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INSURANCE GROUP



Strategic Relationship with Challenger Limited, an Australian Financial Services Company

August 15, 2017, Tuesday



Abbreviations of company names used in this presentation.

- MS&AD Holdings : MS&AD Insurance Group Holdings, Inc.
- MS&AD : MS&AD Insurance Group
- MSIG : Mitsui Sumitomo Insurance Group Holdings, Inc.
- MSI : Mitsui Sumitomo Insurance Co., Ltd.
- Aioi : Aioi Insurance Co., Ltd.
- NDI : Nissay Dowa General Insurance Co., Ltd.
- ADI : Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General : Mitsui Direct General Insurance Co., Ltd.
- MSI Kirameki Life : Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
- Aioi Life : Aioi Life Insurance Co., Ltd.
- MSI Aioi Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSI Primary Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.

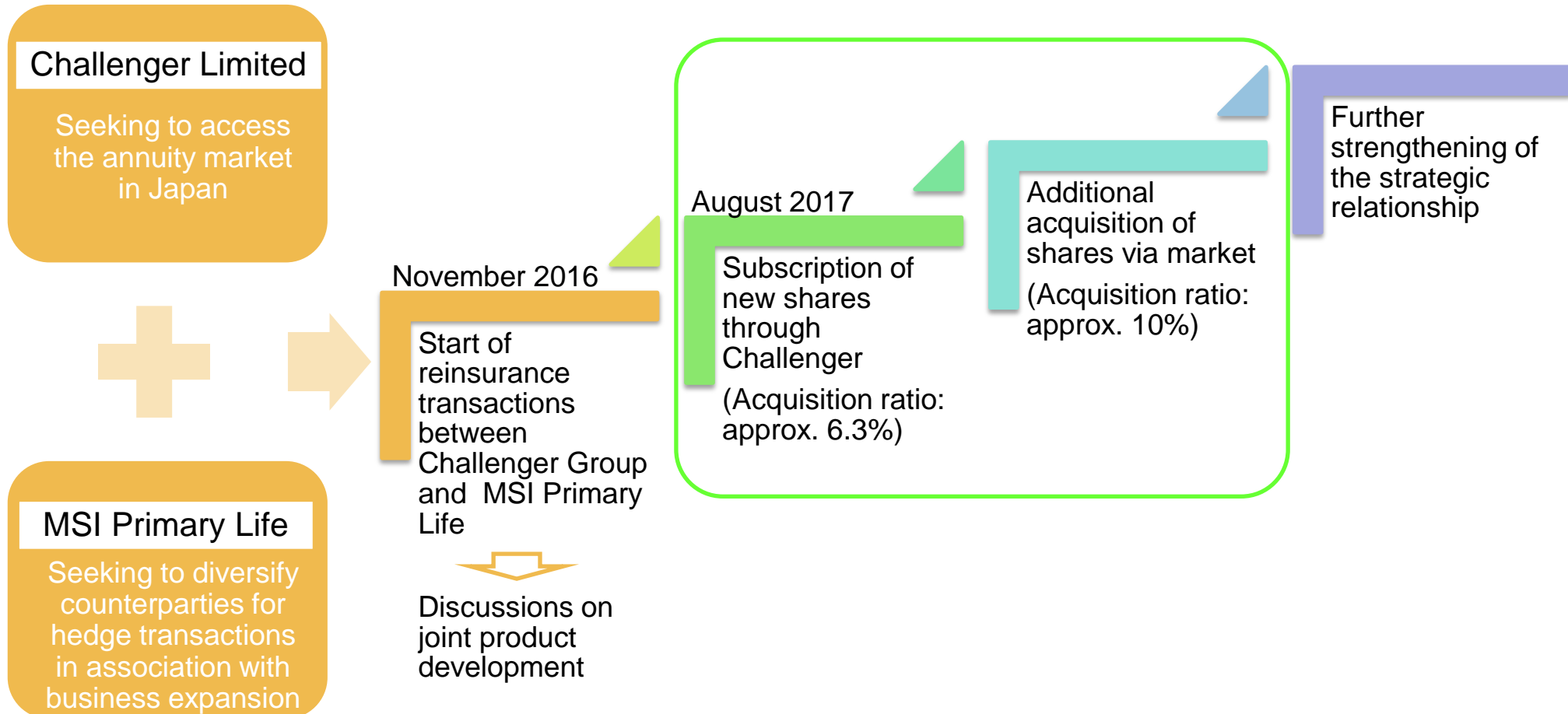
Caution Regarding Forward-looking Statements

This document includes “forward-looking statements” that reflect the plans and expectations of MS&AD Insurance Group Holdings, Inc. (the “Company”) with respect to its business and results of operations. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Company in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of the Company to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the Company in its subsequent domestic filings in Japan.

The risks, uncertainties and other factors referred to above include, but are not limited to: (1) economic conditions in Japan, the United States, Europe and China; (2) the extent of competition faced by the Company from Japan’s other major non-life insurance companies and new entrants in the Japanese non-life insurance market; (3) the extent of further deregulation of the Japanese insurance industry; (4) occurrence of natural disasters in Japan and elsewhere; (5) occurrence of losses the type or magnitude of which could not be foreseen at the time of writing the insurance policies covering such losses; (6) the price and availability of reinsurance; and (7) the performance of the Company’s investments. Further details of potential risks and uncertainties affecting the Company are described in its domestic filings in Japan including the Company’s annual report. More information about Challenger can be found on its website or through its periodic and continuous disclosure announcements available at www.asx.com.au .

1. Background and Strategy

- Formed an alliance from the second half of FY2015 in pursuit of mutual access to annuity markets in Japan and Australia that are expected to expand
- Investing in Challenger Limited to strengthen strategic relationship and finance Challenger business growth



2. Overview of This Investment

- Acquisition of approx. 6.3% of the outstanding shares through a Challenger allotment
- Planning to grow holdings to 10% over the next 12 months

Transaction	Capital participation in Challenger Limited
Investment method	Subscription of the newly issued Challenger ordinary shares through a Challenger allotment
Acquisition ratio	Approx. 6.3% of the outstanding shares
Investment amount	AUD 500 million (Approximately JPY 44 billion)* ¹
Price	30 business day volume weighted average price as of August 14, 2017: AUD12.97 + 2% premium - dividend
Issue date	August 23, 2017
Source of funds	Cash on hand
Next steps	MS&AD Holdings intends to grow its holding to 10% over the next 12 months via market, subject to market conditions, any necessary or desirable regulatory approvals and Challenger's circumstances. MS&AD Holdings reserves the right to change its intentions and acquire, dispose and vote its Challenger shares as it sees fit.

*¹ AUD 1 = JPY 88

3. Outline of Challenger Limited

- Challenger Limited is a top provider^{*1} of individual annuity in Australia in terms of total assets and sales and ranks 7th^{*2} in asset management in Australia.
- In terms of its brand, sales network, service, technology and other areas, Challenger Limited has significant presence in the annuity market in Australia, which is expected to enjoy a significant growth, given the advance of the aging population, the increase in the numbers of retirees and mandated nature of Australia's superannuation system.

