

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

Company name: Sompo Japan Insurance Inc.  
Representative: Koji Ishikawa, President and CEO

## **Status of Progress on Business Improvement Plans (Progress on Disclosure Items as of May 31, 2024) and Receipt of the External Investigation Committee's Investigation Report on Insurance Premium Adjustment Practices**

### **1. Status of Progress on Business Improvement Plans (as of May 31, 2024)**

Sompo Holdings, Inc. (Group CEO, Director, President and Representative Executive Officer: Mikio Okumura, hereinafter "Sompo Holdings") and Sompo Japan Insurance Inc. (President and CEO: Koji Ishikawa, hereinafter "Sompo Japan") today submitted the status of progress on business improvement plans and related matters to the Financial Services Agency in accordance with a business improvement order dated January 25, 2024 regarding their measures to address fraudulent automobile insurance claims and related matters (hereinafter, the "administrative disposition").

Sompo Japan submitted the status of progress on 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 also, the "administrative disposition"). (Please check the accompanying links that follow for more information.)

The status of instilling and firmly establishing measures to prevent a recurrence will be confirmed through such means as employee questionnaires, effectiveness verification, monitoring by the 2nd line, internal audits by the 3rd line, and audits by the Audit & Supervisory Committee, etc.

If there are any indications of delays, deficiencies or other issues with the status of measures, the causes will be identified swiftly and additional measures will be implemented.

PDCA cycles will be carried out to ensure that the business improvement plans are instilled and firmly established at the earliest opportunity.

## <Summary of Status of Progress on Business Improvement Plans>

Current ▲ Measures Implemented ■ For Further Consideration

### Measures Implemented(formulate and establish frameworks, etc.) and For Further Consideration

Sustain benefits (verify effectiveness)

Instill and firmly establish benefits

Common	<p><b>1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established</b></p> <p><b>Sompo Holdings</b></p> <ul style="list-style-type: none"> <li>Strengthen and improve the effectiveness of Group governance</li> <li>Revise the institutional design of operating companies (major domestic companies)</li> <li>Appoint a Chief Compliance Officer</li> <li>Establish a Compliance Office</li> <li>Appoint a Chief Internal Audit Officer</li> <li>Clearly define the relationships between Group Chief Officers (CxO) and Chief Officers (CxO) of individual companies</li> <li>Strengthen specialized personnel</li> </ul>	<p><b>2. Establish a system to thoroughly ensure compliance and customer protections (including the Antimonopoly Act)</b></p> <ul style="list-style-type: none"> <li>Monitoring system for internal controls over subsidiaries' key measures and other activities</li> <li>Information sharing and reporting system regarding the recent spate of problems</li> <li>Internal audit system</li> </ul>	<p><b>3. Foster a healthy organizational culture prioritizing compliance and customer protections</b></p> <ul style="list-style-type: none"> <li>Revising, instilling, and implementing a Group Corporate Philosophy framework</li> <li>Follow up on progress with instilling a corporate culture</li> </ul>
	<p><b>Sompo Japan Insurance</b></p> <ul style="list-style-type: none"> <li>Appoint outside directors (establish an Audit &amp; Supervisory Committee, etc.)</li> <li>Governance system of the holding company over individual non-life insurance companies</li> <li>Enhance the roles of directors in charge of second and third lines</li> <li>Establish new committees</li> <li>Revision of internal company policies such as proposal submission standards and circular approval policy</li> <li>Learning from Sompo Japan's prior case examples and those of other companies</li> <li>Bring onboard perspectives from outside the company (including international perspectives)</li> <li>Strengthen the management framework for matters submitted to the Executive Committee</li> </ul>	<p>Drastically revise management of the third line</p> <ul style="list-style-type: none"> <li>Clearly define roles in the first line</li> <li>Strengthen the risk management system and internal control in the second line (Compliance Department and Risk Management Department)</li> <li>Strengthen internal controls in the third line (Internal Audit Department)</li> <li>Communication between the first line and the second and third lines</li> </ul>	<ul style="list-style-type: none"> <li>Foster compliance awareness at the management level</li> <li>Revise the Code of Conduct and other rules</li> <li>Revise the establishment of the sales promotion system and sales targets</li> <li>Revise personnel evaluations and their implementation</li> <li>Foster a culture that prioritizes customer protection and compliance, and measures to instill such a culture in officers and employees</li> <li>Establish the new post of Chief Culture Officer (CCO), the Culture Change Department, Chief Quality Officer, and the Quality Control Department</li> </ul>
Fraudulent automobile insurance claims	<p><b>4. Establish an appropriate claims payment and management system</b></p> <ul style="list-style-type: none"> <li>Shift technical adjusters to loss investigation work</li> <li>Establish a system for preventing fraudulent claims (unified management of information, stronger involvement by Head Office, etc.)</li> <li>Establish a fair and precise screening structure</li> </ul>	<ul style="list-style-type: none"> <li>Formulate reporting rules regarding negative information</li> </ul>	<p><b>5. Establish an effective agency management (insurance sales management) system</b></p> <ul style="list-style-type: none"> <li>Establish a customer protection system by providing guidance to large agencies</li> <li>Increase the point-reflection weighting for quality in agency fee points (in phases)</li> <li>Formulate rules to address misconduct by agencies</li> </ul>
Insurance premium adjustment practices	<p><b>6. Measures to develop an environment for fair competition in the corporate insurance field</b></p> <ul style="list-style-type: none"> <li>Establish rules for matters such as insurance underwriting for collective insurance, group insurance policies, and similar arrangements</li> <li>Determine policy for matters such as strategic shareholdings and excessive preferential treatment</li> </ul>	<ul style="list-style-type: none"> <li>Provide training and foster the understanding of all officers and employees regarding the Antimonopoly Act and related laws</li> <li>Establish an appropriate insurance underwriting process at agencies</li> </ul>	<p><b>7. Establish an appropriate sales promotion system and insurance underwriting management system</b></p> <ul style="list-style-type: none"> <li>Sales activities that can present appropriate premiums according to the underwriting management system, profit management for each type of policy, and risk</li> </ul>

