July 2024) during the "Corporate Quality Month*", we confirmed the implementation status of employees meetings and the status of message dissemination by department and branch managers (both 100% implemented). Additionally, in the same survey, approximately 97% of officers and employees responded that their "understanding has deepened" regarding "customer-oriented business operations," confirming that it is appropriately penetrating.
 - * Taking the opportunity of the administrative action (June 2006) 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.
- In October 2024, to further promote and thoroughly implement "customer-oriented" initiatives, we newly launched a monthly initiative called "Day to Consider Customer-Oriented Business Operations" as an opportunity to

continuously think about "customer-oriented" practices and reflect on daily operations.

- From October 2024, to discuss the recognition of issues within each organization and specific initiatives for improvement and response, meetings by line general managers and section managers were initiated. The theme was set as examples of the "gap between 'customer-oriented' and daily operations," which was the discussion theme of the "Corporate Quality Month" workplace meetings.
- From September to November 2024, the purpose of the revision of the "Policy on Customer-Oriented Business Operations" was disseminated and thoroughly communicated through hierarchical training (for mid-career recruitment staff, second-year training).
- In November 2024, after analyzing the voices collected from claim department and front-line sales, we constructed hypotheses on factors hindering the penetration of "customer-oriented business operations" and exchanged opinions with external experts on approaches for penetration and thoroughness.

Support client companies in developing their systems

- In October 2024, at the regional strategy meeting, the "Corporate Sales Representative Basic Action Guidebook (formulated in April 2024)" was disseminated, and a review of basic actions using the same guide was conducted.
- In othe sales organization evaluation system, we have set evaluation indices and items related to "value provided before and after compensation," and are conducting employee training and workshops on these items. Additionally, from October to November 2024, we held the second employee skill-up program themed "Promotion of Solution Utilization Before and After Compensation," conducting role-plays and opinion exchanges in breakout sessions aimed at practical implementation.
- In November 2024, by conducting the second risk management web seminar for corporate customers, risk management seminars for large corporate customers, etc., we are promoting the establishment of risk management systems for client companies and promoting the registration and utilization of MS&AD InterRisk Research & Consulting's risk management literacy support tool, RM NAVI.(MS&AD InterRisk Research & Consulting : Risk related business company in MS&AD group)

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 October 2024, to prevent excessive convenience provision and special benefits, we confirmed that all employees, except those on childcare leave in headquarters departments, completed the e-Learning course "Rules for supporting client's core business."

Revision of secondment criteria

- Taking into account the "Guidelines for Secondment from Non-Life Insurance Companies" by the General Insurance Association of Japan, we have formulated the "Secondment Policy for FY2025," which also aims to prevent the recurrence of information leakage incidents between insurance agencies and insurance companies. Secondment that contributes to "customer-oriented business operations" and "employee talent development and career formation" (including pre-transfer secondment) is an absolute condition, and we are proceeding with internal dissemination of this content and discussions with secondment destinations. Furthermore, from the perspective of "promoting agency independence" and "thorough elimination of risks based on information leakage incidents," we will suspend pre-return secondment to all agencies.
- However, for secondment to "organizations and positions that do not affect the maintenance and acquisition of insurance market share" in companies operating insurance agent, we will decide on detailed exceptions such as continuing pre-return secondment under conditions like "being completely separated from insurance-related business even after secondment and being in an environment where business can be conducted."

Optimization of co-insurance operations and the role of corporate agencies

- Regarding the commission structure and agency quality certification system for FY2026, we are considering details

such as setting indicators that contribute to improving customer service and expanding the weight of quality evaluation, based on the contents of the expert meeting report.

Development of rules relating to the Antimonopoly Act and employee education

- In October to November 2024, we conducted lectures on legal affairs and compliance, including the Antimonopoly Act, in hierarchical training for new employees, second-year employees, and line managers. Furthermore, based on information leakage incidents, we reinforced information management, legal compliance, and information management for secondees in the training.
- In October 2024, all agencies completed the training on "Points of Attention and Information Acquisition/Provision Based on the Antimonopoly Act," and in November 2024, we confirmed the completion of the "Agency Basic Training" (held once a year, mandatory) for all agencies, which includes "Points of Attention Regarding the Antimonopoly Act" in the curriculum.
- In October 2024, aiming to thoroughly enforce the Personal Information Protection Law based on information leakage incidents, we started tests based on specific examples related to the Personal Information Protection Law in the annual internal information management inspection and training (mandatory for all employees).

