

December 13, 2024

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)

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

**Status of Progress on the Business Improvement Plans  
(Progress on Disclosure Items as of November 30, 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 the 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.

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.

Please see the attached Status of Progress on the Business Improvement Plans (as of November 30, 2024).

Progress as of August 31, 2024 was disclosed on September 13, 2024.

\*Status of Progress on the Business Improvement Plans (Progress on Disclosure Items as of August 31, 2024)

[https://www.sompo-hd.com/-/media/hd/en/files/news/2024/e\\_20240913\\_1.pdf](https://www.sompo-hd.com/-/media/hd/en/files/news/2024/e_20240913_1.pdf)

We will strive to regain trust so that we can hear from all the stakeholders such as customers, society, and shareholders, "we are happy with Sompo Japan, and satisfied with Sompo," aiming to become "New Sompo Japan," a company that thinks like a customer in every aspect of business.



Our initiatives to regain trust

# Progress Report on the Business Improvement Plans

As of November 30, 2024



# **Sompo Japan**

## **Progress Status of the Business Improvement Plans**

**Updates from the previous report (September)**

# Management's Commitment to Regaining Trust



President and Chief  
Executive Officer  
Sompo Japan Insurance Inc.

石川 耕治

Sompo Japan has caused great inconvenience and concern to its stakeholders, including customers and related parties, due to its response to fraudulent automobile insurance claims, insurance premium adjustments, and inappropriate management of policyholder information at agencies.

We received Cease and Desist Orders and a Surcharge Payment Order based on the Antimonopoly Act from the Japan Fair Trade Commission (JFTC) on October 31. We take these orders from the JFTC seriously and will strive to regain trust by further strengthening our initiatives to thoroughly comply with the Antimonopoly Act and pursue appropriate business operation.

Eighth months have passed since launching in full-scale the company-wide transformation project “SJ-R.” From the voices of the sales frontline raised at the townhall meetings and gathered through questionnaires, we feel transformation is starting to show in every place. Further, to prevent the recurrence of the same problem, we published the “New Sompo Japan Vision” on the date to review past incidents that was set for all executives and employees as an opportunity to review the spate of past problems. All executives and employees will follow the universal value standards of Sompo Japan, “Dedicated to the customers and society” with preparedness and determination.

We will strive to regain trust so that we can hear from all the stakeholders such as customers, society, and shareholders, “we are happy with Sompo Japan, and satisfied with Sompo,” aiming to become “New Sompo Japan,” a company that thinks like a customer in every aspect of business.

# The Spate of Problems Identified by FSA and External Investigation Committee and Their True Causes

## | The spate of problems

! Responses to fraudulent automobile insurance claims

! Insurance premium adjustment practices

⇒ As to the “Insurance premium adjustment practices,” we received Cease and Desist Orders and a Surcharge Payment Order from the Japan Fair Trade Commission on October 31, 2024.

(Note) For details, please refer to the news release dated October 31, 2024 ([Link](#))

## | True causes of problems

### Corporate culture

- Valuing company profits over customer protection and compliance
- Self-protection, a top-down culture, siloed thinking and blaming others
- Negative information is not escalated (Gap between the sales representatives and management)

### Governance

- The management team lacking risk awareness and dysfunctional internal controls
- Claims payment management system
- Dysfunctional Compliance and Risk Management Divisions

### Structural issues in non-life insurance industry

- Conflicts of interest at agencies also operating as auto repair shops
- Excessive preferential treatment and personnel dispatch to agencies
- A distorted competitive environment by cross-shareholding



# Transformation Project “SJ-R” towards “New Sompo Japan”

Our value standards of “Dedicated to the customers and society” and “five commitments to customers”  
**were formulated based on the opinion of not only the management team but also employees.**

Under this value standards, we promote the company-wide transformation project of “**SJ-R.**”

## Always be straight with customers and society

### Our five commitments to customers

- 1 Place the utmost importance on the trust of customers and society
- 2 Support lives and society together with agencies
- 3 Continue to improve quality by listening to the voices of customers
- 4 Proactively learn and improve expertise to pursue the fundamental value of insurance
- 5 Take on the future with the power of diversity and individual capabilities



# Overview of Initiatives for Improvement

Transformation of corporate culture

### A structure to ensure a problem is not forgotten and fostering a risk-aware culture (1)

To never let the fact and memory of our losing the trust of society fade away, we established the **“Handover room – learning from past lessons –”** to pass on to the next generation with a sense of ownership and review” what happened then” and “why did it happen.”

#### Exhibits and materials

- A timeline to look back the business improvement orders and our responses
  - Overview of the state of problems
  - Press reports and magazines at the time
  - Voice of customers and society including scolding
- \* Visual and auditory experiences through videos, panels and audio devices.



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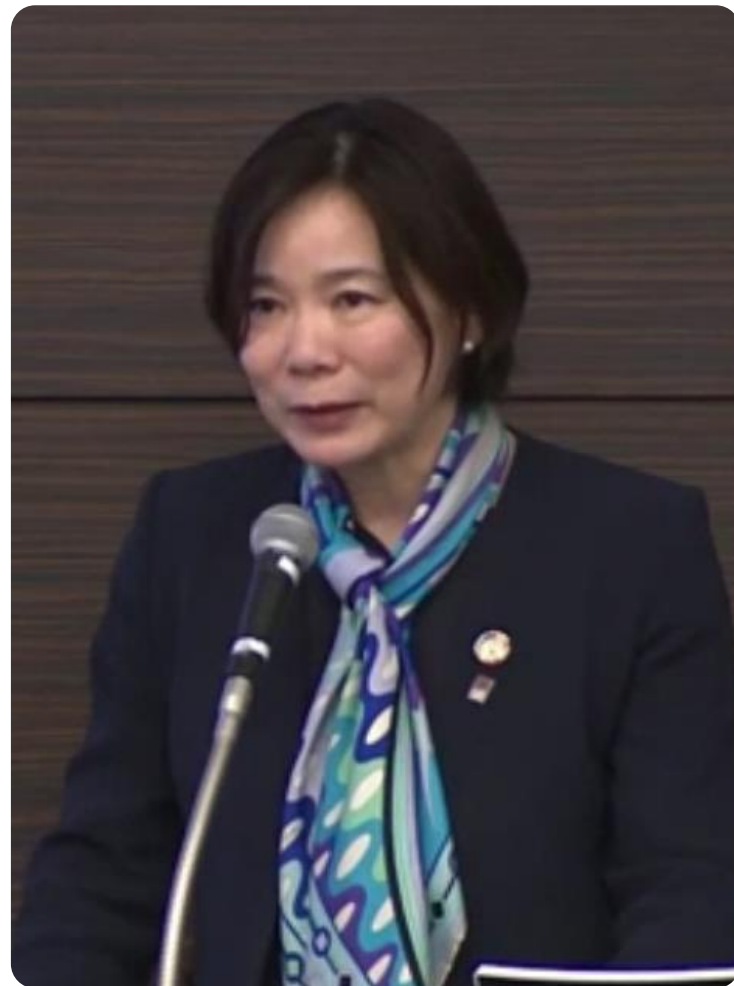
\*Handover room is only opened to the employees of SOMPO group companies



