



August 30, 2016

Registered Company Name	Aeon Financial Service Co., Ltd.
President and CEO	Kenji Kawahara
Stock Listing	Tokyo Stock Exchange, First Section (Code No.: 8570)
Contact	Hideki Wakabayashi, Senior Managing Director

Notice Concerning the Issuance of New Shares by way of Public Offering and Third-Party Allotments, Secondary Offering of Shares, and the Issuance of Convertible Bonds

Aeon Financial Service Co., Ltd. (the “Company”) hereby announces that its board of directors resolved on August 30, 2016 to issue new shares, conduct secondary offering of its shares, and issue convertible bonds as set forth below.

Background and Purpose of Financing

Aeon Financial Service Co., Ltd., its 35 subsidiaries, and its one affiliated company (the “Group”) engaged in the credit card, fee, banking, and overseas business segments. The Company announced the equity financing in order to promote the Group’s growth strategy and strengthen the Company’s financial base to help increase operating assets. The Company intends to strengthen its financial base by using the proceeds from the new share issuance to redeem commercial paper issued by the Company and repay part of the Group’s debt.

The Company intends to use the proceeds from the issuance of the convertible bonds to redeem commercial paper issued by the Company. The issuance of the convertible bonds is intended provide stable funding at lower funding costs (zero coupon), by limiting potential dilution and strengthening the Company’s future financial base.

In addition, the Company will issue new shares by way of a third-party allotment to Aeon Co., Ltd. (“Aeon”), intending to strengthen cooperation among the Aeon group, which will lead an improvement in the Company’s corporate value.

I. Issuance of the new shares by way of public offering in Japan, Third-Party Allotment to Aeon and Secondary Offering of Shares of the Company

1. Issuance of new shares by way of public offering

- (1) Class and Number of 7,840,000 shares of common stock of the Company.
Shares to be Offered

Note: This press release does not constitute an investment solicitation for any securities for sale. This press release has been prepared for the purpose of publicly announcing that the Company has resolved matters relating to the issuance of new shares, the secondary offering of its shares, the issuance of new shares by way of third-party allotment, and the issuance of convertible bonds and not for the purpose of soliciting investment or engaging in any other similar activities within or outside Japan. This press release does not constitute an offer of investment in nor solicitation for purchase of its shares of common stock or the bonds within the United States or elsewhere. The Company has not, and will not, registered any of its shares of common stock or the bonds under the U.S. Securities Act of 1933 or any relevant securities law of any state. Neither the bonds nor the shares may be offered or sold in the United States absent registration or an exemption from registration requirements under the U.S. Securities Act of 1933. No offer of securities for sale in the United States will be made in connection with the above-mentioned transactions.

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| (2) Method of Determination of the Amount to be paid | The amount to be paid will be determined on a day during the period from Wednesday, September 7, 2016 to Monday, September 12, 2016 (such date, the “Pricing Date”) in accordance with the method set forth in Article 25 of the Regulations Concerning Underwriting of Securities, etc. promulgated by the Japan Securities Dealers Association (“JSDA”). |
| (3) Amount of Stated Capital and Additional Paid-in Capital to be Increased | The amount of stated capital to be increased shall be half of the maximum amount of stated capital to be increased, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of the additional paid-in capital to be increased shall be the amount obtained by subtracting the amount of stated capital to be increased from the maximum amount of stated capital to be increased. |
| (4) Method of Offering | The offering will be a public offering. All of the new shares shall be purchased for sale by underwriters.
The issue price with regard to the public offering (offer price) shall be determined based on the provisional range calculated by multiplying the closing price in regular trading of shares of common stock of the Company on the Tokyo Stock Exchange on the Pricing Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by 0.90-1.00 (with any fraction less than one yen being rounded down), in accordance with Article 25 of the Regulations Concerning Underwriting of Securities, etc. of JSDA, taking into account market demand and other conditions. |
| (5) Consideration to be paid to the underwriters | The Company shall not pay any underwriting fees to the underwriters. Instead, the aggregate amount of the difference between (a) the issue price with respect to the public offering (offer price) and (b) the amount to be paid to the Company by the underwriters shall be retained by the underwriters. |
| (6) Subscription Period | The subscription period shall be from the next business day after the Pricing Date to the second business day following the Pricing Date. |
| (7) Payment Date | The payment date shall be a day falling in the period from Wednesday, September 14, 2016 to Tuesday, September 20, 2016; provided, however, that such day shall be the fifth business day following the Pricing Date. |
| (8) Subscription Unit | 100 shares |
| (9) Mr. Kenji Kawahara, President and CEO of the Company, and Mr. Hideki Wakabayashi, Senior Managing Director have been authorized to determine the amount to be paid, the amounts of stated capital and additional paid-in capital to be increased, the issue price with respect to the public offering (offer price) and any other matters necessary for the issuance of new shares. | |
| (10) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan. | |
| (11) If the issuance of Convertible Bonds is cancelled, the issuance of new shares by way of public offering will be cancelled, accordingly. | |