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

- To establish a proper sales promotion system, we are significantly reviewing the concept of sales budgets and evaluation criteria to achieve sustainable growth in a fair competitive environment, and we are considering new ways and systems for sales promotion. We are also working on building a proper sales promotion system through the formulation of evaluation systems (sales targets, personnel, and performance evaluations) that do not become inappropriate incentives from a compliance perspective.

Review of sales budgets and evaluation criteria

- In the regional officer meetings and sales department branch manager meetings held in October to November 2024, we explained the purpose of the domestic sales policy again.
- In October 2024, on the internal portal, we provided supplementary materials to all employees to clarify the connection between the domestic sales policy and the sales organization evaluation system with our company's sustainability transformation (SX) and creating shared value (CSV) with society, and daily "customer-oriented" sales activities, to enhance the understanding of frontline sales employees.

Drastic strengthening of profitability management

- Both the sales and underwriting departments are working on establishing a system that allows them to understand the expected value of future expenses (especially insurance claims) and the risk margin (reinsurance costs and capital costs) based on the underwriting risk of the contract when underwriting insurance. They have shared explanatory materials on rate structures, etc., created by the underwriting department, within the company.
- To acquire and strengthen overseas underwriting know-how, we are implementing "increasing the number of trainees from the underwriting department to overseas local corporation underwriting departments" and "feedback of dispatched employees' insights to overseas local corporations." As part of this, in November 2024, an employee dispatched from the underwriting department to an overseas companies gave a lecture within the company on the theme of "challenges for advancing underwriting based on overseas experience."
- We are organizing the basic framework and target contracts for risk surveys and strengthening the system of MS&AD InterRisk Research and Consulting, which is responsible for risk-related service businesses within the group, to conduct risk surveys sequentially.
- To strengthen the company's overall underwriting capabilities, we are working on initiatives such as promoting personnel and business exchanges between the product and reinsurance departments and starting training to acquire underwriting capabilities by accepting corporate sales representatives in the product department.

(3) Establishing proper legal compliance system

- To establish an appropriate compliance system, our company is working on developing a risk management framework

so that the management can have sufficient imagination about the risks present in the business model and management strategy, and can broadly and quantitatively understand and consider risks when examining the business model and management strategy.

- Furthermore, by enhancing the compliance program and improving its effectiveness, we are working to increase the knowledge and sensitivity of all employees to notice the risks inherent in their duties and to create an environment where employees who recognize problematic events can safely report to their superiors or related headquarters departments or use the internal reporting system.
- As a measure for the three-line model, it is necessary to take various measures so that the first line can proactively and autonomously manage compliance risks as risk owners, and the second and third lines can fully exert their checking and verification functions. While promoting the diversity of personnel in the second and third lines, we aim to fundamentally strengthen the predictive and sign detection functions by actively collecting voices from the first line and external insights and constructing a system to share information with the management and related headquarters departments in a timely manner.

Strengthening compliance and risk management system

- In November 2023, we summarized the activities of the Customer Focus Team newly established in the Corporate Quality Department for the first half of this fiscal year and confirmed that the operation to detect and understand signs of legal and conduct risks is being properly implemented. We will continue to work on establishing a cycle where the first line's voices are collected and suggestions and proposals are made from the second line.

Enhancing the compliance program and improving its effectiveness

- From May to July 2024, regarding the items that need improvement in the compliance program, the main department in charge of the initiative and the compliance department held discussions to understand the current status of the initiative and resolve issues (evaluation improvement).
- In October 2024, to understand and practice "the compliance our company seeks," and to foster a "risk culture" and a "speak-up corporate culture," we conducted mandatory training for all employees in the second half of the year and confirmed the attendance of all employees in November of the same year.
- In October 2024, we expanded the training implementation support tools for use in monthly workplace training and announced them on the internal portal. We will continue to provide training themes and materials in the future.

Strengthening of checks and balances on the first line

- In November 2024, we confirmed that the system (established and operationalized in April 2024) to automatically detect emails sent from sales representatives to email addresses with domains of competitor companies and provide real-time feedback to line managers is functioning effectively. We will continue to consider effective monitoring methods in the future.