## A structure to ensure a problem is not forgotten and fostering a risk-aware culture (2)

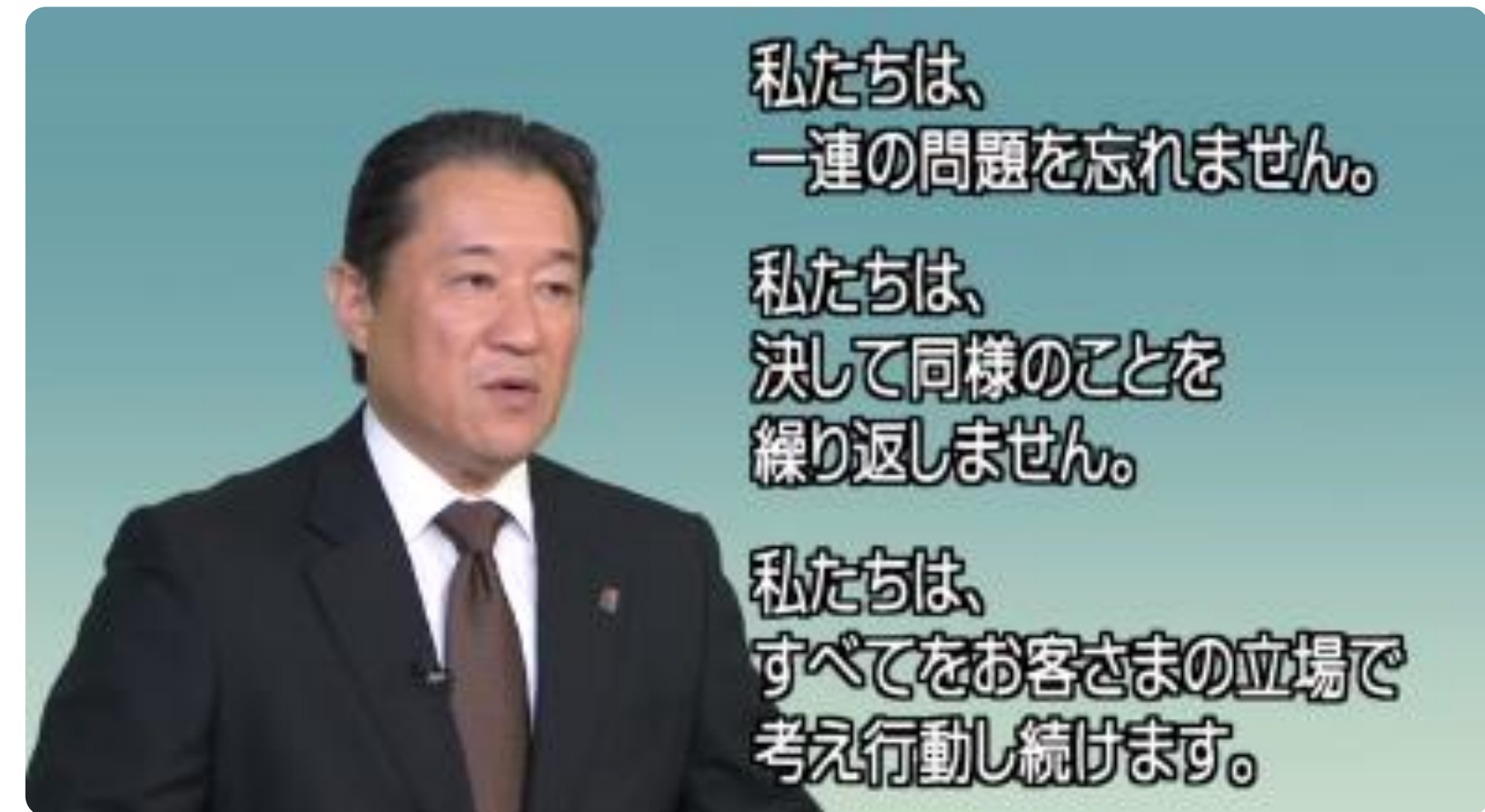
### | A meeting with leaders to promote culture transformation (November 8)

- Approx. 190 leaders to promote culture transformation at the workplace\* gathered at the Head Office to review **the spate of problems.**
  - \* A leader for each workplace and employee to reflect and introspect aiming to become a company that thinks like a customer in every aspect of business



### | Set the month to review the past incidents

- Set **November as the “month to review the past incidents”**
- All workplace will review the spate of problems and consider how to act so as to become a company that thinks like a customer in every aspect of business.
- Sent the President’s video message to all offices across Japan to **make all executives and employees review with a sense of ownership.**





## Promote dialogue between management and sales frontlines

Held from Nov. 2024 the **“Leader Summit”** where all managers (section managers) directly communicate with the management team



Encouraged managers to renew recognition of their roles to accelerate transformation toward becoming **“New Sompo Japan”**



## Nurturing a culture to thoroughly think from a customer perspective

Started **“Time to Know Your Customer”** where all executives and employees listen to the voice of customers (phone call logs) and exchange views at the workplace from a customer perspective.



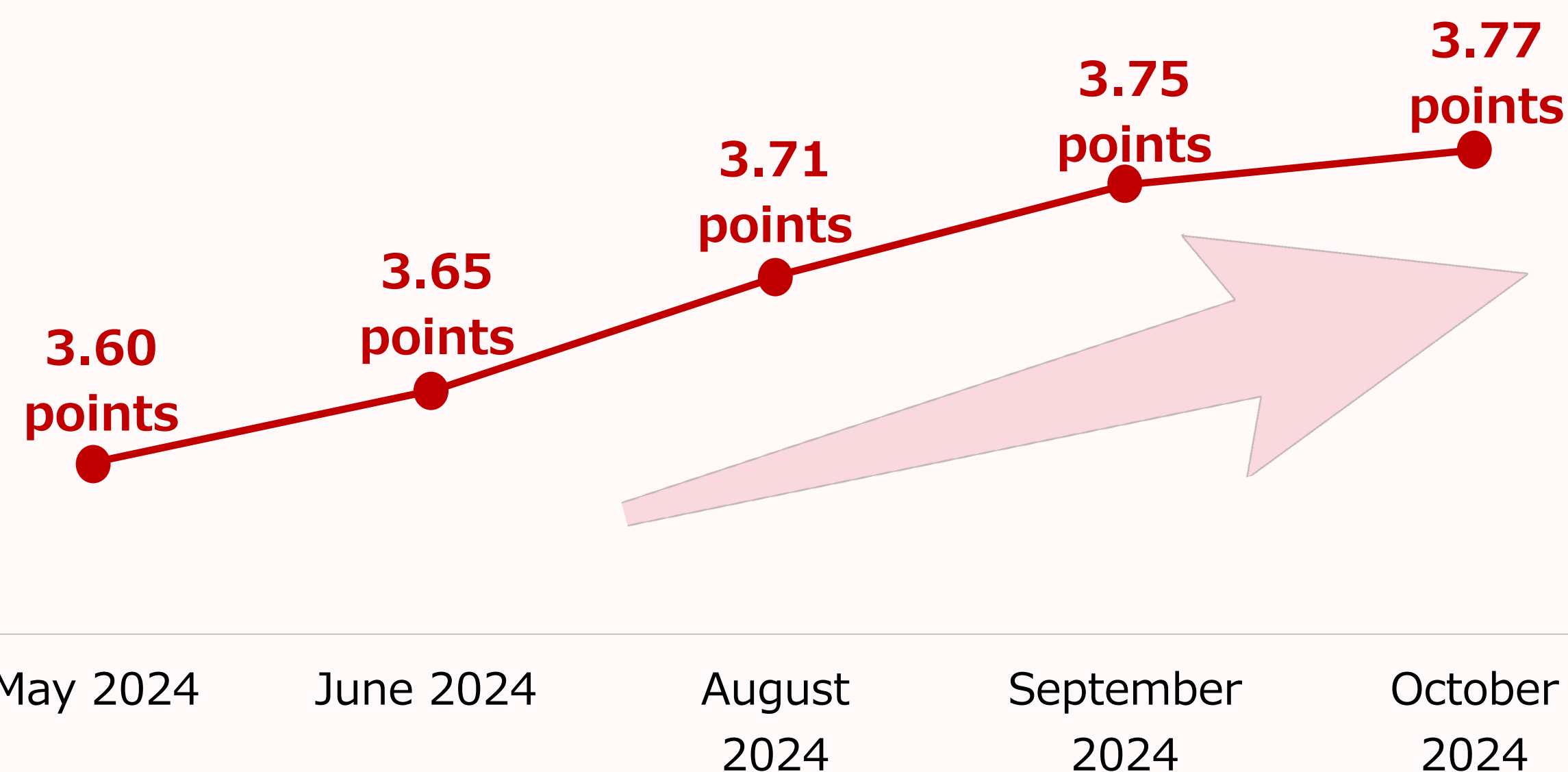
Continue nurturing **a culture to thoroughly think from a customer perspective** by discussing at the workplace about why customers called us and how they felt.