- Established: 1985
- Headquarters: Sydney, New South Wales, Australia
- Representatives: Chairman/ Peter Polson,
Managing Director & CEO/ Brian Benari
- Number of employees^{*3}: 655
- Main lines of business:
Life business and funds management business
- Main business location: Australia
- Sales^{*4}: AUD 4,952 million (approx. JPY 435.8 billion^{*5})
- Profit attributable to equity holders^{*4}: AUD 398 million JPY 35 billion^{*5})
- Net assets (excluding non-controlling interests)^{*3}: AUD 2,888 million (JPY 254.2 billion^{*5})
- Rating^{*3} ^{*6}: S&P: Group Rating^{*7} A (Stable)
(Challenger Limited - BBB+ (Stable))

Challenger Limited

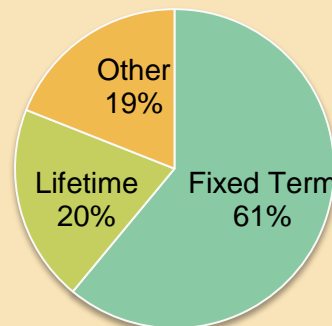
Life insurance business

Component ratio of segment profit: 92%^{*8}

Life insurance

Challenger is a leading provider of products for retirees in Australia focusing on personal annuity insurance that takes into consideration market risk, inflation risk and longevity risk.

Breakdown of sales^{*4}



Funds management

Component ratio of segment profit: 8%^{*8}

Challenger Investment Partners

Conducts asset management for investors with focus on assets from the life insurance business.

Fidante Partners

A multi-boutique asset management company with 15 boutique partners. Invests actively in bonds, stocks, and alternative products.

Source: Challenger Limited Annual Report, Challenger Limited Analyst Pack, Rainmaker

^{*1} According to Strategic Insight's ranking "Total Sales, Annuity Business"

^{*2} According to Rainmaker Roundup vol. 21/No.1 "Investment managers by consolidated FUM"

^{*3} As of the end of FY2017 ^{*4} Actual performance in FY2017 ^{*5} AUD 1 = JPY 88 ^{*6} Issuer credit rating ^{*7} Rating of Challenger Life Company Limited

^{*8} The ratio of EBIT in the segment to the sum of adjusted (evened out) EBIT in both segments






3. Outline of Challenger Limited

- The management philosophy of Challenger is compatible with the mission of the MS&AD Insurance Group. We can form a business partnership with shared values.

Challenger's Strengths

- A life insurance company with a significant share of the annuity market in Australia
- A unique business model consisting of the competitive annuity business and the funds management business, which has an advantage in various asset classes
- Sustainable growth in earnings in the expanding annuity market
- A management system with sophisticated risk management and governance
- Compatibility between the management philosophy of Challenger, "To provide our customers with financial security for retirement," and MS&AD's mission, "Bringing security and safety through the global insurance and financial services business"

Challenger Principles

Integrity	Working together	Creative customer solutions	Commercial Ownership	Compliance
				
Being authentic and being accountable for what we say and do	True collaboration and embracing diversity	Superior customer service and providing innovative solutions to clients	Achieving the best for the client, the business and employees	Being responsible for how and what we do

4. Strategic Rationale

- Strengthening alliance between MSI Primary Life and Challenger from FY2016 and accessing Australian annuity market, which is expected to enjoy a significant growth, thereby diversifying risks



MS&AD develops wide operations in the non-life insurance and life insurance markets in Japan and Asia as a market leader and aims to expand its International Business.



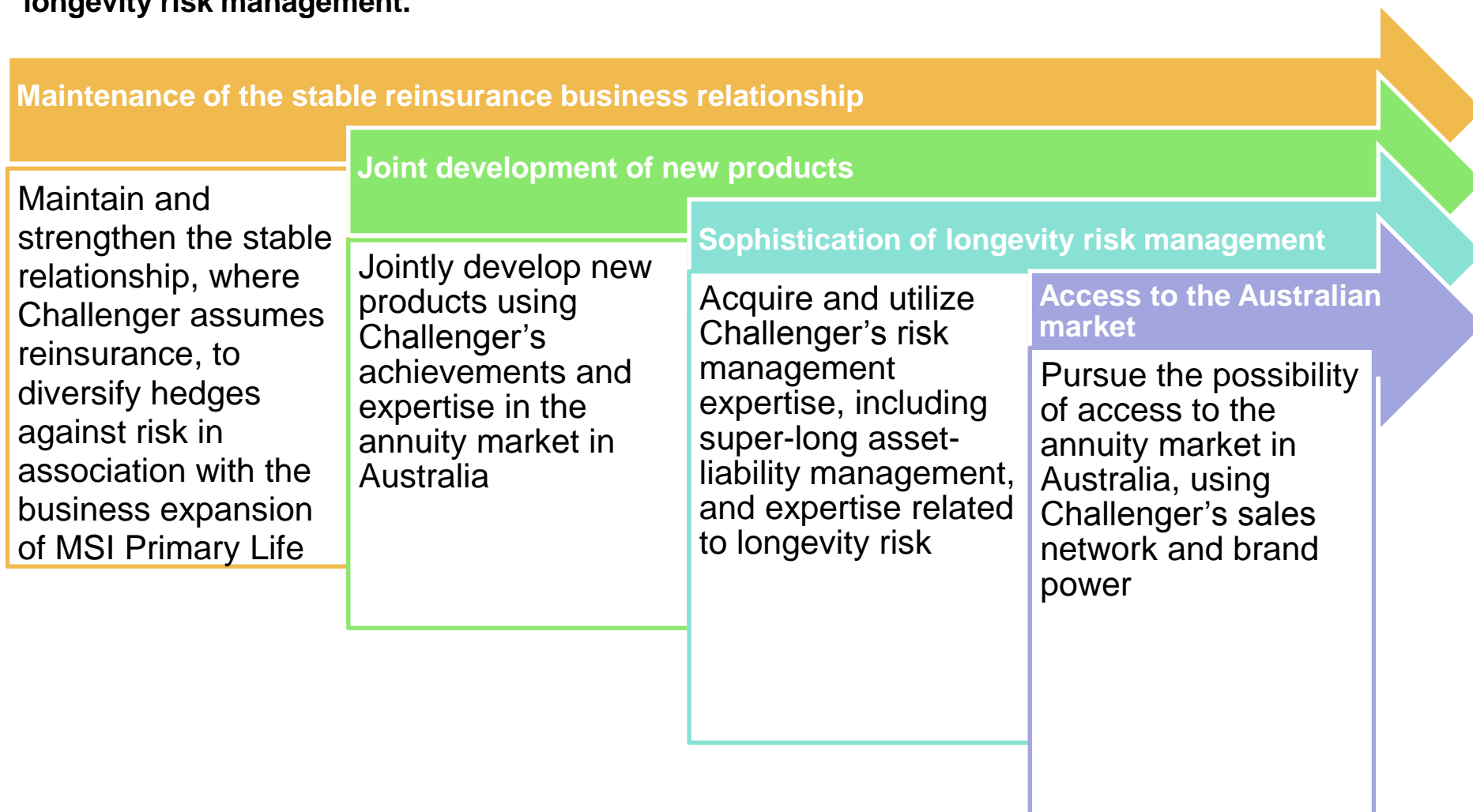
Challenger provides retirement annuity and investment products to the retail market and institutional investors in Australia as a market leader and aims for further growth.

