

June 26, 2017

Name of Listed Company: MS&AD Insurance Group Holdings, Inc.  
Name of Representative: Yasuyoshi Karasawa, President & CEO  
(Securities Code: 8725, Tokyo Stock Exchange and Nagoya Stock Exchange)  
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## **Notice Regarding Issuance of Stock Options as Equity Compensation for Directors and Executive Officers**

MS&AD Insurance Group Holdings, Inc. (the “Company”) hereby announces that based on Articles 236, 238, and 240 of the Companies Act, at the Board of Directors Meeting today, the Company determined the terms regarding the offer of stock acquisition rights being allotted as stock options as equity compensation to directors and executive officers of the Company and its subsidiaries, and has resolved to offer said acquisition rights.

### **1. Reason of issuance of stock options as equity compensation**

The Company issues stock options as equity compensation so that the Company’s directors (excluding outside directors) and executive officers share not only benefit of rising share price, but also share the risk of share price fluctuations with our shareholders. In doing so, the objective is maintain higher motivation and morale in pursuing and contributing to the sustainable growth of business performance, stock value, and enterprise value of the Group.

### **2. Outline of the issuance of stock acquisition rights**

(1) Name of stock acquisition rights

MS&AD Insurance Group Holdings, Inc., 2017 First Stock Options as Equity Compensation

(2) Qualified persons allotted stock acquisition rights, the number of said persons, and the number of stock acquisition rights to be allotted

Qualified persons allotted	Number of persons	Number of stock acquisition rights allotted
Directors of the Company	7	3,814
Executive Officers of the Company	9	4,246
Directors of its subsidiaries	29	24,323
Executive Officers of its subsidiaries	48	40,092

(3) Total number of stock acquisition rights : 72,475

The total number listed above is the number planned to be allotted, and if the total number of stock acquisition rights allotted has decreased due to factors such as unfulfilled applications for acceptance of the stock acquisition rights, the total number of stock acquisition rights allotted shall be regarded as the number of stock acquisition rights issued.

(4) Class and number of shares underlying stock acquisition rights

The class of shares underlying stock acquisition rights will be the Company's common stock and the number of shares underlying stock acquisition rights ("number of shares granted") will be one share per unit. After the stock acquisition right allotment date, in the event that there is a stock split in the common stock of The Company (including allotment of shares without contribution. The same applies hereinafter) or reverse split, for those stock acquisition rights that have not been exercised at the time of such stock split or reverse split, the number of shares granted will be adjusted using the calculation shown below. Any fractions of a share arising from adjustment will be rounded down.

$$\text{The number of shares granted after adjustment} = \text{The number of shares granted before adjustment} \times \text{Ratio of split or reverse split}$$

In addition, in the event that the Company conducts a merger or corporate split after the allotment date, or if it is necessary to adjust the number of shares granted in accordance with other such events, the number of shares shall be adjusted within reasonable bounds after taking into consideration the terms and conditions of the merger or corporate split.

(5) Amount to be paid in for stock acquisition rights

The payment amount for stock acquisition rights will be based on a fair value of the stock acquisition rights on the allotment day of the stock acquisition rights, calculated using the Black-Scholes model.

However, for persons receiving allotments of stock acquisition rights, monetary compensation equivalent to the total amount of such payment amount shall be paid, and the stock acquisition rights will be acquired by offsetting the compensation he/she is entitled to receive with the payment amount for such stock acquisition rights.

(6) Stock acquisition right allotment date

August 1, 2017

(7) Value of assets to be contributed when stock acquisition rights exercised

The value of assets to be contributed when stock acquisition rights are exercised shall be the amount obtained by multiplying the number of shares granted by ¥1 per share issued in exchange for stock acquisition right exercised.

(8) Exercise period for stock acquisition rights

From August 2, 2017 to August 1, 2047

However, if the last day of the exercise period is a company holiday, the previous business day shall be the last day.

(9) Conditions on exercise of stock acquisition rights

Within the exercise period, a rights holder may exercise his/her stock acquisition rights only after he/she relinquishes his/her position as a director, executive officer, or full-time corporate auditor at the Company or the subsidiaries of the Company: Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Aioi Life Insurance Co., Ltd., Mitsui Sumitomo Primary Life Insurance Co., Ltd. (hereafter, "Five Domestic Insurance Companies") In such a case, a rights holder may exercise his/her stock acquisition rights only during the period beginning on the day following the day he/she relinquishes his/her position as a director, executive officer, or full-time corporate auditor at the Company or at one of the Five Domestic Insurance Companies, and ending 10 days

later, and may exercise the stock acquisition rights all at once.