## Data gathering to transform culture

Gather data to understand the key status and actual conditions required for culture transformation  
**“Culture change survey”**

**(indicators of awareness and action for culture transformation) has steadily improved**  
and we will continue to monitor the trend to review various measures and consider additional measures.



### Culture change survey

**[Key questions](on a scale of one to five)**

- Q. Do executives actively send out a message to employees and provide a chance to communicate?
- Q. Do you share even negative information with your superiors and other departments without hesitation?

**[Response status]**

Average response rate: 91.8%  
Average no. of respondents: 19,675



# Overview of Initiatives for Improvement

**Strengthening governance**

## Bringing external perspectives into management (1)

A special interview with Ms. Nagasawa, committee member and our executive officer, and a lecture for the management team

- On the day to review past incidents in Nov., held a special interview with Ms. Nagasawa, a member of the Quality Control Committee (external committee member) and Ms. Sakai, Managing Executive Officer
- Ms. Nagasawa lectured for the management team on **“What is required for a company”** based on the Charter of Corporate Behavior of the Japan Business Federation.



A special interview “Issues related to the spate of problems from an external perspective and what is expected for employees”

### 「企業行動憲章」 -その進展と企業に求められること-

2024年11月19日  
長澤恵美子

Lecture materials for the management team  
(Quality Control Committee)

A special lecture by Ms. Nagasawa, a committee member, at the meeting of GMs across Japan

- Ms. Nagasawa, a member of the Quality Control Committee (external committee member) provided a special lecture at the GM meeting on Oct. 11, 2024



A special lecture: “Quality non-life insurance products expected by consumers”



## Bringing external perspectives into management (2)

### A lecture by Mr. Shimadera, a member of the FSA Expert Panel

- Mr. Shimadera, a member of the Expert Panel, lectured on the theme of **“Non-life insurance industry and Sompo Japan from an external perspective.”**
- Based on the opinion of Mr. Shimadera, we strengthened the internal rules on the independence of the Claims Payment Division.



#### Motoi Shimadera

Managing Partner of Oh-Ebashi LPC & Partners  
A member of the "Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector," etc.

### A lecture by Mr. Fujita, a senior staff writer of the Weekly Diamond

- Mr. Fujita, a senior staff writer of Diamond, Inc. lectured on the theme of **“non-life insurance industry and Sompo Japan from an external perspective.”**
- Explained on the state of problems from a mass media perspective. He talked about the core problem and expectations for the culture transformation at Sompo Japan.



#### Akio Fujita

Joined Diamond, Inc. in 1999.  
In charge of the Weekly Diamond special feature “insurance” issue for 12 consecutive years



## Established business quality/operational risk management sub-committee

Newly established **business quality/operational risk management sub-committee** as an advisory body to manage and control inherent operational risks, and checked the operation at Sompo Japan

### Risks to be checked in this fiscal year

- Conduct risks arising from product characteristics inconsistent with common sense and the measures and activities at the Sales/Claims Payment Service Divisions, and risks that we may not be able to keep the minimum quality required by customers
- Compliance risks that may have been overlooked in the company
- Risk of non-compliance with the laws and regulations based on the actual state of activities





