



Issuance of Fourth Stock Warrant (Stock-Based Compensation Stock Options)

March 15, 2008 — A resolution was passed at an AEON Co., Ltd. (“the Company”) board meeting and Compensation Committee meeting held on May 15, 2008 to issue stock warrants to be used as stock options for stock-based compensation, according to the terms detailed below, as compensation to certain individuals (Company executive officers as well as AEON Group company directors proposed by the Company’s Compensation Committee and approved by the Company’s board of directors as directors who are equivalent to Company executive officers; “Group Company Directors,” and collectively, together with Company executive officers, “Operating Officers,” below), based on the provisions of Articles 236 and 238 of the Company Law.

Details

1. Objective

The purpose of this system is to enhance the connection between personal compensation, Company operating results, and share value among AEON Group Operating Officers, as well as to instill a shared benefit of share price increases, and the risk of share price drops, together with Company shareholders. The intent is to increase the motivation and morale to improve mid- and long-term operating results, and to maximize corporate value.

2. Details of Stock Warrant Issuance

(1) Stock Warrant Identification

AEON Co., Ltd., Fourth Stock Warrant (Stock-Based Compensation Stock Options)

(2) Type and Number of Shares subject to Stock Warrants

Up to a maximum of 21,600 shares of Company common stock.

(3) Individuals Eligible for Stock Warrants, Number of Stock Warrants Allocated

A total of up to 216 stock warrants, with 156 warrants allocated to twenty-six (26) individuals selected as Company executive officers during the May 15, 2008 meeting of the board of directors, and 60 stock warrants allocated to seven (7) AEON Group Company Directors.

(4) Number of Shares Attached to Each Stock Warrant

One hundred (100) shares of stock will attach to each stock warrant (“Number of Granted Shares”).

(5) Stock Warrant Issuance Price

Issued at the fair accounting valuation price on the date of allotment.

(6) Amount Paid for Stock Warrants

Since stock warrants will be issued to Operating Officers as compensation equivalent to the fair accounting valuation price on the date of allotment, no financial payment in exchange for stock warrants will be required.

(7) Value of Assets to be contributed at the Time of Stock Warrant Exercise

The required payment amount at the time of stock warrant exercise shall be an amount equivalent to the payment amount (“Exercise Price”) for each share of stock issued or transferred via the exercise of stock warrants, multiplied by the Number of Granted Shares. The Exercise Price shall be one yen (¥1).

(8) Stock Warrant Exercise Period

Between November 21, 2008 and November 20, 2023.

(9) Other Stock Warrant Exercise Terms

- a. Individuals receiving an allotment of stock warrants (“Stock Warrant Owner”) must maintain standing as Operating Officers, even at the time of exercise. However, individuals who have retired from their position as Operating Officer may exercise stock warrants within five (5) years of the date of their retirement.
- b. All stock warrants owned must be exercised at the same time; stock warrants may not be exercised in separate transactions.

(10) Reasons/ Circumstances for Stock Warrant Cancellation

- a. Stock warrants shall extinguish in the event that the exercise period elapses prior to the exercise of stock warrants, or in the event that the Operating Officer does not exercise stock warrants within five (5) years of retirement, regardless of whether the exercise period has ended or not.
- b. The Company may acquire and cancel stock warrants without consideration in the event that the Stock Warrant Policy-Making Body as defined in (15) makes a decision to acquire such stock warrants based on the determination that a Stock Warrant Owner becomes subject to any of the following:
 - (i.) An act in serious violation of law or Company internal rules
 - (ii.) Criminal penalties resulting in imprisonment
 - (iii.) Assuming, or agreeing to assume, a position as officer or employee at a competing company without prior consent by the Company
 - (iv.) The death of an Inheritor of Rights as determined in (12)
 - (v.) When the Stock Warrant Owner announced the intent to abandon all stock warrants
- c. In the event that a resolution is passed by the Company’s board of directors to acquire all or a portion of stock warrants, the Company may acquire and cancel such stock warrants without consideration, according to board resolution.

(11) Non-Assignment of Stock Warrants

Neither Stock Warrant Owners nor Inheritor of Rights as determined in (12) may transfer stock warrants or offer stock warrants as security.

(12) Stock Warrant Succession

In the event of the death of the Stock Warrant Owner, one (1) legal successor of the Stock Warrant Owner (“Inheritor of Rights”) may succeed the rights of the Stock Warrant Owner with respect to stock warrants. In the event of the death of the Inheritor of Rights, the successor of said Inheritor of Rights may not inherit stock warrants.

(13) Stock Warrant Certificate Issuance

Stock warrant certificates shall not be issued to Stock Warrant Owner or Inheritor of Rights.

(14) Change in Paid-In Capital and Capital Reserves after Stock Warrant Exercise

When new common shares of Company stock are issued in response to the exercise of stock warrants, the amount of the increase in paid-in capital shall be one-half (1/2) the total of the per-share book value and exercise price (round up to the nearest yen). The amount of increase

in capital reserves shall be the amount remaining when subtracting the amount of the relevant increase in paid-in capital from the amount of the relevant total.

(15) Stock Warrant Policy-Making Body

The Company's Compensation Committee determines allotments for Company executive officers. The Company's board of directors determines allotments for Group Company Directors, based on recommendations by the Company's Compensation Committee.

(16) Stock Warrant Allotment Date

November 20, 2008.

End