

February 29, 2024

Company Name : Sompo Holdings, Inc.
Representative : Kengo Sakurada, Group CEO
Director, Chairman and Representative
Executive Officer
(Stock Code: 8630, Prime Market of Tokyo Stock Exchange, Inc.)

Submission of a Business Improvement Plan by a Sompo Holdings Subsidiary

Sompo Holdings Inc. (Group CEO, Director, Chairman and Representative Executive Officer: Kengo Sakurada, hereinafter “Sompo Holdings”) has announced that Sompo Japan Insurance Inc. (President & CEO: Giichi Shirakawa, hereinafter “Sompo Japan”), a subsidiary of Sompo Holdings, today submitted a business improvement plan to the Financial Services Agency in accordance with a business improvement order dated December 26, 2023 concerning insurance premium adjustments and other practices.

Sompo Holdings deeply regrets this administrative disposition against Sompo Japan and sincerely apologizes to its customers and other related parties for the inconvenience and concern caused.

Sompo Holdings and Sompo Japan take this situation very seriously and will undertake company-wide efforts to diligently implement the business improvement plan and ensure compliance with laws, regulations, and other rules, reinforce customer protections, and restore the trust of customers and society at large.

The attachment provides an overview of the business improvement plan.

February 29, 2024
Sompo Japan Insurance Inc.

Submission of Business Improvement Plan

Sompo Japan Insurance Inc. (President & CEO: Giichi Shirakawa, hereinafter “Sompo Japan”) today submitted a business improvement plan to the Financial Services Agency in accordance with a business improvement order dated December 26, 2023 concerning insurance premium adjustments and other practices (hereinafter, the “administrative disposition”).

Regarding the administrative disposition, Sompo Japan sincerely apologizes to its customers and many other related parties for the inconvenience and concern caused by its practices that could be seen as conflicting with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947; hereinafter, the “Antimonopoly Act”), inappropriate practices in light of the purport of said Act, and various problems with its management systems.

Sompo Japan takes this administrative disposition very seriously. As a non-life insurance company with a social mission to support its customers’ daily lives and business activities, Sompo Japan will transform itself into “an insurance company that embodies the customer’s perspective in everything we do.” To this end, it will make company-wide efforts to diligently implement the business improvement plan and restore the trust of its customers and society at large.

In addition, Sompo Japan will transition to a company with an Audit & Supervisory Committee, etc. from the current company with an Audit & Supervisory Board, in order to take the opportunity of formulating the business improvement plan to enhance its effectiveness. Through its transition to a company with an Audit & Supervisory Committee, etc., Sompo Japan will improve its management transparency and fairness, while also strengthening its supervisory functions, by increasing the number of outside directors with voting rights on the Board of Directors, as well as granting the Audit & Supervisory Committee, etc., the right to express its opinions on the nomination and remuneration of directors. Along with this, Sompo Japan will appoint new Chief Officers (CxO) to key areas that require strengthening, such as corporate culture reforms, brand recovery, compliance promotion, and quality control. At the same time, Sompo Japan will form new advisory committees, such as the Quality Management Committee, as advisory bodies to the Executive Committee to address crucial and highly specialized issues from the perspective of improving the transparency of decision-making processes. By doing so, Sompo Japan will ensure that business management is transparent, fair, and appropriate in terms of legal compliance, customer-oriented business operations, and societal viewpoints.

Attachment 1 provides an overview of the business improvement plan.

End of document

Note: The planned implementation period is indicated in brackets.

Overview of the Business Improvement Plan

1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established

(1) Appoint outside directors [scheduled for implementation in April 2024]

Sompo Japan will become a company with an Audit & Supervisory Committee, etc., which is one of the governance models set forth by the Companies Act. It will enhance fairness in the Board of Directors by appointing outside directors. Concurrently, it will strengthen supervisory functions by forming an Audit & Supervisory Committee, etc., with a majority of outside directors, to perform audits extending to the propriety of decision-making.

(2) Governance system of the holding company over individual non-life insurance companies [scheduled for implementation in April 2024]

Regarding the composition of the Board of Directors, the holding company's supervision will be strengthened by having approximately the same number of concurrent directors at the holding company and executive directors at Sompo Japan.