# Overview of Initiatives for Improvement

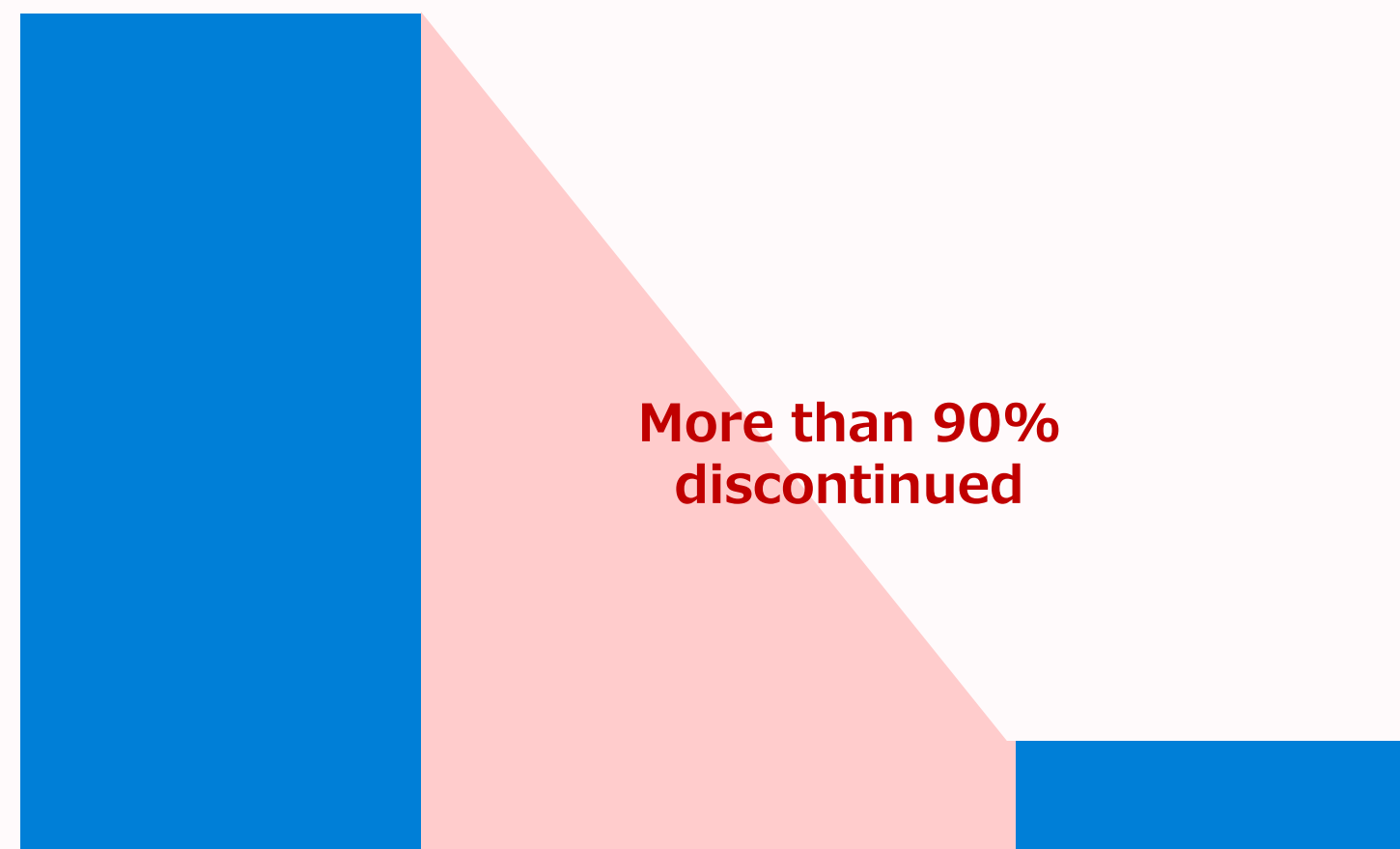
**Solving structural issues**

## Initiatives to secure an appropriate competitive environment (1)

### | Abolish excessive preferential treatment

Based on the reports, etc. of the "Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector," we prepared a guideline and communicated with agencies, etc.

#### Discontinue excessive preferential treatment



As of Sep. 30, 2024

#### ! Excessive preferential treatment identified by the spate of problems

- Insurers actively provide excessive client business support (preferential treatment) to agencies, etc. and in return, the agencies preferentially recommend such insurers' insurance products to customers (interfere with the "client-oriented comparative recommendation sales")
- Need to discontinue the following excessive preferential treatment
  - The volume of preferential treatment determines the share at agencies
  - Sales targets such as for goods and allocation of purchase volume

**More than 90% of agencies agreed to discontinue such treatment.**  
Continue discussions with the remaining agencies towards discontinuation



## Initiatives to secure an appropriate competitive environment (2)

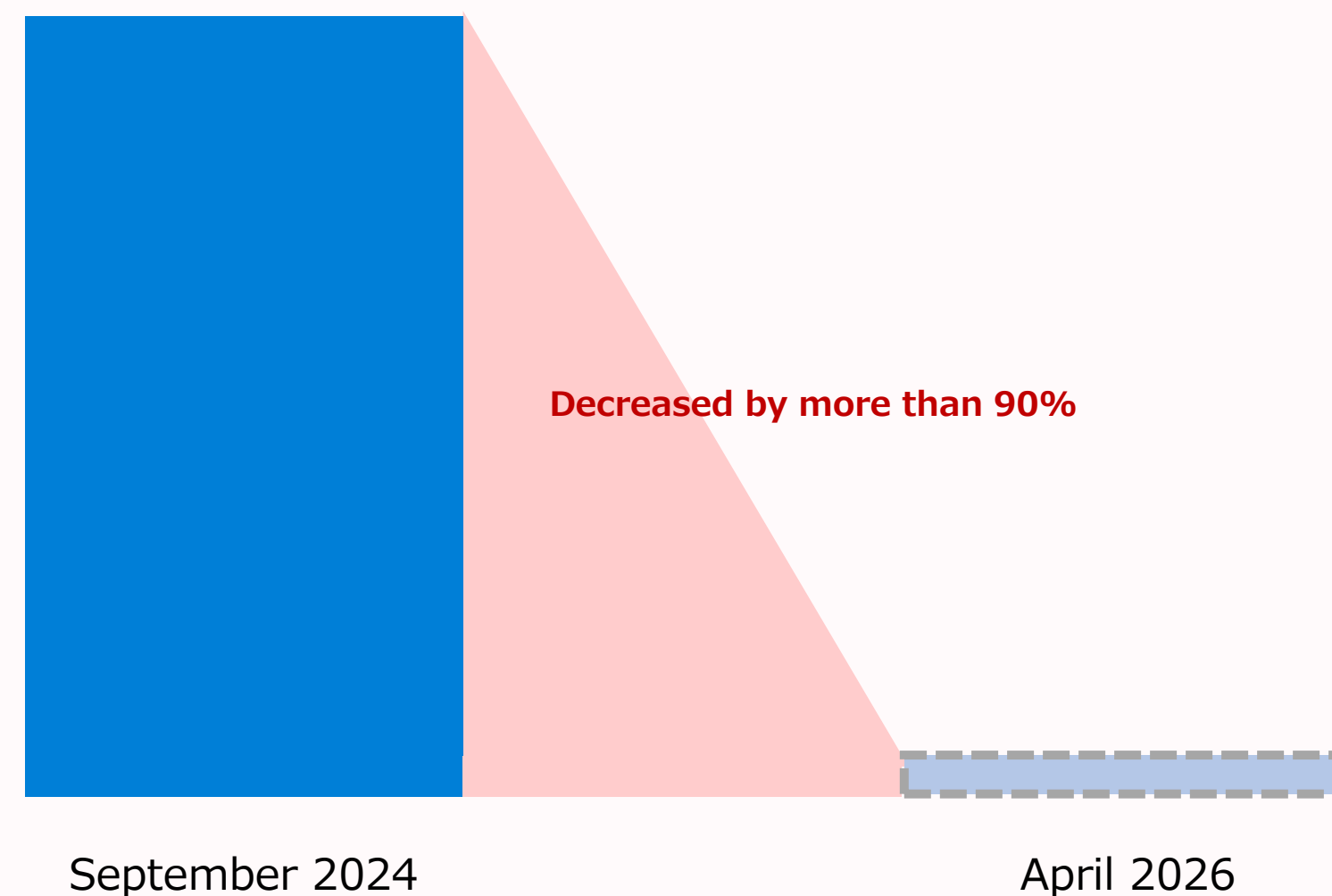
### | A drastic review of personnel dispatch to agencies

Prepared our guideline based on the guideline prepared by the General Insurance Association of Japan and

abolished personnel dispatch that does not contribute to “Customer-oriented business operations.”

