

May 10, 2019

[English Excerpted Version]

**(Changes in Disclosure Items) Issuance of 12th Stock Acquisition Rights
(Stock Compensation-Type Stock Options)**

At the Board of Directors meeting held today, we announced the resolution to submit to the 46th ordinary general meeting of shareholders scheduled to be held on May 30, 2019 a proposal requiring approval for the change of its issue date and issuance of the 12th stock acquisition rights issued on May 18, 2018, as described below.

1. Change in disclosure items and reasons for proposal

At the 34th Ordinary General Meeting of Shareholders held on May 9, 2007, the Company resolved that the annual amount of remuneration for directors, etc. shall not exceed 590 million yen, of which the fair value of stock-based compensation-type stock options shall not exceed 90 million yen. As a feature of the Stock Acquisition Rights resolved at the Annual General Meeting of Shareholders, "the issue date of each Stock Acquisition Rights shall be May 10 of each year (or, in the case of a holiday or Saturday, the following business day)" and "each Stock Acquisition Rights shall be allotted to each Director on the date of issuance by a resolution of the Board of Directors in consideration of the performance evaluation for our fiscal year that falls on the date of the Annual General Meeting of Shareholders (abbreviated).As stated in "Notice of Discovery of Inappropriate Accounting at our Consolidated Subsidiary and Postponement of Announcement of Financial Results for the Fiscal Year Ended February 2019" and "Notice of Establishment of Special Investigation Committee" dated April 11, 2019, it was found that that there is a possibility of inappropriate accounting made at our consolidated subsidiary KAJITAKU CO., Ltd. (hereinafter "KAJITAKU"). Therefore, the consolidated financial position and results of operations for the fiscal year ended February 2019 have not been determined at this time. In light of the above circumstances, we believe it is appropriate to decide the issuance of the 12th Stock Acquisition Rights upon completion of the accounting procedures. Therefore, we would like to submit a proposal to the Ordinary General Meeting of Shareholders to be held on May 30, 2019 to postpone the date of allotment of the 12th Stock Acquisition Rights from May 10, 2019, and obtain the approval of our shareholders.

2. Details of Changes

Details of changes from the Board of Directors resolution held on May 18, 2018 related to the 12th Stock Acquisition Rights are as follows

(Changes are underlined.)

	Before change	After change
Date of allocation	<u>May 10, 2019</u>	<u>Leave to our board of directors</u>
Exercise period of rights (*)	<u>From June 10, 2019 to June 10, 2034</u>	<u>15 years from the date one month after the allocation date</u>

*As a result of the change in the date of allotment of the 12th Stock Acquisition Rights, the exercise period will be changed as a result of the "15 years from the date one month after the allocation date of each Stock Acquisition Right" resolved at the 34th Ordinary General Meeting of Shareholders.

For details, please refer to the release "Issuance of 12th Stock Acquisition Rights (Stock Compensation-Type Stock Options)" dated May 18, 2018.

(Attachment)

**"Issuance of the 12th Stock Acquisition Rights (Stock Compensation-Type Stock Options)"
dated May 18, 2018**

Issuance of 12th Stock Acquisition Rights (Stock Compensation-Type Stock Options)

At the Board of Directors meeting held today, the Company resolved to issue stock acquisition rights to our directors as stock compensation-type stock options pursuant to the provisions of Articles 236 to 240 of the Companies Act as follows.

1. Reasons for Issuing Stock Acquisition Rights

With regard to the remuneration system for directors, the purpose is to further enhance the linkage between the Company's stock price and business performance, and to share with shareholders not only the benefits of rising stock prices but also the risks of falling stock prices. As described below, the Company will issue stock acquisition rights at fair value at a price of 0.5 yen per share (equivalent to 1 yen per share prior to the stock split) for the amount to be paid upon exercise.

2. Details of Stock Acquisition Rights

(1) Name of Stock Acquisition Rights

12th Stock Acquisition Rights of AEON DELIGHT CO., LTD. (Stock-based Compensation-Type Stock Options)

(2) Type and numbers of shares which provide for granting Stock Acquisition Rights

The upper limit of new common stock to be issued is 23,400 lineshares.

(3) Allotted party and number of the Stock Acquisition Rights, and number of Stock Acquisition Rights allotted

Up to 234 shares are allocated to eight of our directors.

(4) Number of stocks corresponding to each Stock Acquisition Rights

The number of shares per unit of stock acquisition rights (hereinafter referred to as the "number of granted shares") shall be 100 shares.

(5) Issue price of stock acquisition right

Issue at fair value on the date of allotment.