(3) Enhance the roles of directors in charge of second and third lines [scheduled for implementation in April 2024]

- Establish the new post of Chief Compliance Officer (CCoO) with the goal of minimizing compliance risk by establishing an appropriate system for legal and regulatory compliance through such means as monitoring and training, as well as operation of whistleblowing systems.
- Establish the new post of Chief Quality Officer (CQO) with the goal of achieving improved customer evaluations by building a system to promote operational improvements from the customers' viewpoint through quality control.
- Turn the internal audit section into an organization that reports directly to the president.

(4) Establish new committees [scheduled for implementation in April 2024]

- In addition to the Internal Management Committee, which has already been established as an advisory body to the Executive Committee, Sompo Japan will newly establish the Quality Control Committee to hold highly transparent and specialized discussions on the status of customer-first business operations and management priorities such as conduct risk, with external members also included in the discussions.
- Newly establish the Underwriting Profitability and Product Committee to discuss matters concerning portfolio, risk appetite, profitability status, and policies on product development, product revisions, premium rate revisions, and underwriting, as well as matters concerning the development of new services.

(5) Implement audits by the Audit & Supervisory Committee, etc. [implementation planned from FY2024]

- Establish an internal control system including a system to ensure compliance with the Antimonopoly Act through audits by the Audit & Supervisory Committee, etc. Such audits will comprise interviews with directors, executive officers, Head Office departments, sales departments and branches and claims service departments and branches, and attendance at important meetings, among other activities.
- Strengthen collaboration through measures such as holding meetings between the Audit & Supervisory Committee, etc. and the second and third lines.

(6) Revision of internal company policies such as proposal submission standards and circular approval policy [scheduled for implementation in April 2024]

Revise internal company policies such as proposal submission standards for the Board of Directors and Executive Committee as well as policies on separation of duties and circular approval. This is to ensure that suitable decisions can be made based on the advance consideration and review of compliance and other risks when evaluating business models and management strategies.

(7) Learning from Sompo Japan's prior case examples and those of other companies [scheduled for implementation from FY2024]

Sompo Japan will invite outside instructors and set up opportunities for management team members to learn from its prior case examples and those of peer companies in the same or different industries.

(8) Bring onboard perspectives from outside the company (including international perspectives) [scheduled for implementation from FY2024]

- When formulating the business improvement plan, Sompo Japan requested the investigative committee it had established, which is comprised of outside lawyers, to confirm the adequacy of its business improvement plan in line with the "Evaluation of Corporate Compliance Programs" announced by the U.S. Department of Justice and the "Guide for the Design and Implementation of an Effective Antimonopoly Act Compliance Program" announced by the Japan Fair Trade Commission.
- In the future, Sompo Japan will utilize the Group Executive Committee and related bodies to bring onboard perspectives from the Group's overseas insurance business.

2. Establish an appropriate legal and regulatory compliance system to ensure compliance with the Antimonopoly Act and related laws (including providing adequate training and appropriate supervision over related parties within the company, such as employees in sales departments, as well as agencies).

(1) Provide training and foster the understanding of all officers and employees regarding the Antimonopoly Act and related laws

- Provide knowledge development training [implemented in July 2023, to be successively implemented from March 2024]
- Continue to make the Antimonopoly Act known to all personnel [scheduled for implementation from April 2024]
- Clearly define the significance of the Antimonopoly Act in personnel evaluations and the disciplinary system [scheduled for implementation from April 2024]
- Thoroughly enforce compliance with various rules pertaining to the Antimonopoly Act [scheduled for implementation from April 2024]

(2) Clearly define roles and authority in the first line [scheduled for implementation in April 2024]

(3) Strengthen the risk management system and internal control in the second line (Compliance Department and Risk Management Department)

- a. Clearly define the expectations and roles required in the second line and strengthen human resources [scheduled for implementation in April 2024]
- b. Increase the sophistication of the compliance program [scheduled for implementation in April 2024]
- c. Strengthen the compliance division through such means as establishing a specialized organization [scheduled for implementation in April 2024]
 - Reorganize the Legal & Compliance Department into the Legal Department and Compliance Department

from FY2024 and revise the authority and role of the compliance division, thereby enhancing its specialization and functions.