- ✓ Both companies share a management philosophy based on similar corporate cultures
- ✓ Both companies can enjoy benefits through the strategic alliance

- (1) Strengthening the alliance between Challenger and MSI Primary Life
- (2) Further diversification of the business portfolio
- (3) Pursuing group-wide growth opportunities

(1) Strengthening the Alliance between Challenger and MSI Primary Life

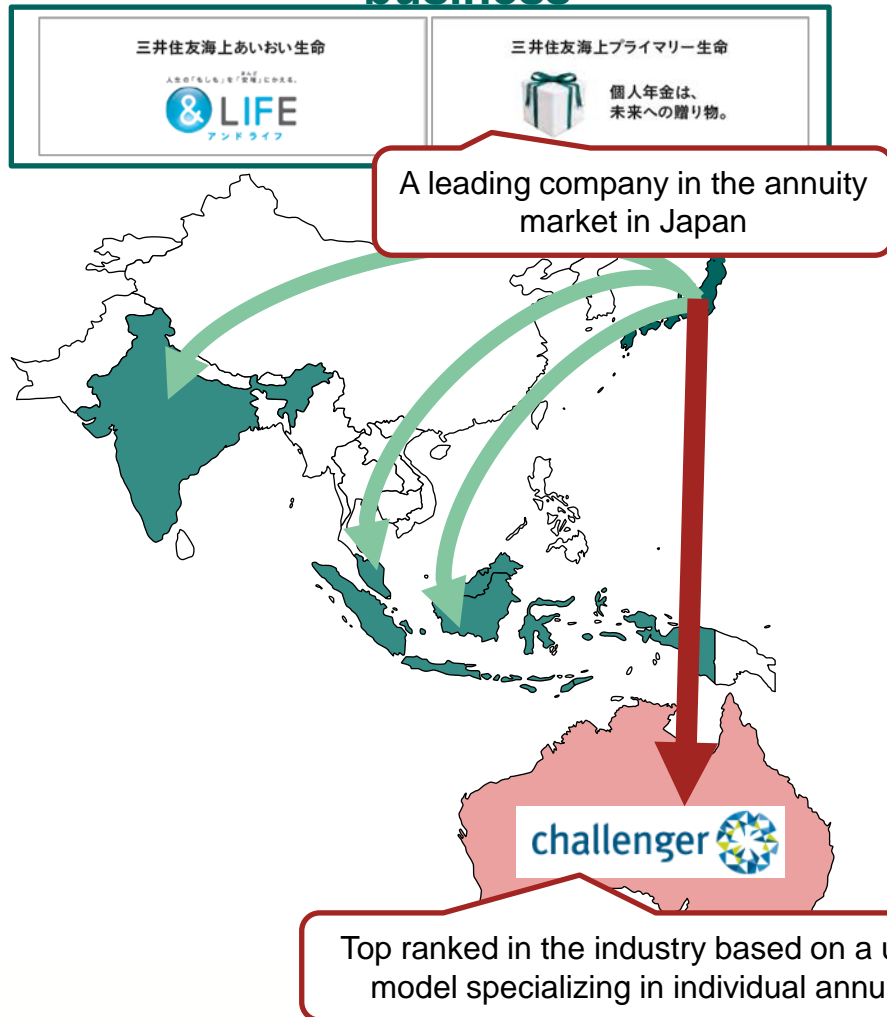
- We will seek to maintain and strengthen our stable reinsurance business relationship and will seek to promote the development of new products, using Challenger's expertise, and the sophistication of longevity risk management.



(2) Further Diversification of the Business Portfolio

- Expanding the life insurance business from Asia to Australia
- Incorporating the annuity market in Australia, which shows growth potential, and diversifying the business portfolio

Development of MS&AD's life insurance business



Diversification of the business portfolio

(i) Incorporating the growth of the annuity market in Australia

- Diversify the business portfolio through equity investment in the Australian annuity market.
- Incorporate profits of the rapidly growing superannuation market in Australia.

(ii) Incorporating credit investment opportunities overseas

- Incorporate credit investment opportunities in the asset management business mainly in Australia

(2) Further Diversification of the Business Portfolio

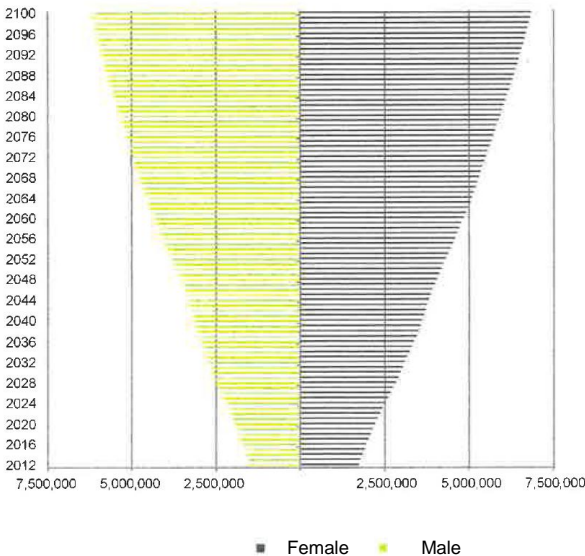
(i) Incorporating the growth of the annuity market in Australia

- Given an aging population, the asset management market for retirees is expected to expand fourfold over the next 20 years.
- Investing in Challenger, which has a 90% share in the principal guaranteed products market, demand for which is expected to expand.

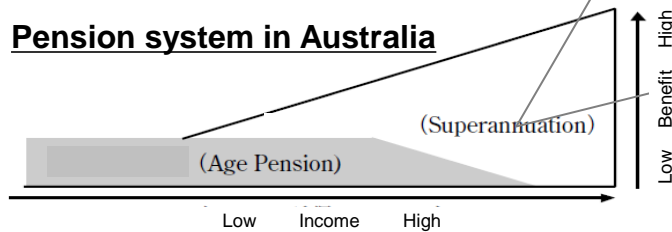
Expanding annuity market in Australia

Number of people aged 65 or older in Australia

(Source: Australian Bureau of Statistics)



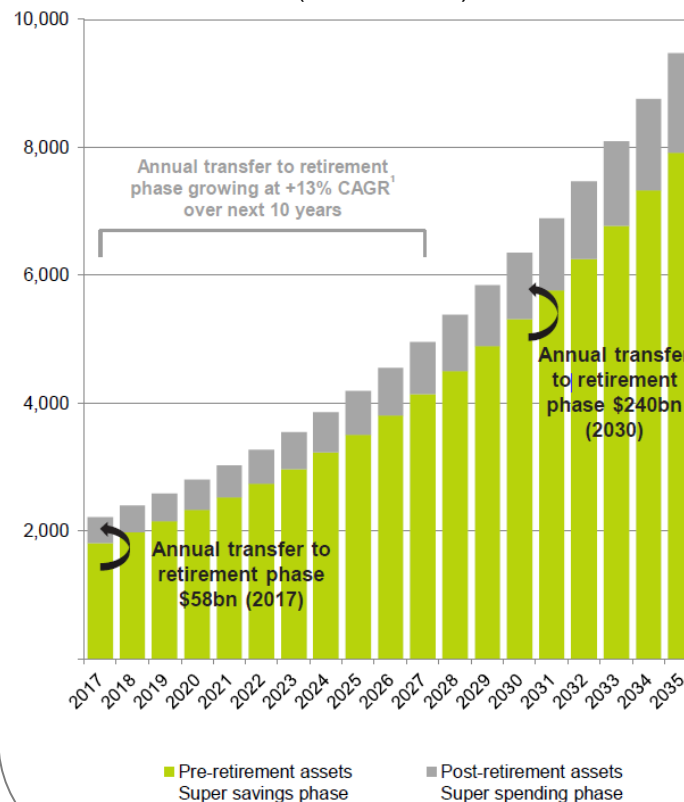
Pension system in Australia



(Source: NLI Research Institute)

Expected expansion of superannuation assets (2017 – 2035)

(AUD Billion)

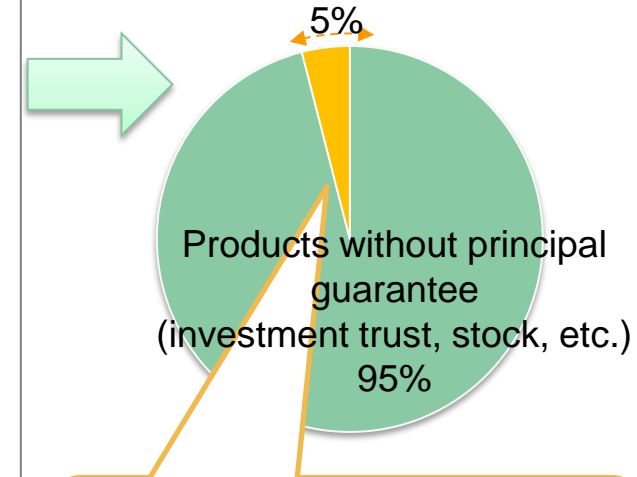


(Source: Challenger's presentation materials)

Annual transfer to retirement phase

(Estimation by Challenger)

Principal guaranteed products



Challenger has an **approx. 90%*** share in the principal guaranteed products market.

