

May 20, 2015

Name of Listed Company: MS&AD Insurance Group Holdings, Inc.  
Name of Representative: Yasuyoshi Karasawa, President  
(Securities Code: 8725, Tokyo Stock Exchange and Nagoya Stock Exchange)  
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**Notice Concerning the Introduction of Stock Options as Stock Based Compensation  
(Subscription Rights to Shares)**

We hereby provide notice that on May 20, 2015, the MS&AD Board of Directors passed a motion to submit a resolution to the 7th Annual Shareholders Meeting, scheduled for June 22, 2015, concerning the introduction of stock options as stock-based compensation as detailed below.

1. Purpose of introducing stock options as stock-based compensation

We are introducing stock options as stock-based compensation so that the Company's directors (excluding outside directors) 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 to 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. Specific details of the stock options as equity compensation

Remuneration of Directors of the Company was approved at the 1st Annual Shareholders Meeting held on June 25, 2009 "up to 500 million yen per year (excluding wages payable to a director also serving as employee) (including remuneration for outside directors up to 60 million yen per year)." However, separately from this remuneration amount, the Company proposes to allocate stock acquisition rights as stock options as stock-based compensation to the Directors (excluding Outside Directors) up to 60 million yen per year. The details of the stock acquisition rights are as follows.

The Company pays cash to its Directors as company and individual performance-based remuneration, and this item proposes acquiring stock options as stock-based compensation instead of a part of this monetary remuneration. Specific grants of these stock options as stock-based compensation are planned to take place in and after fiscal year 2016.

The Company currently has 13 Directors (including 4 Outside Directors) and will have 12 Directors (including 4 Outside Directors) when the resolution for the election of directors is approved as originally proposed at the 7th Annual Shareholders Meeting.

(1) 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.

In respect of the Company's common stock, when the Company executes its split (including the allotment of the Company's common stock without contribution; the same applies to a case of stock split, hereinafter) or its reverse stock split, the number of shares granted shall be adjusted by using the following formula:

The number of shares granted after adjustment = The number of shares granted before adjustment x Proportion of split or reverse split

In addition to the above, when an unavoidable event requiring adjustments in the number of shares granted arises, the Company will make adjustments in the number of shares granted to the extent deemed reasonably necessary by its Board of Directors meeting.

Fractions less than one share resulting from the above adjustments will be rounded down.

(2) Total number of stock acquisition rights

The maximum number of stock acquisition rights to be allocated within one year from the date of the Annual Shareholders Meeting for each fiscal year shall be 40,000 units..

(3) Amount to be paid in (issue value) for stock acquisition rights

The amount to be paid in per unit of stock acquisition right shall be the value determined by the Company's Board of Directors based on the fair value of a stock acquisition right calculated using the just formula such as the Black Scholes option pricing model etc. when stock acquisition rights are allocated.

A person to whom stock acquisition rights are allocated ("stock acquisition right holder") shall have such payment set off against his/her compensation receivable from the Company, thereby releasing stock acquisition right holder of any payment in cash.

(4) Value of assets to be contributed when stock acquisition rights are 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 a stock acquisition right exercised.

(5) Exercise period for stock acquisition rights

Stock acquisition rights can be exercised during a period within 30 years from the day following the date of allocation determined by the Company's Board of Directors.

(6) Major conditions on exercise of stock acquisition rights

A stock acquisition right holder can exercise his/her stock acquisition rights only collectively within the period set forth in (5) above and within 10 days (or on the following business day if the 10th day falls on a holiday) from the day following the day of loss of status as any of director, executive officer, or full-time corporate auditor of the Company and principal domestic insurance companies which are the Company's subsidiaries (Note \*1) (limited to the case where their reappointments are not scheduled). Other conditions on exercise by stock acquisition right holders shall be decided by the Company's Board of Directors which determines the subscription requirements for stock acquisition rights.

(7) 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.

(8) Other details of stock acquisition rights

The particulars and other details of stock acquisition rights stated above shall be decided by the Company's Board of Directors which determines the subscription requirements for stock acquisition rights

(Reference)

Subject to the approval of this resolution , the Company plans to issue stock acquisition rights of the similar nature as outlined above to the Executive Officers of the Company as well as directors (excluding outside directors), executive officers, and board members of its principal subsidiaries (Note \*2), based on a resolution of the Company's Board of Directors.

(Notes)

(\*1) Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Sumitomo Aioi Life Insurance Co., Ltd., Mitsui Sumitomo Primary Life Insurance Co., Ltd., and Mitsui Direct General Insurance Co., Ltd.

(\*2) Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd.

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