- Establish the Fair Trade Promotion Office, a specialized organization to ensure compliance with the Antimonopoly Act (i.e., prevent unreasonable restraint of trade), in the Compliance Department. This office will develop and make known various rules, conduct training, and give various necessary directives within the company.
- d. Strengthen monitoring and checks by the Compliance Department [scheduled for implementation in July 2024]
- e. Make the internal whistleblowing system SJ Hotline widely known and verify its effectiveness [scheduled for implementation from June 2024]
- f. Strengthen the risk management system (risk assessments) [scheduled for implementation from April 2024 (partial implementation in January 2024)]

(4) Strengthen internal controls in the third line (Internal Audit Department)
[scheduled for implementation in FY2024]

(5) Communication between the sales frontlines and the second and third lines

- a. Revise policy on separation of duties [scheduled for implementation in April 2024]
- b. Strengthen collaboration between compliance staff and the second line
[scheduled for implementation from April 2024]
- c. Monitoring using digital technologies [scheduled for implementation from July 2024]
- d. Strengthen monitoring by the Internal Audit Department [scheduled for implementation from June 2024]

(6) Establish an appropriate insurance underwriting process at agencies
[scheduled for implementation from April 2024]

3. Foster a healthy organizational culture prioritizing compliance and customer protections (including corrective measures for a company culture that prioritizes the company's interests over the interests of its customers)

(1) Foster compliance awareness at the management level [scheduled for implementation from April 2024]

(2) Revise the Code of Conduct and other rules [scheduled for implementation in FY2024]

(3) Foster a culture that prioritizes customer protection and compliance, and measures to instill such a culture in officers and employees[scheduled for implementation from April 2024]

- Management team members, including the President and CEO, will announce their commitment to maintaining compliance with the Antimonopoly Act, and will communicate it repeatedly and directly to employees through town hall meetings and other ways.
- News coverage, customer comments, and the content of the business improvement orders will be disclosed and archived within the company, with an opportunity for annual review provided to ensure that the problem is not forgotten.

(4) Establish the new post of Chief Culture Officer (CCuO) and the Culture Change Department
[scheduled for implementation in April 2024]

Establish the new post of Chief Culture Officer (CCuO), along with the Culture Change Department, a specialized department that will serve as the CCuO's execution team, with the goal of always keeping the customer's perspective in mind and transforming to an open, transparent and flat corporate culture. This will be

accomplished by breaking free from a lack of customer perspective, value standards that prioritize immediate short-term profit, and a top-down corporate culture by implementing changes in various evaluation systems, promoting sustainable management, instilling SOMPO's Purpose, conducting inner branding, and improving engagement.

(5) Establish the new post of Chief Quality Officer and the Quality Control Department

[scheduled for implementation in April 2024]

Establish the new post of Chief Quality Officer (CQO) and the Quality Control Department, a specialized department that will serve as the CQO's execution team, with the goal of improving customer evaluations. This will be accomplished by establishing a system to improve operations from the customer's perspective through quality control, as part of efforts to reduce conduct risk in the supply of products and services, as well as to maintain and improve the quality that customers expect as a matter of course, through monitoring and checks from the customer's perspective.

4. Consider and implement measures to develop an environment for fair competition in the corporate insurance field, including collective insurance

(1) Establish rules for matters such as insurance underwriting for collective insurance, group insurance policies, and similar arrangements

- a. Establish "no contact" rules with other non-life insurance companies and other entities

[implemented in July and December 2023]

- b. Establish insurance underwriting rules for collective insurance and group insurance policies

[scheduled for implementation in April 2024]

(2) Strategic shareholdings, support for core business, and related issues

- Considering that the ownership of strategic shareholdings was a factor leading to the premium adjustment practices, Sompo Japan will accelerate the pace of sales of strategic shareholdings to create a fair competitive environment. At the same time, it will revise its current medium-term plan of reducing the balance of its strategic shareholdings to 20% or less compared to adjusted consolidated net assets by the end of FY2030. (It now aims to reduce the balance of strategic shareholdings to zero by the end of FY2030.)
- Review how support for core business has so far been provided in order to capture insurance policies and transaction share.
- Create a system in which policyholders can select Sompo Japan based on the quality of proposals, such as by conducting risk analysis and continuously offering valued proposals based on risk.

5. Establish an appropriate sales promotion system and insurance underwriting management system (Including formulating measures to develop sales targets that do not provide incentives for inappropriate conduct in light of the purport of laws and regulations such as the Antimonopoly Act and sales activities that can present appropriate premiums according to risk)

(1) Revise the establishment of the sales promotion system and sales targets

[scheduled for successive implementation from March 2024]

(2) Revise personnel evaluations and their implementation [scheduled for implementation from April 2024]

(3) Realize sales activities that can present appropriate premiums according to the underwriting management system, profit management for each type of policy, and risk.