*1 Source: Strategic Insight
– New Business Sales (as of December 2016)

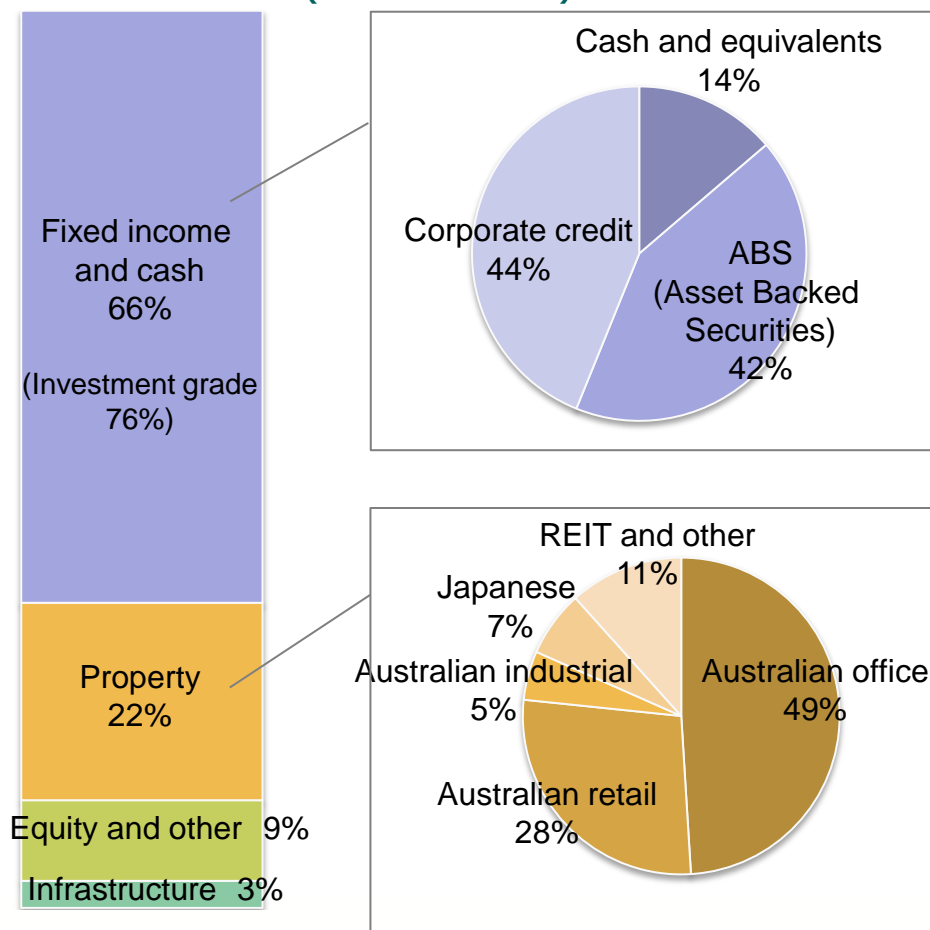
(2) Further Diversification of the Business Portfolio

(ii) Incorporating credit investment opportunities overseas

- Generating investment profit in life insurance business through the profitable investment portfolio that focuses on corporate credit, ABS and property investment in the Australian market

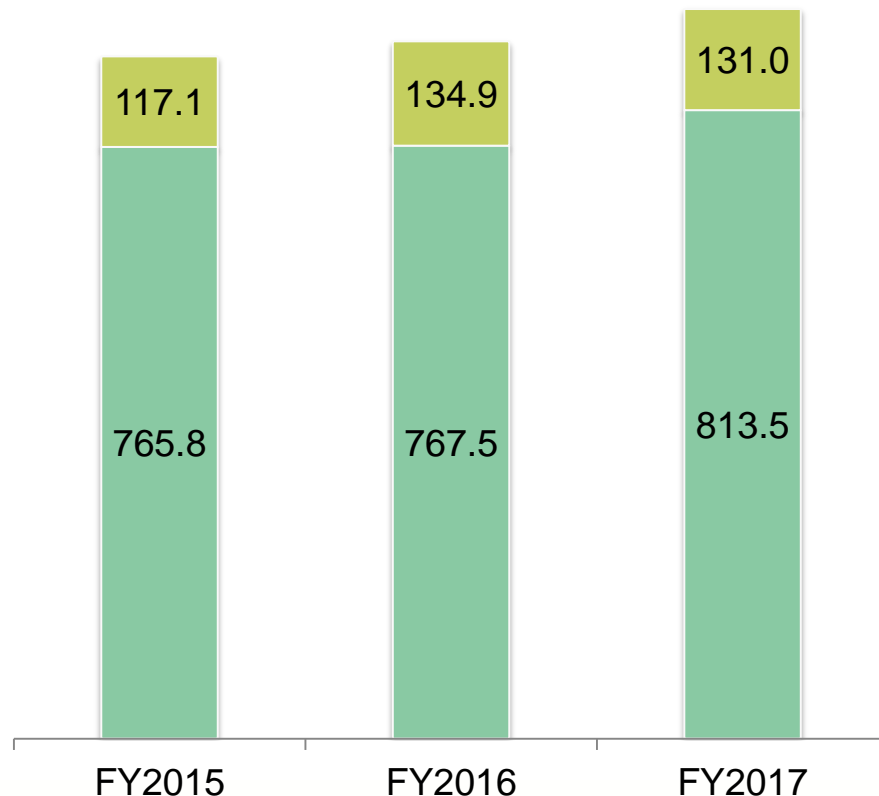
Challenger's Life Insurance Investment Portfolio

(As of June 2017)



Trend of Investment Yield in Challenger's Life Insurance Business

■ Policyholders' funds ■ Shareholders' funds
(AUD, mil)



(3) Pursuing Growth opportunities in the Group

- Through the investment in, and alliance with, Challenger and personnel exchange associated with the foregoing, we will seek to build a long-term strategic relationship with Challenger and work to bring growth opportunities on a group-wide basis by harnessing its know-how, network and other strengths.