2. Issuance of new shares by way of Third-Party Allotment to Aeon Co., Ltd.

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| (1) Class and Number of Shares to be Offered | 7,954,000 shares of common stock of the Company. |
| (2) Method of Determination of the Amount to be paid | The amount to be paid will be determined on Pricing Date; provided, however, that such amount to be paid shall be the same as the amount to be paid in respect of the public offering. |
| (3) Amount of Stated Capital and Additional Paid-in Capital to be Increased | The amount of stated capital to be increased shall be half of the maximum amount of stated capital to be increased, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of the additional paid-in capital to be increased shall be the amount obtained by subtracting the amount of stated capital to be increased from the maximum amount of stated capital to be increased. |
| (4) Allottee | Aeon Co., Ltd. |

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- (5) Subscription Period The subscription period shall be from the next business day after the Pricing Date to the second business day following the Pricing Date; provided, however, that such day shall be the same day as the Pricing Date.
- (6) Payment Date The payment date shall be a day falling in the period from Wednesday, September 14, 2016 to Tuesday, September 20, 2016; provided, however, that such day shall be the same day as the Pricing Date.
- (7) Subscription Unit 100 shares
- (8) Mr. Kenji Kawahara, President and CEO of the Company, and Mr. Hideki Wakabayashi, Senior Managing Director have been authorized to determine the amount to be paid, the amounts of stated capital and additional paid-in capital to be increased, the issue price with respect to the public offering (offer price) and any other matters necessary for the issuance of new shares.
- (9) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
- (10) If the issuance of new shares by way of public offering is cancelled, the Third-Party Allotment to Aeon Co., Ltd. will be cancelled, accordingly.

3. Secondary Offering of Shares of the Company by way of Over Allotment (the “Secondary Offering”)

- (1) Class and Number of Shares to be Sold 1,176,000 shares of common stock of the Company.
The number of shares set out above is the maximum number of shares which may be sold. The above number may decrease, or the Secondary Offering may be cancelled in its entirety, depending on market demand and other conditions. The number of shares to be sold shall be determined on the Pricing Date, taking into account market demand and other conditions in the issuance of new shares by way of public offering.
- (2) Selling Price Undetermined. (The selling price shall be determined on the Pricing Date; provided, however, that such selling price shall be the same as the issue price (offer price) in the issuance of new shares by way of public offering.)
- (3) Method of Secondary Offering Taking into account market demand and other conditions for the issuance of new shares by way of public offering, certain underwriters will undertake a secondary offering of shares of common stock of the Company (up to 1,176,000 shares) borrowed from a certain shareholder of the Company.
- (4) Subscription Period The subscription period shall be the same as the subscription period in respect of the issuance of new shares by way of public offering.
- (5) Delivery Date The delivery date shall be the next business day after the payment date in respect of the issuance of new shares by way of public offering.
- (6) Subscription Unit 100 shares
- (7) Mr. Kenji Kawahara, President and CEO of the Company, and Mr. Hideki Wakabayashi, Senior Managing Director have been authorized to determine the selling price and any other matters necessary for the secondary offering.
- (8) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
- (9) If the issuance of new shares by way of public offering is cancelled, the Secondary Offering will be cancelled, accordingly.

