



June 27, 2017

For immediate release

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

### **The 11th Issuance of New Share Subscription Rights as Share-Reward Type Stock Option**

We hereby notify you that AEON Financial Service Co., Ltd., has determined to issue new share subscription rights as shown below to provide share-reward type stock options for our company's directors (excluding Outside Directors) as remuneration received by the directors which is regulated in Article 361, Corporate Law, in the same way as previously, based on the regulations in Articles 236 and 238, Corporate Law. In future, we plan to continue to allot new share subscription rights to provide reward type stock options for our directors according to the regulations of pertinent laws and ordinances.

#### **Notes**

##### **1. Reasons for issuing new share subscription rights as share-reward type stock options**

The purpose of this system is to improve directors' morale and their desire to continue increasing corporate value and business results in the medium-long term, by sharing not only the advantages of increased stock price but also the risk of declining stock price, by amplifying the linkage of our company's business results and stock value with the remuneration for directors. As shown below, the new share subscription rights will be issued at the fair price of ¥1 per share to be paid to exercise these rights.

##### **2. Procedure for issuing of new share subscription rights**

###### **(1) Name of new share subscription rights**

AEON Financial Service Co., Ltd. the eleventh new share subscription rights (share-reward type stock option)

###### **(2) Total of new share subscription rights**

The upper limit of the new share subscription rights will be 200 units.

###### **(3) Variety and number of new share subscription rights**

The number of shares subject to the new share subscription rights (number of shares granted) will be 100 shares per unit of new share subscription rights. The upper limit of the number of ordinary shares to be issued when all new share subscription rights are exercised will be 20,000 shares.

When our company carries out a stock split or reverse split of stock, the number of shares involved will be adjusted as follows. However, such adjustment will be done for the number of shares among the new share subscription rights that are subject to the new share

subscription rights not yet exercised at the concerned time. Any fraction of less than 1 share resulting from the adjustment shall be discarded.

Number of shares after adjustment = Number of shares before adjustment x split (or reverse split) rate

When our company carries out a takeover of another company or a new merger, and the new share subscription rights are taken over, our company will adjust the number of shares as necessary, in accordance with the above cases.

(4) Issue price for new share subscription rights

New share subscription rights shall be issued at a fair appraised value from the viewpoint of accounting as of the date of allotment.

(5) Amount of payment for new share subscription rights

Because the new share subscription rights are issued as remuneration for directors equivalent to their fair appraised value from the viewpoint of accounting as of the date of allotment, monetary payment is not required in exchange for the new share subscription rights.

(6) Price of assets invested when exercising the new share subscription rights

The amount that should be paid when exercising the new share subscription rights will be the amount to be paid (exercise price) per share to be transferred or issued by the exercise of the new share subscription rights, multiplied by the number of shares granted. The exercise price will be ¥1.

When our company carries out a stock split or reverse split of stock, the payment amount per share will be adjusted as follows, and any fraction of less than ¥1 per 1 unit resulting from this adjustment will be discarded.

Number of shares after adjustment = Number of shares before adjustment x (1 ÷ split (or reverse split) rate)

(7) Term in which new share subscription rights can be exercised

From August 21, 2018 to August 20, 2033

(8) Other conditions for exercise of new share subscription rights

1) Each person (new share subscription rights holder) who has received the allotment of new share subscription rights must hold the position of director or auditor at the time of exercising these rights. However, a director or auditor who has retired from his/her office can exercise these rights within the period of 5 years from the date of retirement.

2) All of the new share subscription rights held by an individual must be exercised as a unit. The new share subscription rights cannot be divided for use.

(9) Reasons and conditions for cancellation of new share subscription rights

1) If the new share subscription rights holder does not exercise the new share subscription rights before the period for exercise of rights has passed, or if 5 years have passed from the date when the concerned director or auditor has retired even within the period for exercise of rights, the new share subscription rights will be extinguished.

2) When the board of directors has resolved to take back the new share subscription rights because one of the following conditions applies to a new share subscription rights holder, our company can obtain the new share subscription rights from the concerned new share subscription rights holder without payment, and can cancel these rights.

(A) When the new share subscription rights holder has committed a serious violation of a law and/or ordinance or of our company's internal regulations

(B) When the new share subscription rights holder has been sentenced to imprisonment or

more severe punishment

(C) When the new share subscription rights holder has taken or agreed to take a post as an official or employee of a competing company without advance permission from our company

(D) When the rights inheritor stipulated in (11) has died

(E) When the new share subscription rights holder has offered to renounce all new share subscription rights

3) When the board of directors has resolved to obtain a part or all of new share subscription rights, our company will obtain these by board of directors' meeting resolution, and will cancel those rights.

(10) Prohibition of transfer of new share subscription rights

The new share subscription rights holder and/or the rights inheritor stipulated in (11) cannot transfer the new share subscription rights, and cannot offer the new share subscription rights as security.

(11) Inheritance of new share subscription rights

When a new share subscription rights holder has died, only 1 person (the rights inheritor) among the heirs-at-law of the new share subscription rights holder, can inherit the rights of the new share subscription rights holder. When the rights inheritor has died, the heirs of the rights inheritor cannot inherit the new share subscription rights.

(12) Issuing of new share subscription rights bond

The new share subscription rights holder and/or rights inheritor shall not request the issuing of a new share subscription rights bond related to the new share subscription rights.

(13) Capital and capital reserve to be increased when there is a new issue of our company's ordinary stock involving the exercise of new share subscription rights

When newly issuing our company's ordinary stock by the exercise of new share subscription rights, the amount of capital increase will be half of the total of the exercise value and book value per share (any fraction of less than ¥1 will be rounded up to one), and the amount of capital reserve increase will be the total of the exercise value and book value per share, minus the concerned increased capital amount.

(14) Allotment

The new share subscription rights will be allotted to our company's appointed directors (7 directors) (including reappointed directors) (excluding Outside Directors) at the general meeting of shareholders held on June 27, 2017.

(15) Date of allotment of new share subscription rights

July 21, 2018

ENDS