Communicating with agencies on how to address the personnel already dispatched to agencies

#### A dialogue with agencies, etc. (The number of dispatch will decrease)

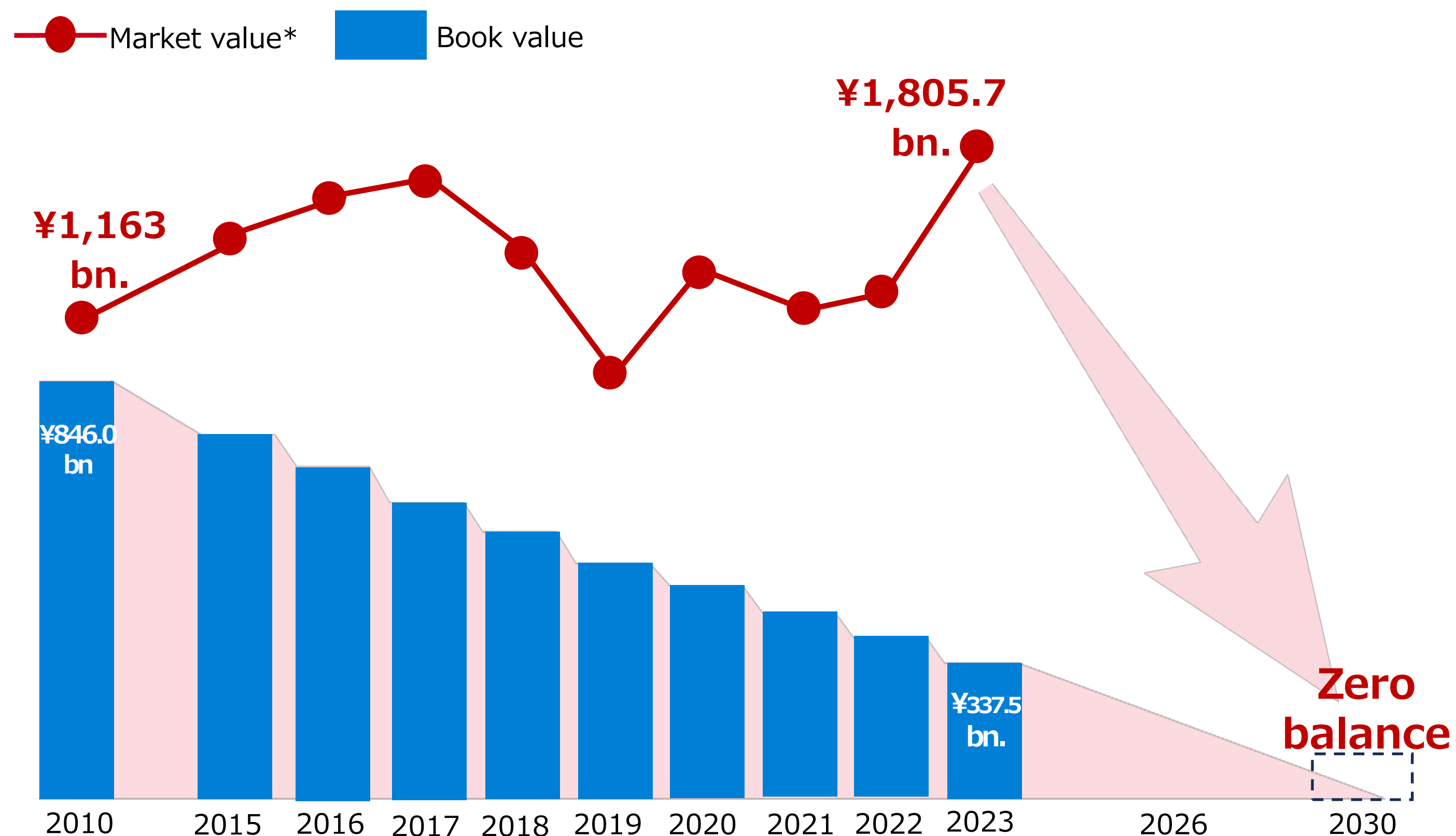


#### ! Issues related with personnel dispatch to agencies identified by the spate of problems

- A short-term perspective aimed at enhancing business ties with customers/agencies and acquiring market share, in addition to mid-to-long term perspective such as quality improvement
- Excessive personnel dispatch may be delaying the autonomy process of agencies

# Initiatives to secure an appropriate competitive environment (3)

## Balance of cross-holding stocks



\* Includes retirement benefit trust

### Latest reduction of cross-holding stocks (Market value)

**Reduced ¥239.0 billion as of November 30, 2024**

Revised upward the full-year reduction target to **¥400 billion**, which is double the initial plan

#### ! Issues concerning cross-holding stocks identified by the spate of problems

- The actual balance of cross-holding stocks affects the share and sales representatives of insurance companies are demotivated to engage in fair competition.
- May be a factor to hinder fair competition



# Strengthen initiatives to enhance the risk management for customers and agencies

Support the risk management enhancement for customers and agencies aiming to achieve **“Providing quality services that pursue a fundamental value of insurance”** set under the SJ-R, and provide solutions

## | Started a training program for risk managers

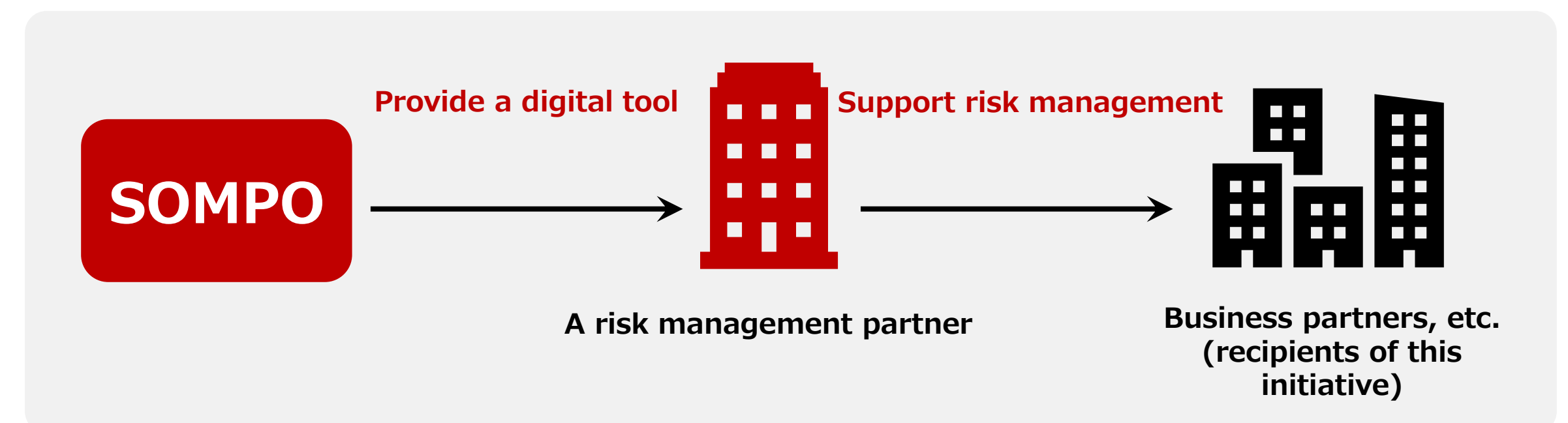
- For employees involved in company-wide risk management and insurance arrangement, held a training program to develop insurance risk managers (the first program comprises three courses)

### Overview of the courses to be provided

- ✓ **Basic course:** Learn the risk management basics
- ✓ **Elementary course:** Learn the concept you should know as an insurance risk manager
- ✓ **Mid-level course:** Learn the risk management guideline and quantitative evaluation method

## | Provide a digital tool related with risk management

- Provide a digital tool equipped with generalized consulting expertise on risk management to risk management partners (insurance agencies, supply chain management divisions of large companies, financial institutions, etc.)
- Support risk management partners to make a risk management proposal to its business partners, etc.