## 2. Receipt of the External Investigation Committee's Investigation Report on Insurance Premium Adjustment Practices

In June 2023, Sompo Japan took action to address insurance premiums adjustment practices by establishing an external investigation committee including external lawyers (3 members, including Committee Chair Hideo Makuta; reorganized in December 2023 to enhance objectivity and transparency; hereinafter, "the EIC"). The EIC has been investigating those practices. Sompo Japan is pleased to announce that it received an Investigation Report from the EIC on June 11, 2024. (Please check the accompanying links that follow for more information.)

The investigation was commissioned to the EIC, which is composed of external lawyers who have no conflict of interests with Sompo Japan. The investigation's goal was not only to clarify the facts regarding the insurance premium price adjustment practices and determine the root causes. It was also intended to verify the governance and corporate culture issues linked with those practices, as well as problems with the non-life insurance industry's systems and business customs, and to assess and recommend recurrence prevention measures.

The Investigation Report discovered that numerous employees in Sompo Japan's sales departments engaged in improper practices without hesitation, and that these practices were continued on an extensive scale and over a considerable period of time. Furthermore, the report identified issues with Sompo Japan's compliance program and business model, while considering the non-life insurance industry's business environment.

In addition, the report listed several fundamental problems that were also addressed in the administrative disposition. These problems included an over-emphasis on sales, a corporate culture that overlooks compliance and customer protections, a top-down culture in which no objections are raised to supervisors' decisions, and a dysfunctional "three lines of defense" management system. Moreover, in the report, Sompo Japan received a critical assessment of the transparency and reliability of its governance process. The report also pointed out that successive management teams over the years bore significant responsibility for causing these structural problems and allowing them to become ingrained.

Sompo Holdings and Sompo Japan take seriously all of the items identified in the Investigation Report. All of the items will be thoroughly reexamined by the two companies and used in future business improvements. By doing so, the two companies will strive to restore the trust of their customers and society at large.