Brand strengthening

Award-winning advertisement

2011
'Real
Stories'



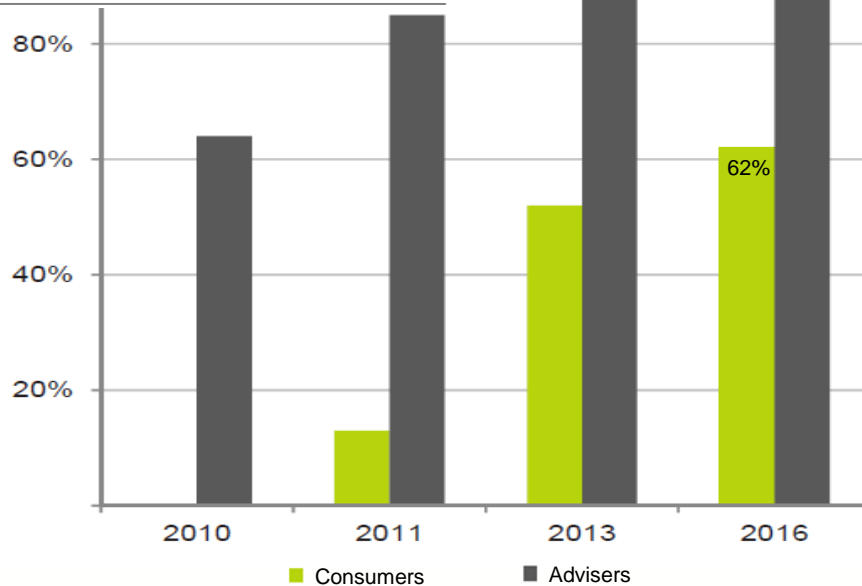
2013
'On
Paper'



2016
'Lifestyle
Expectancy'



Challenger's brand strength

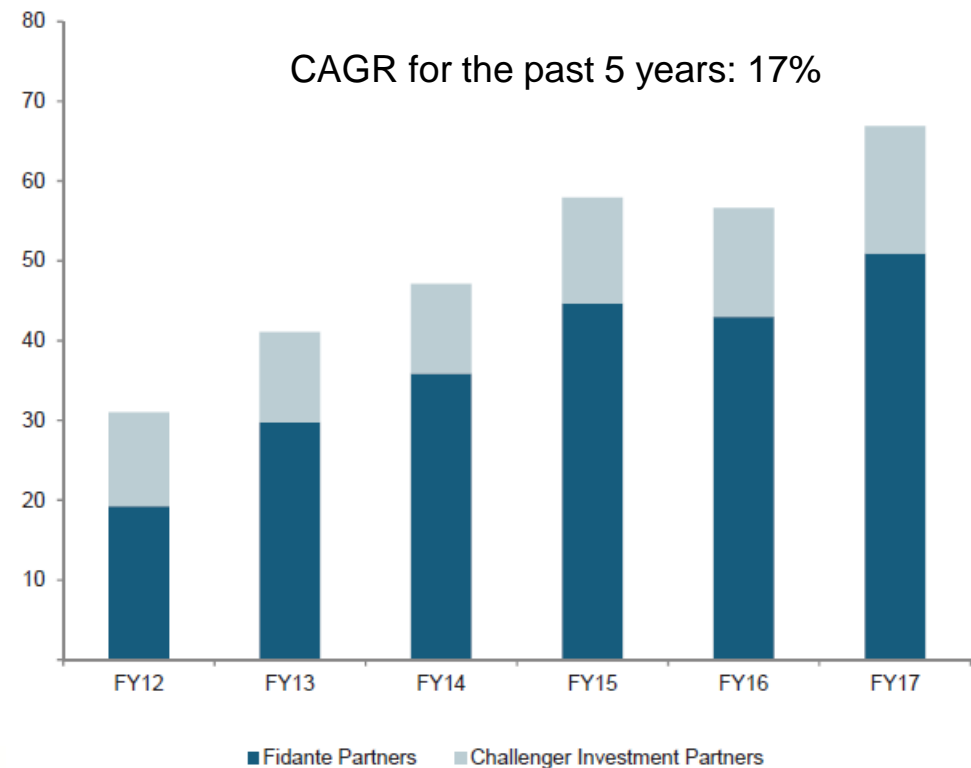


Investment capability

- Providing investment products including bonds, equities and alternatives in Australia and globally

Trend of Challenger funds management FUM

(AUD, bil)



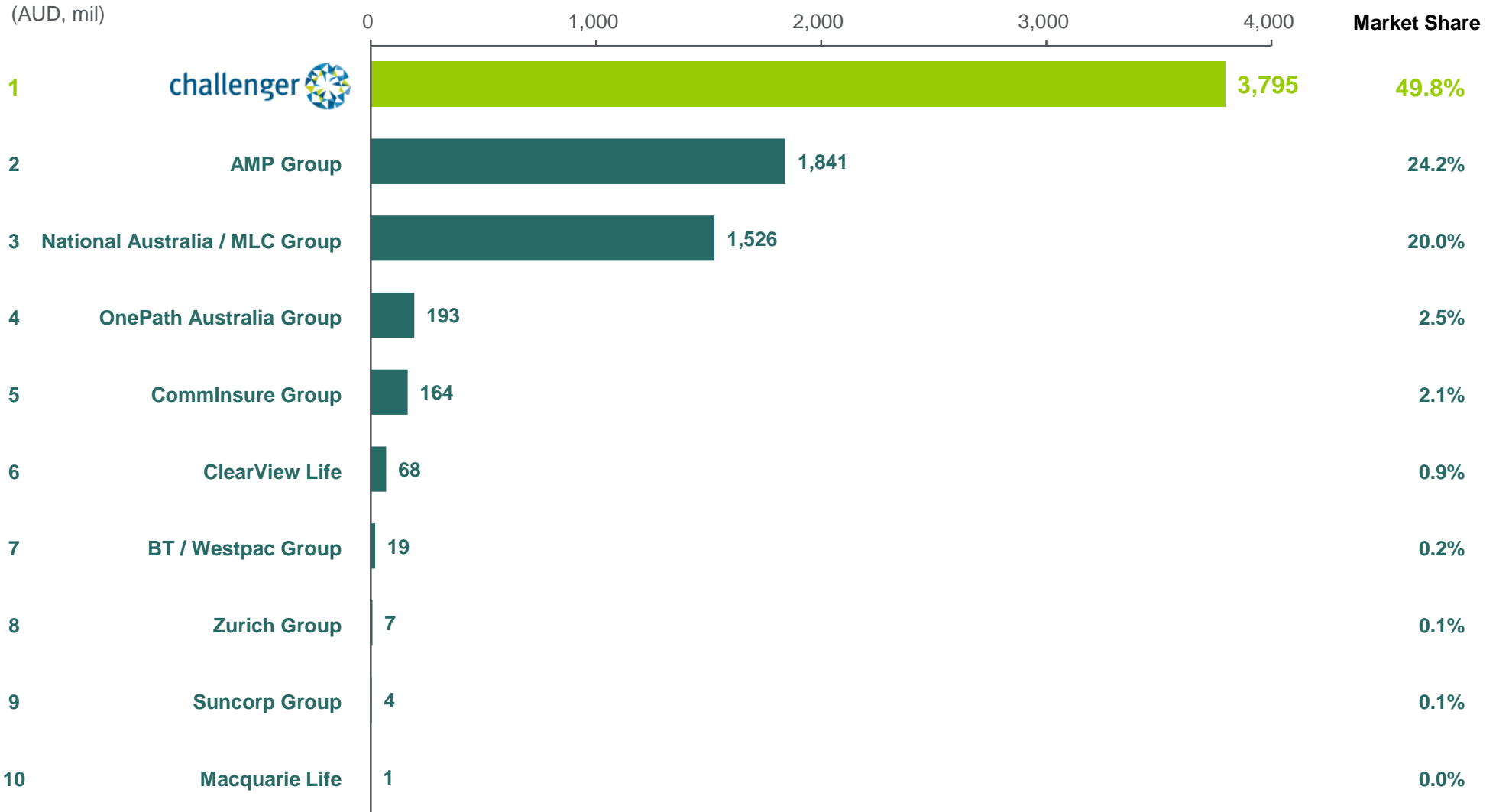
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Reference : Challenger's Growth and Profitability