# Overview of the Business Improvement Plans (Full Version)



# Overview of the Business Improvement Plans

## Supplementary explanation

▲ Measures in discussion ■ Measures implemented ● Sustain benefits Red: Measures with progress made from the previous report (measures in discussion ⇒ measures implemented, measures implemented ⇒ Sustain benefits)

Current

Review Measures (Formulate and Establish Frameworks, etc.) and Implement Measures		Sustain benefits (verify effectiveness)		Instill and firmly establish benefits
Common	<b>1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established</b> <b>Sompo Holdings</b> <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 and establish the 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>	<b>2. Establish a system to thoroughly ensure compliance and customer protections (including the Antimonopoly Act)</b> <ul style="list-style-type: none"> <li>A monitoring system for internal controls over subsidiaries' key measures and other activities</li> <li>Information sharing and reporting system regarding recent spate of problems</li> <li>Internal audit system</li> </ul>	<b>3. Foster a healthy organizational culture prioritizing compliance and customer protections</b> <ul style="list-style-type: none"> <li>Revising, instilling, and implementing a Group Corporate Philosophy framework</li> <li>Follow up on progress of instilling a corporate culture</li> </ul>	
	<b>Sompo Japan Insurance</b> <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>	<ul style="list-style-type: none"> <li>Drastically revise management of the third line                             <ul style="list-style-type: none"> <li>Clearly define roles in the first line</li> <li>Strengthen the risk management system and internal controls 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> </li> <li>Strengthen operational risk management</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 (utilize an exchange program)</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 Change Officer (CCO), the Culture Change Department, Chief Quality Officer, and the Quality Control Department</li> </ul>	
Fraudulent automobile insurance claims	<b>4. Establish an appropriate claims payment and management system</b> <ul style="list-style-type: none"> <li>Shift technical adjusters to undertake 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 (Report to the management team, Sompo Holdings and relevant authorities)</li> <li>Independence of claims payment operations (Eliminate inappropriate intervention by the Sales Division)</li> <li>Follow-up verification of the Claims Service Division</li> </ul>	<b>5. Establish an effective agency management (insurance sales management) system</b> <ul style="list-style-type: none"> <li>Establish a protection system by providing guidance to large agencies</li> <li>Increase the point-reflection weighting for quality in agency fee points</li> <li>Formulate rules to address misconduct by agencies</li> </ul>	
Insurance premium adjustment practices	<b>6. Measures to ensure an environment for fair competition in the corporate insurance area</b> <ul style="list-style-type: none"> <li>Review cross-holding stocks and sales plan</li> <li>Review excessive preferential treatment</li> <li>Formulate rules to select the agencies, and build framework to manage dispatched personnel</li> <li>Measures to achieve the ideal corporate insurance</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 and appropriate insurance underwriting process at agencies</li> </ul>	<b>7. Establish an appropriate sales promotion system and insurance underwriting management system</b> <ul style="list-style-type: none"> <li>Thoroughly manage profitability by insurance type and policy</li> <li>Establish sales activities to present appropriate insurance premium by risk</li> </ul>	



## Progress status of Business Improvement Plans (main initiatives from September to November 2024) (1)

Measures	Main progress
<b>1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established</b>	
<ul style="list-style-type: none"> <li>■ Learn from Sompo Japan's prior case examples and those of other companies</li> <li>■ Bring onboard perspectives from outside the company</li> <li>■ Foster compliance awareness at the management level</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>A lecture by a member of the Quality Control Committee</b> <ul style="list-style-type: none"> <li>• On Oct. 11, Ms. Y Nagasawa lectured on the theme of "Quality non-life insurance products expected by consumers" for GMs.</li> <li>• On Nov. 19, Ms. E Nagasawa lectured to the management team on the theme of "The Charter of Corporate Behavior - Its progress and what is required for a company."</li> </ul> </li> <li>■ <b>Holding of the Quality Control Committee</b> <ul style="list-style-type: none"> <li>• The Quality Control Committee is basically held monthly from May.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>■ Appoint outside directors</li> <li>■ Implement audits by the Audit &amp; Supervisory Committee, etc.*</li> </ul>	<ul style="list-style-type: none"> <li>• Audit and Supervisory Committee Members participated in the Executive Committee and various management committees, and expressed their opinion.</li> <li>• Held discussions with Directors, CxO and Executive Officers at the Audit &amp; Supervisory Committee, etc. Also held meetings with the representative director and the members of the Audit &amp; Supervisory Committee, etc.</li> <li>• Members of the Audit &amp; Supervisory Committee, etc. held discussions with the Internal Audit Department, Compliance Department and Quality Control Department (GMs and several managers)</li> <li>• Conducted on-site inspections to the sales and claims service divisions</li> </ul>
<b>Governance system of the holding company over individual non-life insurance companies</b>	Directors concurrently serving as SOMPO Holdings' Directors participated in the Board of Directors (incl. pre-briefing) and expressed their opinion.
<b>2. Establish a system to thoroughly ensure compliance and customer protections (including Antimonopoly Act)</b>	
<b>Drastically revise management of the third line</b>	<ul style="list-style-type: none"> <li>■ <b>Strengthen the risk management system and internal controls in the second line (Compliance Department and Risk Management Department)</b> <ul style="list-style-type: none"> <li>• Continued a monthly follow-up training for the compliance staff concurrently serving at the Compliance Department and enhanced skills to strengthen control.</li> <li>Individual skills of the compliance staff are confirmed with a skillset map and the Compliance Officer will provide guidance to them as necessary.</li> </ul> </li> <li>■ <b>Initiatives to analyze complaints</b> <ul style="list-style-type: none"> <li>• Analysis results of complaints raised in H1 FY2024 and the overview of initiatives implemented for the findings after Oct. 2023 were reported to each committee, the Executive Committee, and the Board of Directors.</li> </ul> </li> </ul>
<b>Provide training and foster the understanding of all officers and employees regarding the Antimonopoly Act and related laws</b>	<ul style="list-style-type: none"> <li>■ <b>Monitoring of rules that prohibit contact with peers and policy underwriting rules</b> <ul style="list-style-type: none"> <li>• At the Internal Control Committee held in Oct. confirmed compliance and strict observance with the rules that prohibit contact with peers (started in Dec. 2023) and the policy underwriting rules (started in Apr. 2024.)</li> </ul> </li> </ul>