Furthermore, Sompo Holdings and Sompo Japan will continue to fully cooperate with the Japan Fair Trade Commission's ongoing investigation.

### **3. The Management Team's Determination**

#### **(1) Koji Ishikawa, President and CEO, Sompo Japan**

I would like to deeply apologize once again for the tremendous inconvenience and concern caused to customers and all other stakeholders as a result of this incident involving inappropriate practices.

Amid dramatic changes in the environment, such as insurance liberalization and an increase in natural disasters, the management team was biased toward maintaining the status quo, and they were unable to change the existing business model or misguided value standards, overburdening the operational frontlines. As a result, the management team deeply regrets the many and varied distortions it created on the frontlines of business operations.

To ensure that this never happens again, we will diligently implement our business improvement plan as a matter of course. We also recognize that it is imperative to transform our existing business model, which is at the root of the problem.

The EIC has identified problems such as Sompo Japan's bureaucratic structure and self-protective posture, as well as concerns about the transparency and reliability of the governance process, as exemplified by the management team's destruction of email messages. We take these issues extremely seriously. They are management issues that must be dealt with and solved as a top priority.

In the current fiscal year, Sompo Japan launched its new Mid-Term Management Plan featuring the slogan "Always be straight with customers and society." Guided by this plan and slogan, the management team has begun dialogue sessions with employees throughout Japan\*, with the aim of transforming its corporate culture, which was a significant factor behind the spate of problems.

The concluding message of the EIC's report was "This is the last chance." The management team takes this message very seriously. With unwavering resolve, we will delve deeply into the true causes of the inappropriate practices and make a clean break with the past's misguided value standards. Under its strong leadership, Sompo Japan will make drastic changes not only to its corporate culture, but also to its existing business model, with a view to revitalizing the company.

\* Scenes from dialogue sessions between the management team and employees  
[https://www.sompo-japan.co.jp/-/media/SJNK/files/announce/20240614\\_3.pdf](https://www.sompo-japan.co.jp/-/media/SJNK/files/announce/20240614_3.pdf)

#### **(2) Mikio Okumura, Group CEO, Director, President and Representative Executive Officer, Sompo Holdings**

The incident involving inappropriate practices has caused a loss of trust among the stakeholders we should value the most, including customers. As the Group's leader, I take this loss of stakeholder trust extremely seriously and truly regret it.

Our new Mid-Term Management Plan was launched in the current fiscal year. Under this plan, our highest priority is to regain trust by diligently implementing business improvement measures in the domestic P&C insurance business. We will build up a new business model and corporate culture by breaking free from widely held but misguided notions and adherence to precedents that have become embedded in our history of over 130 years.

Sompo Holdings will work hand in hand with Sompo Japan to provide full support for its transformation. At the same time, the entire Group is strongly committed to redefining itself as a new company. With unyielding determination, we will redouble our efforts to regain trust in terms of compliance, customer-oriented business operations, and societal viewpoints.

**<Status of Progress on Business Improvement Plans and Investigation Report>**

- Status of progress on business improvement plan (Sompo Holdings)  
[https://www.sompo-hd.com/-/media/hd/files/notice/20240614\\_1.pdf](https://www.sompo-hd.com/-/media/hd/files/notice/20240614_1.pdf) (in Japanese)
- Status of progress on business improvement plan (Sompo Japan)  
[https://www.sompo-japan.co.jp/-/media/SJNK/files/announce/20240614\\_1.pdf](https://www.sompo-japan.co.jp/-/media/SJNK/files/announce/20240614_1.pdf) (in Japanese)
- The External Investigation Committee' s Investigation Report on Insurance Premium Adjustment Practices  
[https://www.sompo-japan.co.jp/-/media/SJNK/files/announce/20240614\\_2.pdf](https://www.sompo-japan.co.jp/-/media/SJNK/files/announce/20240614_2.pdf) (in Japanese)

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