Challenger's Ranking and Share in the Australian Annuity Market*¹

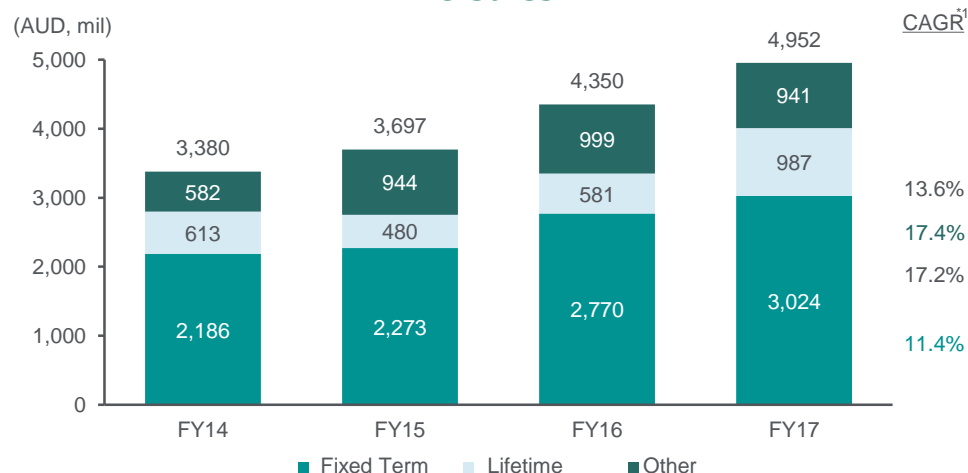


*¹ Source: Strategic Insight. Total sales basis as of December 2016.

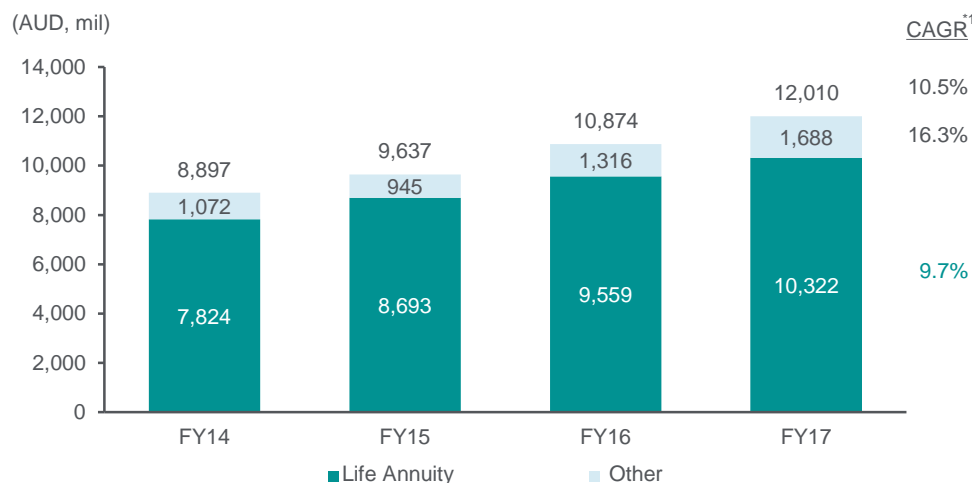
Challenger's High Growth Potential and Profitability (1)