Strengthening the functions of the second line

- To frequently disseminate information about detected legal risks and improve the company's legal literacy, we started publishing the employee newsletter "Legal Topics" in August 2024 and published it four times by the end of November in 2024 (the themes selected were "Personal Information Protection Act (twice)," "Unfair Competition Prevention Act (once)," and "Insider Trading Prevention (once)").
- To establish a system where the second line collects the raw voices of the first line and reports signs of legal and conduct risks to the management, enabling them to quickly identify and evaluate problems and make necessary decisions for prevention and damage minimization, we are implementing the "Fresh EYE (collecting fresh perspectives and insights from new employees, etc.)" and the "REAL VOICE Project (collecting discomfort and questions about organizational and business operations felt by first-line employees)."
- As part of the Fresh EYE initiative in October 2024, we collected voices from 250 new employees. As part of the REAL VOICE project, we collected voices from 1,193 first-line employees by November 2024.
- To understand the causes and background of information leakage incidents and utilize them for recurrence prevention, we are collecting voices from the first line through interactions such as hearings with sales department branches and participation in meetings of the directors and managers of the claims support department.

Strengthening the functions of the third line

- From April to the end of November 2024, we held seven off-site monitoring meetings, selected themes from key risks identified in these meetings, and initiated agile audits by the Internal Audit Department.

- In October 2024, in light of information leakage incidents, the Internal Audit Department began efforts to strengthen the verification of the first line management system, including interviews aimed at identifying issues and discomfort related to the operational realities of agencies such as joint agencies, during audits of damage support and sales bases.

Examining monitoring methods for agents

- Regarding the "Audit Based on New Sign Items in Agency Audits" that started in July 2024, we monitored and verified the basis on which sales employees made judgments and confirmed that there were no particular issues. Additionally, from October 2024, the Compliance Department has also started direct second line audits.

(4) Cultivating a Sound Corporate Culture

- To foster a healthy corporate culture, our company is working to re-embed the Group MVV and "Customer-Centric Business Operations" among all employees and to cultivate a culture where it is safe to speak up and where there is a spirit of challenge and reform. We believe that appropriate messaging from management and strengthening two-way communication are important, and we are advancing initiatives to create a new corporate culture by having management take the lead in appropriately transforming themselves.

Initiatives led by top management

- As of the end of November 2024, we have issued top messages eight times in total to ensure that each employee perceives and practices "Customer-Centric" as their own matter (distributed at a pace of 10 times a year).
- In September and October 2024, town hall meetings were held by top management, incorporating external experts into the dialogue between management and employees. In September, the theme was "Becoming the Most Trusted Insurance Company by Customers," and in October, it was "Customer-Centric." Top management themselves live-broadcasted the significance and importance of the Group MVV, cultural transformation, and customer-centricity to employees nationwide and conducted and shared real-time dialogues with employees.

Other Initiatives

- In October 2024, the Internal Audit Department began a culture audit aimed at verifying the actual state of our company's culture, conducting an employee survey based on hypotheses related to our company culture. In the future, through interviews with employees and evaluations of management initiatives by third-party evaluation agencies (external consultants), we plan to report to the Board of Directors and management meetings within the fiscal year.

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

- To fundamentally strengthen our management (governance) system, we are enhancing the functions of the Board of Directors and the Audit & Supervisory Board, taking into account evaluations and advice from external organizations. Regarding the advancement of internal audits, we are moving towards realizing advanced audits that provide advice contributing to management strategy, beyond the conventional "compliance audits" or "risk-based audits," by securing appropriate human resources and appointing a dedicated officer for the third line responsible for the Internal Audit Department, separate from the officer responsible for the second line, thereby strengthening the second and third line functions.

Strengthening governance by top management

- In September 2024, regarding the evaluation of the Board of Directors for the fiscal year 2024, we decided to obtain an objective evaluation from an external organization to improve effectiveness, and together with the holding company, we selected a third-party organization and finalized the details.
- In October 2024, dialogues between outside directors and agencies were conducted. Going forward, we will continue to provide opportunities for first-line inspections and dialogues to deepen outside directors' understanding, leveraging their expertise and diverse experiences to obtain more valuable opinions and insights.

Strengthening audit & supervisory board member Audit

- We are operating regular reports from the second and third lines to the Audit & Supervisory Board members. Additionally, we hold information exchange meetings between the Audit & Supervisory Board Office and the Corporate Planning Department to diversify the information collection methods of the Audit & Supervisory Board Office.

Strengthening second and third line functions

- To confirm that a "culture where it is safe to speak up" and a "spirit of challenge and reform" are being fostered in the first line, second line officers conduct visits to branches and engage in dialogues with first-line employees.
- In October 2024, we announced the concept of open recruitment transfers on the internal portal for the "Personnel Transfer Policy for April 2025" and accepted applications for the Internal Audit Department.

Ensuring the appropriateness of the Executive officer, general manager

- The compliance department conducts hearings at the staff desks of general sales department branches to actively collect issues, insights, and questions arising in the sales department.

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