## Progress status of Business Improvement Plans (main initiatives from September to November 2024) (2)

Measures	Main progress
<b>3. Foster a healthy organizational culture prioritizing not sales but compliance and customer protections</b>	
<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>■ Foster a culture that prioritizes customer protection and compliance, and measures to instill such a culture in officers and employees</li> </ul>	<ul style="list-style-type: none"> <li>■ Messages from the management team <ul style="list-style-type: none"> <li>• At the Fall GM meeting in Oct., President Ishikawa sent a message to further transform the value standards by reviewing the initiatives implemented.</li> <li>• CCoO (Chief Compliance Officer) sent a message on the H1 review mainly on the compliance and conduct risk, and how to utilize the newly formulated "SOMPO's Yes (Group Compliance Code of Conduct)."</li> </ul> </li> <li>■ A day to review the past incidents <ul style="list-style-type: none"> <li>• Nov. was set as the month to review past incidents, and President Ishikawa sent a message on the day to review the past incidents (Nov. 8 for FY2024), and the video of the special interview with Ms. Nagasawa, an external member of the Quality Control Committee and CHRO (an executive in charge of HR) of Sompo Holdings was aired themed on the "Issues related to the spate of problems from an external perspective and what is expected for employees."</li> <li>• Held a group training with the attendance of culture transformation managers across Japan. All employees reviewed the spate of problems and set the opportunity to communicate.</li> </ul> </li> <li>■ Newly established the "Handover room-learning from the past lesson" <ul style="list-style-type: none"> <li>• To never let the fact and memory of losing the trust of society fade away, the exhibition room (handover room) was newly established in Nov.</li> </ul> </li> <li>■ Lectures by external lecturers (Lawyer Shimadera, Mr. Fujita, a senior staff writer of the Weekly Diamond) <ul style="list-style-type: none"> <li>• In Sep. Lawyer Shimadera lectured on the theme of "Non-life insurance industry and Sompo Japan from an external perspective" for sales representatives.</li> <li>• In Nov. Mr. Fujita, a senior staff writer of Diamond, Inc. lectured on the theme of "Non-life insurance industry and Sompo Japan from an external perspective" for managers in charge of promoting culture transformation.</li> </ul> </li> <li>■ Start providing a booklet for employees <ul style="list-style-type: none"> <li>• In Nov. prepared and distributed a booklet as a tool for employees to understand the new Sompo Japan and new value standards.</li> </ul> </li> <li>■ Status of culture change survey <ul style="list-style-type: none"> <li>• Fed back to each division the survey results and qualitative comments received. Based on the assumptions derived from the analysis results, we will take measures to build an autonomous risk management system.</li> </ul> </li> <li>■ Set new KPIs to instill and firmly establish the customer trust and quality standards <ul style="list-style-type: none"> <li>• To instill and firmly establish the "customer trust and quality standards," decided the KPIs of the claims service/sales divisions.</li> </ul> </li> </ul>
<b>4. Establish an appropriate claims payment and management system</b>	
Establish a system for preventing fraudulent claims	<ul style="list-style-type: none"> <li>■ Messages from the management team <ul style="list-style-type: none"> <li>• In Sep. the Head Office sent a message for GMs of the claims service divisions on "strengthening initiatives to prevent fraudulent claims and build a fair and appropriate insurance screening system"</li> <li>• In Nov the interview video with President Ishikawa and CCO (executive in charge of the claims service division) themed on "implementing a new claims service division" to all employees.</li> </ul> </li> <li>■ Fraudulent claims management <ul style="list-style-type: none"> <li>• Keep monitoring the information of suspicious fraudulent claims which is regularly reported to the internal control sub-committee.</li> <li>• In Nov. revised the "Guideline to address fraudulent claims of repair insurance by a repair garage" to clarify the "self investigation period," "responsible division to judge whether claims are fraudulent," and "monitoring."</li> </ul> </li> </ul>
Ensure the independence of the claims service division (Eliminate inappropriate intervention by the Sales Division)	<ul style="list-style-type: none"> <li>• On Nov. 28, clarified that claims payment was the designated operation of the Claims Payment Division and reviewed the rules to transmit information to ensure its independence.</li> </ul>



## Progress status of Business Improvement Plans (main initiatives from September to November 2024) (3)

Measures	Main progress
<b>5. Establish an effective agency management (insurance sales management) system</b>	
<b>Establish a protection system by providing guidance to large agencies</b>	<ul style="list-style-type: none"> <li>■ <b>Utilize client questionnaires</b> <ul style="list-style-type: none"> <li>Regarding the client questionnaire to be answered upon signing a policy which was revised in Jul., we started to remind the sales representatives at agencies when any issue is identified in the question on the disclosure statement before signing a policy. We will strengthen guidance and education to agencies where issues were raised.</li> </ul> </li> <li>■ <b>Manage the agencies that require business quality improvement</b> <ul style="list-style-type: none"> <li>If any agency needs to improve its business quality, we will confirm how the measures to prevent recurrence are prepared and implemented by such agency after four months from occurrence, and we have started to check the progress.</li> </ul> </li> </ul>
<b>■ Increase the point-reflection weighting for quality in agency fee points</b>	<ul style="list-style-type: none"> <li>As for the agency fee system to be applied in Jul. 2026, considering to review the concept such as “stabilizing the agency management,” “supporting their business quality and profitability” and “promoting autonomous operation of agencies such as solicitation.” We will incorporate the opinion of agencies as needed.</li> </ul>
<b>6. Review and implement measures to ensure an environment for fair competition in the corporate insurance area</b>	
<b>Review cross-holding stocks/sales plan</b>	<ul style="list-style-type: none"> <li>Sales as of Nov. 30, 2024, amounted to ¥239 billion, exceeding the initial plan of ¥200 billion. We expect to achieve ¥400 billion as announced at the mid-term account settlement.</li> </ul>
<b>Review excessive preferential treatment</b>	<ul style="list-style-type: none"> <li>■ <b>A dialogue with agencies</b> <ul style="list-style-type: none"> <li>Based on the guideline for excessive preferential treatment formulated in Jul. we started a dialogue with agencies to discontinue such treatment by the end of Sep. More than 90% of agencies agreed to the policy to abolish such treatment, and in discussion with the remaining agencies.</li> </ul> </li> <li>■ <b>Monitoring the responses from employees</b> <ul style="list-style-type: none"> <li>A questionnaire was conducted in Aug. to the employees of sales divisions, and confirmed how the preferential treatment is perceived by each workplace/employee, and the changes such as the actual measures taken for agencies.</li> </ul> </li> </ul>
<b>Formulate rules to select agencies to dispatch personnel and build the framework to manage dispatched personnel</b>	<ul style="list-style-type: none"> <li>In Sep. formulated the operation rules of our dispatched personnel based on the guideline of the General Insurance Association of Japan, and confirmed by early Nov. the current dispatched personnel complies with the new rules. Currently examining the personnel to be dispatched dated Apr. 2025 under the guideline, and the number of dispatched personnel will be less than 10% as of the end of FY2026 (compared to Apr. 2024.)</li> </ul>
<b>Responses to achieve the ideal corporate insurance</b>	<ul style="list-style-type: none"> <li>■ <b>Initiatives to nurture human resources</b> <ul style="list-style-type: none"> <li>Started in Jul. the “SOMPO Commercial Academy” to bottom up the commercial business talents. As of Sep. 30, 2024, 681 corporate sales representatives attended.</li> </ul> </li> <li>■ <b>Strengthen initiatives to improve risk management for customers and agencies</b> <ul style="list-style-type: none"> <li>To ensure independence of agencies within the company and develop the risk management capability, developed a new risk management tool and released in Nov.</li> </ul> </li> </ul>
<b>7. Establish an appropriate sales promotion system and insurance underwriting management system</b>	
<b>Thoroughly manage profitability by insurance type and policy</b>	<ul style="list-style-type: none"> <li>Identify insurance policies that require profitability management, disclose them to sales offices and nurture the sense of ownership at sales divisions about profitability management by quantitatively reflecting the final underwriting results to the sales performance of agencies.</li> <li>At the end of Oct., released a textbook of profitability to understand the basics of profitability and the meaning of initiatives to promote the understanding of profitability and instill behaviors.</li> <li>Started verifying the appropriateness of the premiums presented by the sales divisions to companies. There were no inappropriately discounted policies.</li> </ul>



