

March 26, 2019

Agreement to Enhance Strategic Relationship with Challenger Limited, an Australian Financial Services Company

MS&AD Insurance Group Holdings, Inc. (the “Company”, President: Yasuyoshi Karasawa) and Challenger Limited (“Challenger”, listed on the Australian Securities Exchange), an Australian Financial Services Company which has a life insurance business and funds management business, have agreed to further progress their strategic relationship to pursue opportunities for mutual cooperation in Australia, Japan and internationally in relation to life insurance, funds management, and the distribution of related products.

1. Outline of the Strategic Alliance

Shares in Challenger	The Company intends to increase its shareholding of the total issued shares in Challenger over the next four months to be in excess of 15%, subject to necessary regulatory approvals, including approvals from the Australian Prudential Regulation Authority under the Insurance Acquisition and Takeovers Act and the Treasurer under the Financial Sector (Shareholdings) Act and subject to market conditions ¹ .
Source of funds	Cash on hand
Further collaboration in reinsurance products	Challenger and Mitsui Sumitomo Primary Life Insurance Company, Limited (“MSP Life”), a subsidiary of the Company reinforce their alliance. MSP Life will enter into the reinsurance arrangement for USD denominated fixed life insurance products and, in conjunction with existing reinsurance arrangement for AUD denominated products, it will maintain to cede at least JPY50 billion per annum of reinsurance premium for a minimum of 5 years.
Director Nomination	The Company shall have the right to nominate one director to the board of Challenger. pursuant to the proposed share acquisition / maintaining the increased shareholding level and the further collaboration in reinsurance product mentioned above.

2. Objectives of the Strategic Alliance

(1) Incorporating Challenger’s net income into the Company’s consolidated financials by applying the equity method to Challenger

With over 15% of shareholding and dispatch of a director, the Company will be allowed to apply the equity method to Challenger and Challenger will become an affiliated company of the Company. Through the equity method, Challenger’s net income will contribute to the Company’s consolidated net income.

¹ The Company reserves the right to change its intention to acquire further Challenger shares, and to acquire, dispose of or vote shares in Challenger as it sees fit and for the avoidance of doubt, the statement of current intention is not a public proposal by the Company to make a takeover offer for Challenger shares for the purposes of section 631 of the Corporations Act.

(2) Reinforcement of the alliance between Challenger and MSP Life

In addition to the current alliance for AUD denominated products, we will seek to expand the alliance to cover other products (and in particular USD denominated fixed life insurance products) in order to strengthen each company's profitability. The Company and Challenger will continue to leverage Challenger's expertise at MSP Life through initiatives to promote and accelerate the joint development of new products.

(3) Further diversification of the business portfolio

By reinforcing the collaboration in reinsurance products, we will seek to achieve further diversification of risk in the business portfolio of MS&AD Insurance Group.

3. Overview of Challenger Limited

(1) Company name	Challenger Limited		
(2) Established	1985		
(3) Headquarter	Sydney, New South Wales, Australia		
(4) Representatives	Chairman: Peter Polson Managing Director and CEO: Richard Howes		
(5) Number of employees (at the end of June 2018)	676		
(6) Main lines of business	Life insurance business and funds management business		
(7) Contributed equity (at the end of June 2018)	AUD 2,052 million		
(8) Rating	Challenger Limited – S&P: BBB+ (Positive) Challenger Life Company - S&P: A (Positive)		
(9) Listed on	ASX		
(10) Fiscal year	Ending on June 30 of each year		
(11) Ties with the MS&AD Insurance Group	There are reinsurance transactions between MSP Life and Challenger Life Company Limited, a subsidiary of Challenger.		
(12) Major shareholders and shareholding ratio (according to the information made public as at March 14, 2019)	MS&AD Insurance Group (13.86%) Caledonia Investments (13.64%) UBS Group AG (5.01%)		
(13) Challenger group's consolidated results and financial condition over the last three years (Unit: millions of AUD)			
Fiscal year	FY2016	FY2017	FY2018
Net assets (excluding non-controlling interests)	2,681	2,888	3,485
Total assets	20,978	23,075	25,301
Net assets per basic share (AUD)	4.80	5.14	5.79
Life sales	4,350	4,952	5,556
Profit attributable to equity holders	328	398	323
Dividends per share (AUD cents)	32.5	34.5	35.5

Note Regarding Forward-looking Statements

This document includes “forward-looking statements” that reflect the plans and expectations of 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 and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to: (1) economic conditions in countries in which we operate, including 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 .