Life Insurance Business

Life Sales



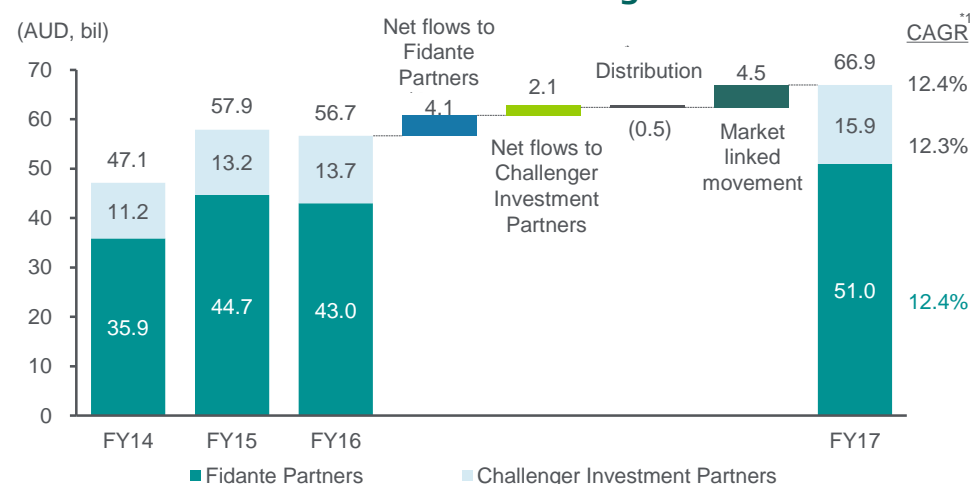
Life Insurance Liabilities



*1 2014 – 2017 Compound Average Growth Rate

Funds Management Business

Funds Under Management



Challenger Investment Partners

Funds management company specializing in bond and property investment



Diversified managers and investment strategies

Equities

Bonds

Alternatives

Alphinity

LENNOX
CAPITAL PARTNERS

ARDEA
Investment Management

TEMPO
ASSET MANAGEMENT

Resonance
Asset Management

GREENCAPE
CAPITAL

NOVA
PORT CAPITAL

BENTHAM
ASSET MANAGEMENT

WHITEHELM
CAPITAL

WYE TREE
ASSET MANAGEMENT

kinetic
INVESTMENT PARTNERS

WaveStone
CAPITAL

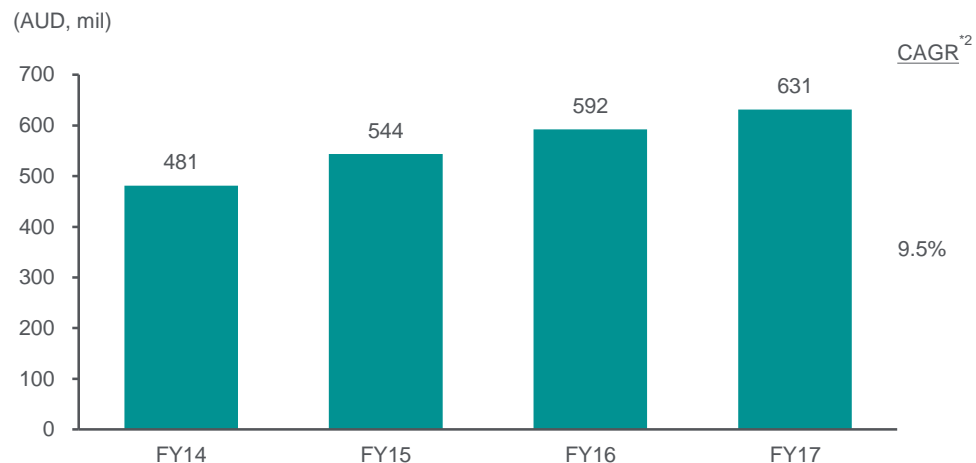
Kapstream
- JANUS HENDERSON -

WHITEHELM
CAPITAL

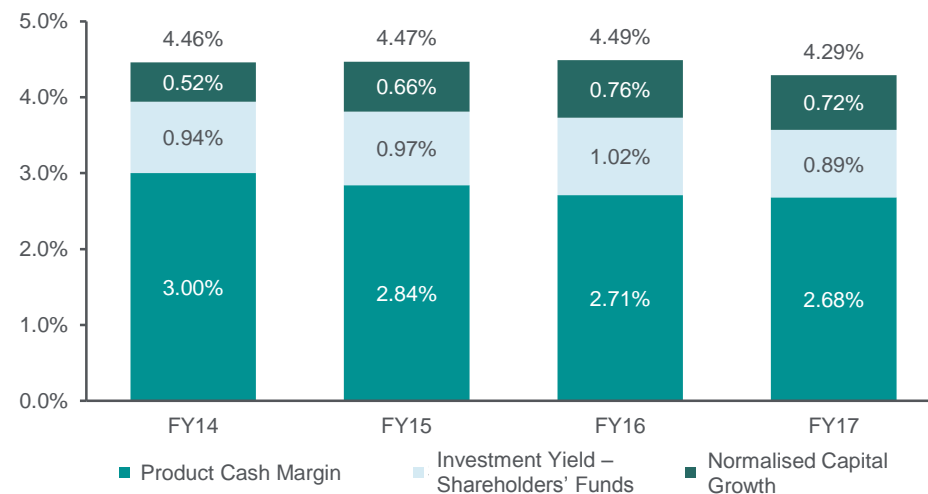
WYE TREE
ASSET MANAGEMENT

Challenger's High Growth Potential and Profitability (2)