- a. Clearly define the roles of each division based on what corporate insurance ought to be

[scheduled for implementation in June 2024]

b. Conduct strict profit management by product line and policy [scheduled for implementation in April 2024]

c. Revise how insurance underwriting-related cases referred from Head Office are processed

[implemented in September 2023]

d. Implement measures to strengthen the provision of information related to premium revisions and the ability of sales divisions to provide explanations [scheduled for implementation at the next revision of premiums]

6. Clarify where management responsibility lies

Regarding the administrative disposition related to insurance premium adjustments and other practices, as well as the administrative disposition related to inappropriate insurance claims based on misconduct at Big Motor Co., Ltd., BM Holdings Co., Ltd., and BM Hanaten Co., Ltd. (a business improvement plan is scheduled to be submitted to the Financial Services Agency by March 15, 2024), Sompo Japan takes seriously the responsibility of the officers involved and has clarified their management responsibility in Attachment 2.

Disciplinary Actions against Directors and Officers

The following disciplinary actions will be taken against the directors and officers of Sompo Holdings, Inc. and Sompo Japan Insurance Inc. in connection with the recent cases of fraudulent insurance claims by Big Motor Co., Ltd. and premium price adjustments.

1. Resignation of Officers

Name	Current position/title
Giichi SHIRAKAWA	President and Chief Executive Officer*, Sompo Japan Insurance Inc. (Resigned on January 31, 2024)
Satoshi IITOYO	Director, Deputy President and Senior Managing Executive Officer Sompo Japan Insurance Inc. (Effective February 29, 2024)

*The position/title listed here is as of the time of resignation.

2. Reduction of Remuneration

Name	Current position/title	Reduction of remuneration
Kengo SAKURADA	SOMPO Holdings, Inc. Group CEO, Director, Chairman and Representative Executive Officer	Reduction of monthly remuneration by 50% for 6 months
Mikio OKUMURA	SOMPO Holdings, Inc. Group COO, Director, President and Representative Executive Officer	Reduction of monthly remuneration by 30% for 6 months
Masahiro HAMADA	SOMPO Holdings, Inc. Group CFO and CSO Senior Executive Vice President and Executive Officer	Reduction of monthly remuneration by 20% for 3 months
Shinichi HARA	SOMPO Holdings, Inc. Group CHRO Senior Executive Vice President and Executive Officer	Reduction of monthly remuneration by 20% for 3 months
Yoshihiro UOTANI	SOMPO Holdings, Inc. Group CRO Executive Vice President and Executive Officer	Reduction of monthly remuneration by 20% for 3 months
Keiji NISHIZAWA	Sompo Japan Insurance Inc. Director	Reduction of monthly remuneration by 50% for 6 months
Shigeo SAITO	Sompo Japan Insurance Inc. Deputy President and Senior Managing Executive Officer	Reduction of monthly remuneration by 20% for 3 months

Kensuke YAMAMOTO	Sompo Japan Insurance Inc. CSO, CFO, CHRO Director, Managing Executive Officer	Reduction of monthly remuneration by 20% for 3 months
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*For Senior Vice Presidents and Executive Officers, Senior Vice Presidents of Sompo Holdings, Inc. and Sompo Japan Insurance Inc. other than those mentioned above, disciplinary actions ranging from "reduction of monthly remuneration by 50% for 6 months to reduction of monthly remuneration by 10% for 1 month" will be implemented in principle.

3. Others

- ✓ In addition to the above reduction in remuneration, Mikio Okumura, Group COO, Director, President and Representative Executive Officer, Sompo Holdings, Inc., will voluntarily return 70% of monthly remuneration x 4 months.
- ✓ Koji Ishikawa, Senior Vice President and Executive Officer, Sompo Holdings, Inc. and President and CEO, Executive Officer, Sompo Japan Insurance Inc. will voluntarily return 30% of monthly remuneration x 3 months.
- ✓ Shigeki Nakamura, a full-time auditor, Sompo Japan Insurance Inc. will voluntarily return 30% of monthly remuneration x 6 months.
- ✓ In order to restore confidence in the SOMPO Group and enhance corporate value, the outside directors of SOMPO Holdings, Inc. and outside corporate auditors of Sompo Japan Insurance Inc. will voluntarily return 20% of their monthly remuneration for three months, in order to strengthen the relationship of trust between the outside directors and employees and to establish and implement specific measures to prevent recurrence.

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