(10) Matters concerning the acquisition of stock acquisition rights

(i) Before rights holders exercise stock acquisition rights, if stock acquisition rights cannot be exercised due to the stipulations in (9) above or in the stock acquisition rights allotment contract, the Company may acquire such stock acquisition rights without compensation on a date to be determined separately by the Company's Board of Directors Meeting.

(ii) When a proposal to approve a merger agreement in which the Company is the company to be absorbed, an absorption-type split agreement or incorporation-type company split plan in which the Company will be the split company, or a share exchange agreement/share transfer plan in which the Company will be a wholly-owned subsidiary company is approved by the General Shareholders Meeting (or by the Company's Board of Directors Meeting when approval by the General Shareholders Meeting is not necessary), the Company may acquire without compensation such stock acquisition rights not yet exercised as of a date to be determined separately by the Company's Board of Directors Meeting.

(11) Restriction on acquisition of stock acquisition rights by assignment

The acquisition of stock acquisition rights by assignment shall require the approval of the Company's Board of Directors.

(12) Matters related to increases in paid-in capital and legal capital surplus in the event of issuance of shares due to the exercise of stock acquisition rights

(i) The amount of increased paid-in capital in the event of the issuance of shares due to the exercise of stock acquisition rights shall be one-half of the limit amount for paid-in capital increase, etc. calculated in accordance with the provisions of Article 17, Paragraph 1 of the Corporate Accounting Rules. If there is a remainder of less than one yen in the result of the calculation, that fraction shall be rounded up.

(ii) The amount of increased legal capital surplus in the event of the issuance of shares due to the exercise of stock acquisition rights shall be the limit amount for paid-in capital increase stated in (i) above, reduced by the increased amount of paid-in capital stated in (i) above.

(13) Acquisition of stock acquisition rights at the time of implementation of reorganization

In the event that the Company carries out a merger (limited to the case in which the Company is extinguished by the merger), absorption-type split, incorporation-type company split, share exchange or share transfer (referred to hereinafter collectively as the "Act of Reorganization"), the stock acquisition rights remaining on the effective date of the Act of Reorganization (hereinafter, the "Remaining Stock Acquisition Rights"), stock acquisition rights in the company listed in Article 236, Paragraph 1 (8) (a) through (e) of the Companies Act (hereinafter, the "Reorganized Company") will be granted to stock acquisition rights holders based on the following terms and conditions. In such an event, the Remaining Stock Acquisition Rights will be extinguished, and new stock acquisition rights in the Reorganized Company will be granted. However, the granting of stock acquisition rights in the Reorganized Company will be limited to cases where such granting where such granting is, according to the following conditions, stipulated in merger agreement, absorption-type split agreements, incorporation-type company split plans, or share exchange agreement/ share transfer plans.

(i) Number of stock acquisition rights of the Reorganized Company granted

The number shall be the same as the number of Remaining Stock Acquisition Rights held by stock

acquisition rights holders.

(ii) Class and number of shares of the Reorganized Company underlying the stock acquisition rights

The class of shares that underlie the stock acquisition rights will be common shares of the Reorganized Company, and the number of shares of the Reorganized Company to be granted due to the exercise of the stock acquisition rights shall be determined in accordance with (4) above after taking into consideration the terms and conditions of the Act of Reorganization.

(iii) Value of assets tendered when exercising stock acquisition rights

The value of assets tendered when exercising stock acquisition rights granted will be the amount obtained by multiplying the number of shares underlying each stock acquisition right by the exercise value after reorganization stipulated below. The exercise value after reorganization will be one yen for each share in the Reorganized Company that can be received through the exercise of the stock acquisition rights granted.

(iv) Exercise period for the stock acquisition rights

The exercise period for the stock acquisition rights shall be from the first day of the exercise period for the stock acquisition rights stipulated in (8) above or the effective date of the Act of Reorganization, whichever is latter, until the last day of the exercise period for the stock acquisition rights stipulated in (8).

(v) Matters concerning the acquisition of stock acquisition rights

Determined based on item (10) above.

(vi) Restriction on stock acquisition rights through a transfer

The approval of the Board of Directors of the Reorganized Company is required to obtain stock acquisition rights through a transfer.

(vii) Matters concerning increases in paid-in capital and legal capital surplus in the event of the issuance of shares due to the exercise of stock acquisition rights

Determined based on item (12) above.

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