4. Issuance of New Shares by way of Third-Party Allotment

- (1) Class and Number of Shares to be Sold 1,176,000 shares of common stock of the Company.
- (2) Method of Determination for the Amount to be Paid The amount to be paid shall be determined on the Pricing Date; provided, however, that such amount to be paid shall be the same as the amount to be paid in respect of the issuance of new shares by way of public offering.

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- (3) Amount of Stated Capital and Additional Paid-in Capital to be Increased The amount of stated capital to be increased shall be half of the maximum amount of stated capital to be increased, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of the additional paid-in capital to be increased shall be the amount obtained by subtracting the amount of stated capital to be increased from the maximum amount of stated capital to be increased.
- (4) Subscription Period Wednesday, September 28, 2016
- (5) Payment Date Thursday, September 29, 2016
- (6) Subscription Unit 100 shares
- (7) Shares not subscribed within the subscription period (subscription date) mentioned in (5) above shall not be issued.
- (8) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
- (9) If the issuance of new shares by way of public offering is cancelled, the Issuance of New Shares by way of Third-Party Allotment will be cancelled, accordingly.

II. Issuance of the convertible bonds with stock acquisition rights (the “Convertible Bonds”) through public offering in Japan

- (1) Offering Method Public offering in Japan
- (2) Total Amount of the Bonds ¥30 billion
- (3) Face Value ¥30 billion
- (4) Amount of Each Bond ¥1 million
- (5) Issue Price of the Bonds ¥100 per each ¥102.5 of each Convertible Bond
- (6) Redemption Price ¥100 per each ¥100 of each Convertible Bond
- (7) Redemption Date September 13, 2019
- (8) 120% Call Option When each of the closing prices of the shares of the Company’s common stock at the Tokyo Stock Exchange, Inc. on 20 consecutive trading days are 120% or more of the conversion price of the Convertible Bond applicable on those trading days, the Company has an option to redeem all the remaining Convertible Bonds on a specified redemption date on or after March 14, 2018 at a rate of ¥100 per each ¥100 of each Convertible Bond.
- (9) Type of Shares Subject to the Stock Acquisition Rights Shares of the Company’s common stock
- (10) Conversion Price The conversion price will be determined on a day between Wednesday, September 7, 2016 to Monday, September 12, 2016 (the “Conversion Pricing Date”). In the formula for the conversion price, the initial conversion price will be presented as the closing price of shares of the Company’s common stock in regular transactions on the Tokyo Stock Exchange, Inc. on the Conversion Pricing Date (or if no sale takes place on the Tokyo Stock Exchange, Inc. on that day, the closing price at which a sale of shares is effected on the Tokyo Stock Exchange, Inc. immediately thereafter) multiplied by a value within a range between 130% and 135%.
- (11) Amount by Which Stated Capital and Capital Reserve Are to Be Increased The amount of stated capital to be increased upon exercise of stock acquisition rights shall be half of the maximum amount of the stated capital increased, as calculated in accordance with Article 17 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from such calculation being rounded up to the nearest one yen. The amount of additional paid-in capital to be increased shall be the amount obtained by subtracting the relevant amount of stated capital to be increase from the relevant maximum amount of the stated capital increase.

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- (12) Payment Date The payment date shall be a day falling in the period from Wednesday, September 14, 2016 to Tuesday, September 20, 2016; provided, however, that such day shall be the fifth business day following the Pricing Date.

Use of Proceeds to be Raised

Of the proceeds of up to JPY34,431,358,480 to be raised by the issuance of new shares by way of public offering and third-party allotments, the Company intends to use JPY13,000,000,000 by the end of March 2017 for redemption of part of commercial paper issued for working capital and to use the remaining to lend Aeon Product Finance Co., Ltd. (“Aeon Product Finance”), a subsidiary, by the end of March, 2017. Aeon Product Finance will then repay part of debt, issued for working capital, to a financial institution by the end of March, 2017. The funds will be managed in the Company’s bank account until they are used for the above purposes.

The Company intends to use all the proceeds of JPY29,955,000,000 to be raised by the issuance of Convertible Bonds, for redemption of part of commercial paper issued for working capital, by the end of March 2017. The funds will be managed in the Company’s bank account until they are used for the above purposes.

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