(6) Payment date and amount of the stock acquisition rights

Stock acquisition rights are issued as directors' remuneration equal to the fair value in fiscal as of the allotment date. Therefore, no cash payment is required in exchange for the stock acquisition rights.

(7) Assets to be contributed at the time of exercise of the rights

The amount to be paid upon exercise of Stock Acquisition Rights shall be the amount obtained

by multiplying the amount to be paid per share (hereinafter referred to as the "Exercise Price") to be issued or transferred upon exercise of Stock Acquisition Rights by the number of shares granted. The exercise price shall be 0.5 yen.

(8) Exercise period of the subscription right

From June 10, 2019 to June 10, 2034.

(9) Conditions of execution of the Stock Acquisition Rights

① Holders of Stock Acquisition Rights (meaning directors who have received allotment of Stock Acquisition Rights; the same shall apply hereinafter) shall be in the position of directors or auditors of the Company at the time of exercise of their rights. However, even if we retire from office as a director or auditor, we shall be able to exercise our rights within five years from the date of resignation.

② Stock Acquisition Rights shall be exercised in a lump sum for the total number of Stock Acquisition Rights and may not be exercised in division.

(10) Allotment date of stock acquisition rights

May 10, 2019

3. Matters concerning transactions with controlling shareholders

With respect to the issuance of the Stock Acquisition Rights, as Ippei Nakayama, Chairperson of the Board of Directors of the Company, who receives a portion of the allotment, also serves as an Executive Officer of AEON CO., LTD., our parent company, it is deemed to be a transaction with a controlling shareholder.

(1) Measures to ensure fairness and measures to avoid conflicts of interest

The Stock Acquisition Rights are issued in accordance with internal rules and procedures. The terms and conditions of issuance, including the method for determining the exercise price, do not deviate from the general terms and conditions of the grant of stock acquisition rights and are appropriate. In order to avoid conflicts of interest, Chairman Ippei Nakayama, who also serves as an executive officer of AEON CO., LTD., our parent company, has not participated in the resolution of the Board of Directors concerning the stock acquisition rights and has obtained the approval of all directors who participated in the resolution.

(2) Opinions that are not detrimental to minority shareholders

The appropriateness of the terms and conditions of the Stock Acquisition Rights was determined by a resolution of the Board of Directors after deliberation at our Board of Directors meeting held on May 18, 2018. Furthermore, in order to prevent this matter from taking place under conditions disadvantageous to our minority shareholders, Hiroshi Okano (attorney) and Yuki Mori (attorney), independent outside experts who do not have an interest in AEON CO., LTD., our controlling shareholder, have obtained opinions as of May 17, 2018 that the matter is not disadvantageous to minority shareholders for the following reasons.

"(i) The issuance of the Stock Acquisition Rights is intended to increase your motivation to contribute to the improvement of your company's business performance and improve

performance; (ii) As of May 10, 2019, the total value of the Stock Acquisition Rights will not exceed the above upper limit, and the issuance of the Stock Acquisition Rights is within the framework of the "Revision of Executive Compensation" approved at your company's 34th Ordinary General Meeting of Shareholders held on May 24, 2007; (iii) the issuance of the Stock Acquisition Rights is in accordance with the rules and procedures set forth in your company; and (iv) the details and conditions of the issuance, including the method for determining the exercise price of the Stock Acquisition Rights. "The issuance of the Stock Acquisition Rights is not detrimental to the minority shareholders of your company, in view of the fact that they do not deviate from the terms and conditions of the issuance of the Stock Acquisition Rights in general and that they are fair and reasonable..."

(3) Compliance with the Corporate Governance Report

The "Guidelines on Measures for the Protection of Minority Shareholders in Conducting Transactions with Controlling Shareholders" in the Corporate Governance Report disclosed on May 23, 2017 is as follows. The issuance of the Stock Options conforms to this policy.

"We belong to the corporate group consisting of AEON CO., LTD. (a pure holding company) and its consolidated subsidiaries and affiliates accounted for by the equity method. In day-to-day business operations, we discuss with and report to AEON CO., LTD. important issues related to business operations, while carrying out our own management decisions. The growth of AEON CO., LTD. and the AEON Group companies will lead to the expansion of business opportunities for us. Therefore, we recognize that collaboration and maximization of synergies with AEON Group companies will contribute to the expansion of the profits of minority shareholders. With respect to transactions with AEON CO., LTD. and other Aeon Group companies, from the perspective of protecting minority shareholders, the economic rationality of the terms and conditions of transactions is guaranteed. Particularly important contracts are concluded by resolution of the Board of Directors attended by Outside Directors and Outside Audit & Supervisory Board Members who are designated as Independent Directors in accordance with the provisions of the Tokyo Stock Exchange, Inc.