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

August 21, 2008 — A resolution was passed at the Aeon Co., Ltd. (“the Company”) board meeting held August 21, 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 group directors approved by the Company’s board of directors as directors who are also regarded as operating officers; “Aeon group Corporate Directors.” Hereinafter, “Aeon group Corporate Directors,” together with Company operating officers, are collectively regarded as “Operating Officers”), according to 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 Corporate Directors, 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 motivation and morale in order to improve mid- and long-term operating results and maximize corporate value.

2. Details of Stock Warrant Issuance

(1) Stock Warrant Identification

Aeon Co., Ltd., Seventh Stock Warrant (Stock-Based Compensation Stock Options)

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

Up to 26,000 shares of Company common stock.

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

A total of up to 260 stock warrants, allocated to sixteen (16) Aeon group Corporate 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 stock warrants are exercised 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 July 21, 2009 and July 20, 2024.

(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, an individual who has 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 expire 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 Company’s board of directors 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 of the Company
 - iv. The death of an Inheritor of Rights as determined in (12)
 - v. When the Stock Warrant Owner announces 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 to 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 (rounded 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 board of directors.
(16) Stock Warrant Allotment Date
June 21, 2009

End