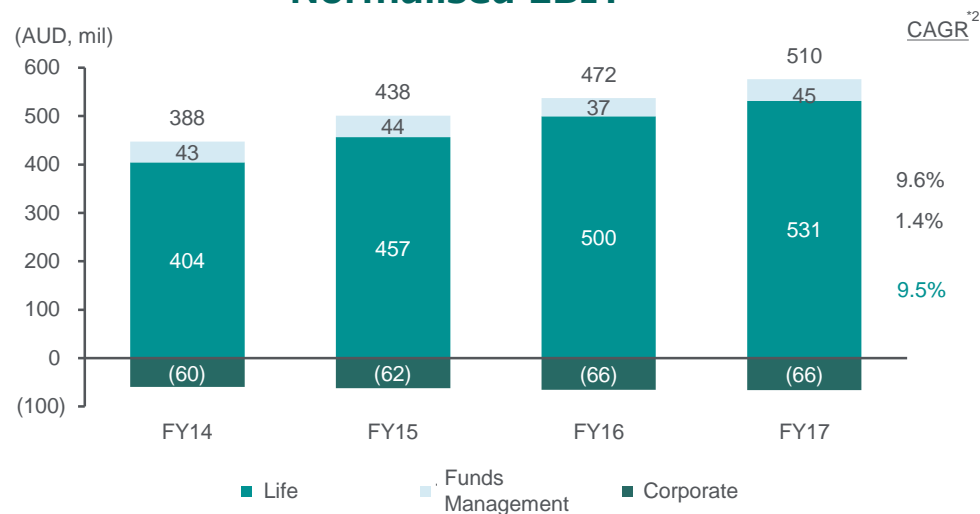
Life normalised COE*¹



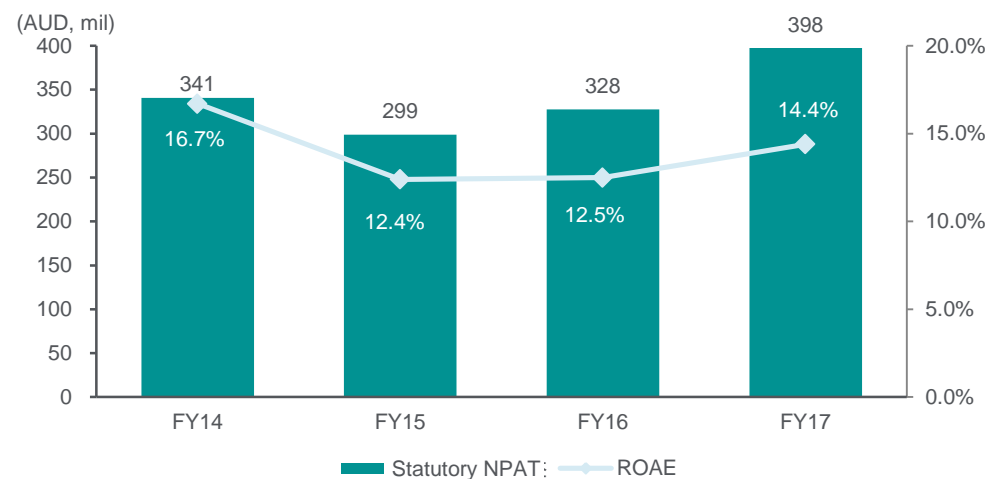
Life COE*¹ margin composition



Normalised EBIT



Statutory NPAT / ROAE

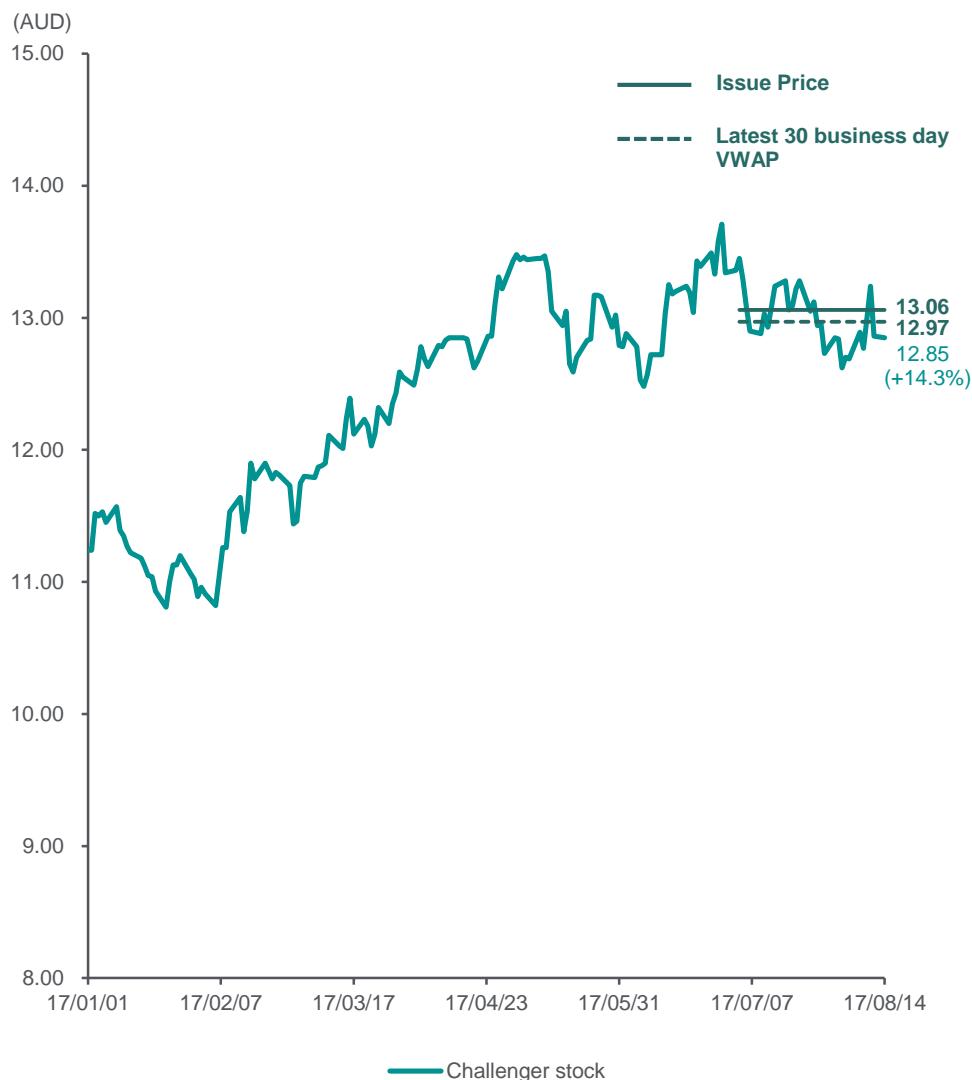


*¹ Cash Operating Earnings

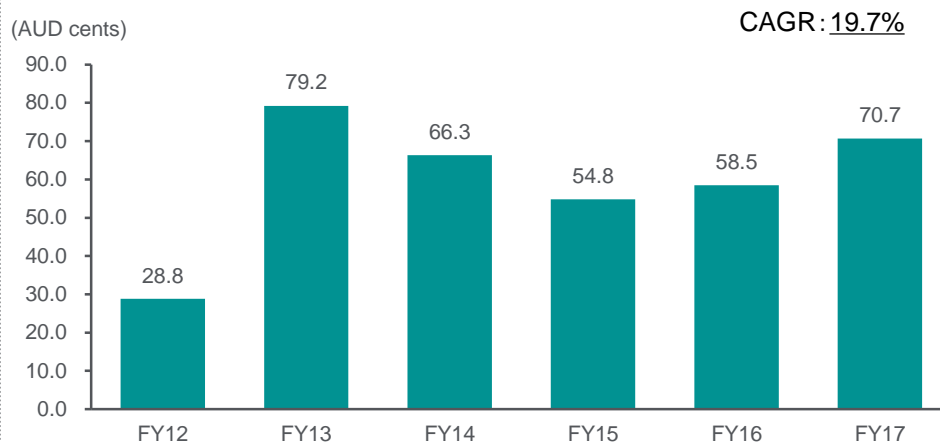
*² 2014 – 2017 Compound Average Growth Rate

Challenger's Share Price, Earnings Per Share and Net Assets Per Share

Share price and last 30 business days VWAP

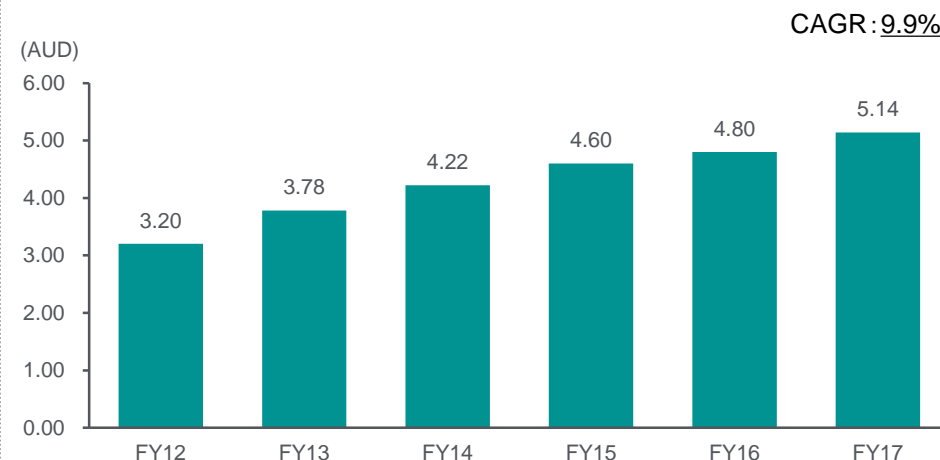


Earnings per share* (2012-2017)



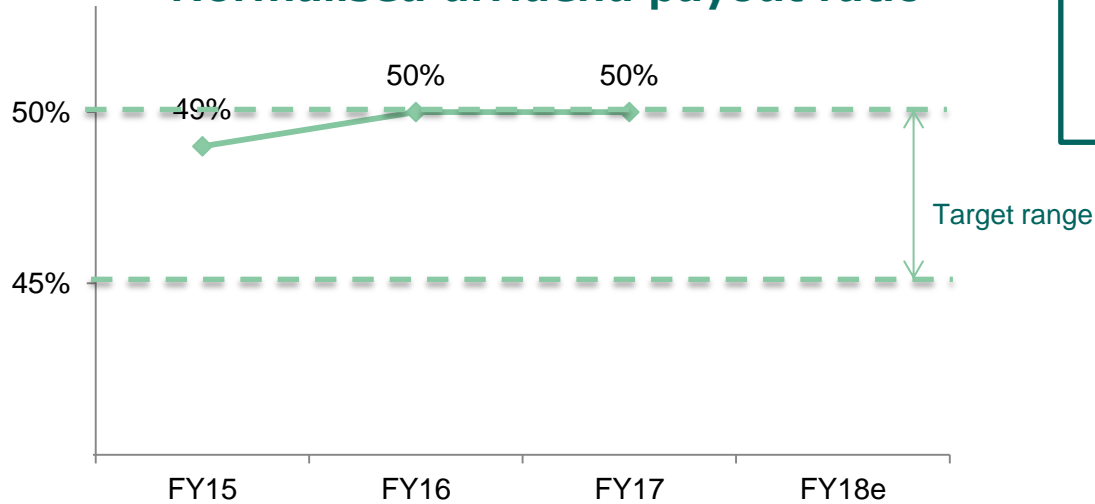
* Basic statutory earnings per share

Net assets per share (2012-2017)

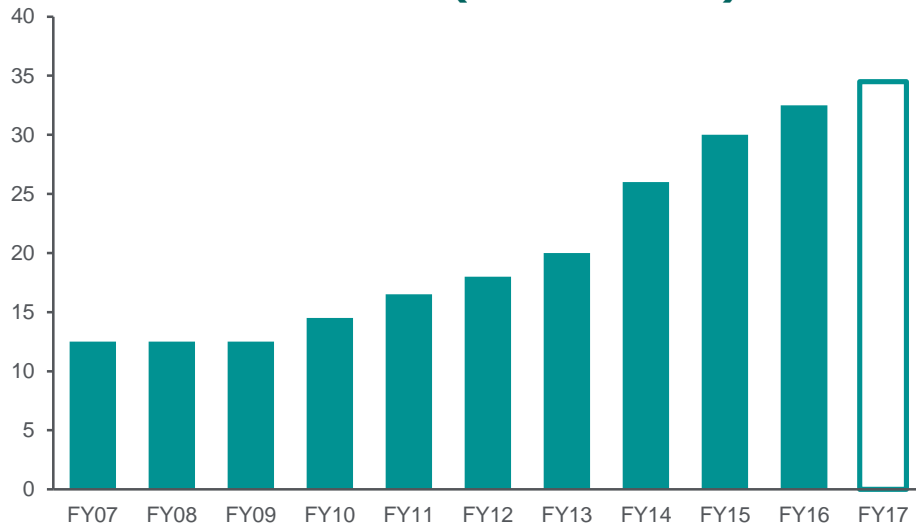


Challenger's Dividends and Total Shareholder Return

Normalised dividend payout ratio



Dividends (2007-2017)



Total shareholder return (TSR)

