

February 18, 2013  
AEON CO., LTD.

## **Notice Concerning Introduction of Employee Stock Ownership Plan (ESOP) Trust**

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We are pleased to announce our decision to introduce the "Employee Stock Ownership Plan (ESOP) Trust" (hereinafter referred to as the "Plan") for the purpose of providing our group employees with incentives to enhance our corporate value over the medium to long term.

The schedule for establishing the Trust under the Plan, the period of establishment, the total amount of money to be borrowed by the Trust under the Plan, and other matters will be announced as soon as they are determined.

### **1. Purpose of the Plan**

The Company is introducing this plan as an incentive plan for the employees of the Company's group with the aim of improving the medium- to long-term corporate value by further enhancing the welfare system for the employees of the Company's group and further promoting business performance aimed at improving the Company's business performance and ultimately the value of the Company's shares. The Company will introduce the Plan as an incentive plan for the Group's employees.

### **2. Outline of the Plan**

The Plan serves as an incentive program for all employees who are members of the "AEON Employee Shareholding Association" (the "Shareholding Association"). The Plan serves as an incentive program for all employees who are members of the "AEON Employee Shareholding Association" (the "Shareholding Association"). Under the Plan, the Company establishes a trust (the "ESOP Trust") at a trust bank, the beneficiaries of which are employees who satisfy certain requirements and who are members of the Shareholding Association. The ESOP Trust acquires in advance the Company shares that are expected to be acquired by the Stock Holding Partnership over a certain period of time after the establishment of the ESOP Trust.

Thereafter, the ESOP Trust will continuously sell the Company's shares at market value to the Stock Holding Partnership on a fixed date each month, and if there is any trust income from the increase in the Company's stock price in the ESOP Trust at the time of termination of the trust, money will be distributed to the beneficiary employees in proportion to their contribution to the trust. If, at the time of the termination of the trust, the ESOP trust is left with a debt due to a decline in the Company's stock price, the Company will repay the remaining debt in accordance with the guarantee agreement for the ESOP trust's borrowings for the acquisition of shares, and there will be no additional burden on employees.

### **3. Structure of the Plan**

- (i) The Company will establish an ESOP trust whose beneficiaries will be employees who satisfy the requirements for beneficiaries.
- (ii) The ESOP Trust will borrow funds necessary for the acquisition of the Company's shares from financial institutions. The Company guarantees the ESOP Trust's borrowing.
- (iii) The ESOP Trust will acquire the number of the Company's shares expected to be acquired by the Shareholding Association during the trust period from the stock market within a pre-determined acquisition period with the borrowings described in (ii) above.
- (iv) The ESOP Trust transfers to the Stock Holding Partnership monthly throughout the trust period, at market value, the amount of the Company's shares equal to the amount of the employee's contribution to the Stock Holding Partnership.
- (v) The ESOP Trust will use the proceeds from the sale of the Company's shares to the Stock Holding Partnership and dividends on the shares held by the ESOP Trust to repay the principal and interest of loans from financial institutions.

(vi) If, at the time of termination of the trust, there are any remaining Company shares in the trust due to an increase in the share price, they will be distributed to those who satisfy the requirements for eligible beneficiaries after being converted into cash. If, at the time of termination of the trust, there are any remaining borrowings in the trust due to a decline in the stock price, the Company will repay the borrowings to the financial institutions in a lump sum based on the guarantee described in (ii) above.

The ESOP Trust, as a shareholder of the Company, will receive the dividends distributed.

The ESOP Trust will exercise its rights as a shareholder in accordance with the instructions given by the trust administrator for the exercise of voting rights and other rights as a shareholder throughout the trust period.

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