# **Sompo Holdings**

## **Progress Status of the Business Improvement Plans**

## Progress status of Business Improvement Plans (main initiatives from September to November 2024) (1)

Measures	Main progress (Sompo Holdings)
<b>1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established</b>	
<b>(1) Strengthen and improve the effectiveness of Group governance</b>	<ul style="list-style-type: none"> <li>•Strengthening the supervision over Sompo Japan such as Group CEO chairs the Board of Directors of Sompo Japan.</li> </ul>
<b>(2) Revise the institutional design of operating companies (major domestic companies)</b>	<ul style="list-style-type: none"> <li>•Sompo Japan transitioned to a company with Audit &amp; Supervisory Committee, etc. and is operating under the new framework.</li> </ul>
<b>(3) Appoint a Chief Compliance Officer</b>	<ul style="list-style-type: none"> <li>•Newly appointed Chief Compliance Officer concurrently serving as Chief Compliance Officer of Sompo Japan to promote information sharing in a timely and appropriate manner and strengthen collaboration.</li> <li>•Strengthening measures for the compliance area where risk is heightening such as by formulating the policy to develop a system to ensure the Group's fair trade.</li> </ul>
<b>(4) Establish a Compliance Office</b>	<ul style="list-style-type: none"> <li>•Newly established the Compliance Office with a new post of specially appointed GM to strengthen collaboration by sharing information Sompo Japan in a time and appropriate manner.</li> <li>•Striving to improve the Group's Compliance management system by conducting an external check.</li> </ul>
<b>(5) Appoint a Chief Internal Audit Officer</b>	<ul style="list-style-type: none"> <li>• While trying a new system, assigned a Group CAE (Chief Audit Executive) and held a Group CAE meeting</li> </ul>
<b>(6) Clearly define the relationships between Group Chief Officers (CxO) and Chief Officers (CxO) of individual companies</b>	<ul style="list-style-type: none"> <li>•Clarified and implemented the collaboration between Chief Officers (CxO) when negative information was found at a group company.</li> </ul>
<b>(7) Strengthen specialized personnel</b>	<ul style="list-style-type: none"> <li>• Organized the overview of the Group's personnel investment (details, amount) and implemented personnel investment measures (development, hiring, etc.)</li> </ul>
<b>2. As an insurance holding company, establish a system to ensure sound and appropriate management of the operations of subsidiary insurance companies</b>	
<b>(1) Monitoring system for internal controls over subsidiaries' key measures and other activities</b> <b>1) Strengthen monitoring of key measures and other activities</b>	<ul style="list-style-type: none"> <li>To thoroughly monitor advance risk assessment and follow-up monitoring of key measures of Sompo Japan, while revising our monitoring method, we have confirmed the status of operation such as verifying the deliberations at Sompo Japan's important meetings, etc.</li> </ul>
<b>2) Monitoring of the adequacy and effectiveness of Sompo Japan's internal controls</b>	<ul style="list-style-type: none"> <li>•The Compliance Officer regularly meets with Sompo Japan's Compliance Department to supervise and monitor the adequacy and effectiveness of internal controls at Sompo Japan and check the progress of recurrence prevention measures outlined in the Business Improvement Plan prepared by Sompo Japan.</li> <li>•To improve the effectiveness of audit by the Audit and Supervisory Committee stated in 3) below, in addition to the progress status of the Business Improvement Plans, the Group CRO, etc. report to the Audit Committee every quarter about the overall internal control system, responses to the Group's major risk and occurrence of incidents and major issues at subsidiaries, and their prevention measures.</li> </ul>
<b>3) Audits of the status of development and operation of internal controls, including progress management on the improvement plans by the Audit Committee</b>	<ul style="list-style-type: none"> <li>•To improve the effectiveness of audits by the Audit Committee, as stated in above 2), the Audit Committee has received a quarterly report from Group CRO, etc. on the matters related to internal controls.</li> <li>•To enhance monitoring of risks at each Group company, strengthening collaboration with corporate auditors of each Group company.</li> </ul>



# Progress status of Business Improvement Plans (main initiatives from September to November 2024) (2)

Measures	Main progress (Sompo Holdings)
3. As an insurance holding company, establish a system to ensure sound and appropriate management of the operations of subsidiary insurance companies	
(2) Information sharing and reporting system regarding the recent spate of problems 1) Develop a system for subsidiaries' key information to be reported to Sompo Holdings without omission	<b>a. Reestablish reporting rules on key matters from subsidiaries to Sompo Holdings</b> <ul style="list-style-type: none"><li>Developed regulations at Group companies to ensure key issues at Group companies are submitted to Sompo Holdings for approval and reported without omission</li></ul>
2) Establish a system to actively obtain subsidiaries' key information	<b>a. Constantly monitor management status and be directly involved in formulating measures through integrated management with Sompo Japan's head office departments and mutual concurrent appointments of officers and employees</b> <ul style="list-style-type: none"><li>Constantly monitoring the management status and directly involved in formulating measures through integrated management with Sompo Japan's head office departments and mutual concurrent appointments of officers and employees to understand Sompo Japan's management status, and directly involved in formulating measures.</li></ul> <b>b. Sompo Holdings' officers will officially participate in various important meetings of Sompo Japan</b> <ul style="list-style-type: none"><li>Clearly defined the officers and employees attending important meetings of Group companies including Sompo Japan to strengthen and operate an active information sharing.</li></ul> <b>c. Bolster informal communication</b> <ul style="list-style-type: none"><li>Held regular meetings among Group Chief Officers (CxO) and among key divisions of Sompo Japan to increase opportunities to communicate to strengthen and implement information sharing.</li></ul> <b>d. Strengthen risk assessment</b> <ul style="list-style-type: none"><li>At Sompo Holdings and Sompo Japan, etc. integrated risk assessment and identified risks at each company.</li></ul> <b>e. Encourage use of the whistleblowing system and improve its reliability</b> <ul style="list-style-type: none"><li>Activated the whistleblowing and consultation system to verify whether the function to grasp warning signs is improved, and set up the Group-wide contact point to consult on how to use the whistleblowing system.</li></ul>
(3) Internal audit system	<b>Confirm and assess the appropriateness and other aspects of the actual state of internal controls at Sompo Japan</b> <ul style="list-style-type: none"><li>The Internal Audit Department of Sompo Holdings participated in the "Audit related to the Business Improvement Plans" held by the Sompo Japan's Internal Audit Department, and conducted an audit in cooperation with Sompo Japan's Internal Audit Department.</li></ul>
4. Establish a system to foster in subsidiary insurance companies a healthy organizational culture prioritizing not sales but compliance and customer protections	
(1) Revise, instill and implement the Group Corporate Philosophy framework	<ul style="list-style-type: none"><li>To increase the effectiveness of the rebuilt corporate philosophy framework, held discussions to review the criteria for hiring, evaluation, promotion to the management position, and election of executives based on the "Group Common Competencies."</li></ul>
(2) Follow up on progress with instilling a corporate culture	<ul style="list-style-type: none"><li>Conducted a culture survey to verify the progress of instilling a corporate culture, running a PDCA cycle through such a follow up.</li></ul>