



May 31, 2018

Dear All,

**Notice Concerning Introduction of Stock Compensation-type
Stock Options with Stock Price Condition**

As START TODAY CO., LTD. (hereinafter, the "Company") disclosed on "Announcement of Discussion to Introduce Stock Options with Stock Price Condition (Stock Compensation-type Stock Options)" on April 27, 2018 to start the discussion of bringing up the matter of issuance policy on the stock compensation-type stock options with stock price condition (hereinafter, the "Stock Options") to the directors (excluding external directors, hereinafter the "Eligible Directors") pertain to the agenda of remuneration of directors (hereinafter, the "Agenda") to the 20th Ordinary General Meeting of Shareholders (hereinafter, the "Shareholders Meeting") which is scheduled on June 26, 2018, the Company resolved at its special meeting of the Board of Directors held on May 31, 2018 to bring up the Agenda.

The Company is deliberating a plan to allocate more than 90% of issuance to Mr. Yusaku Maezawa, the president and representative director of the Company. In consideration of such circumstances and to ensure the fairness of the granting procedure of the Stock Options, Mr. Yusaku Maezawa did not take part in deliberation and resolution for this matter. Furthermore, regarding the introduction of the Stock Options, the Company received opinions from external directors and external auditors who are independent directors of the Company, that it has reasonability from the following points of view:

- (1) Granting of the Stock Options will contribute to increase corporate value because the Eligible Directors will share profit consciousness of shareholders and encouraging Mr. Yusaku Maezawa who has been taking a significant role in the Company's to develop and initiate new businesses, to make commitment to the Company and achievement of the medium-term management plan,
- (2) Given the difficulty of achieving the conditions to exercise the rights and corporate value at the time of achievements, the number of granting shares and resulting dilution to the existing shareholders are within reasonable range, and the granting conditions have certain validity with guarantee,
- (3) Even though the stock compensation expenses will be recorded from the time of allocation to the time of exercising the stock acquisition rights, when conditions for exercising the rights are fulfilled, as stated above, existing shareholders will enjoy the profit from increase in corporate value. On the other hand, if the conditions for exercising the rights are not fulfilled, the shares will not be issued and expired. The stock compensation expense recorded temporarily will be recorded as reversal gain; therefore, the existing shareholders will not bear serious disadvantages.

1. Purpose and Reasons for the Introduction of the Stock Options

The Company announced its Medium-Term Management Plan (hereinafter, the "MTP") targeting 3 years from the fiscal year ending 2019 March to the fiscal year ending 2021 March (hereinafter, the "MTP Period") on April 27, 2018. Within the MTP, in addition to continuous growth of the existing business mainly from ZOZOTOWN Business (Gross merchandise value target of the existing business at the last year of the MTP Period is 515 billion yen), the Company initiated the private brand business (hereinafter, the "PB Business") as its second pillar from January 2018, aiming for exponential growth of gross merchandise value (Gross merchandise value target of the PB Business at the last year of the MPT Period is 200 billion yen).

To increase motivation of achieving the MTP and continuously enhance corporate value and expand business performance after the MTP Period, the Company believes that granting the Stock Options would contribute to enhancement of corporate value from increasing motivation and morale of the Directors, and bring stronger solidarity to the Company by corresponding directors' remuneration and increment of shareholders' value to

share profit consciousness of the directors and shareholders.

Remuneration of the directors and external directors has been approved to be lower than 800 million yen (within this, external directors' remuneration is less than 50 million yen annually) at the 19th Ordinary General meeting of Shareholders which was held on June 27, 2017. Other than the aforementioned remuneration, the Company will seek approval at the Shareholders Meeting to issue the Stock Options within the range of less than 134 billion yen as remuneration within this fiscal year (With respect to this remuneration, the amount is calculated by the fair evaluated unit price based on the maximum value of the expected stock price, and premise that all the stock options are exercised at the time of granting the Stock Options). Also, this agenda is seeking only the issuance of the Stock Options within this fiscal year, thus issuance of in the next fiscal year or later will not take place.

Exercising rights for the Stock Options will be effective if and only when predetermined conditions stated in "2. Detail of the Stock Options (Stock Acquisition Rights) (6) Conditions of Exercising Rights of Stock Acquisition Rights" are fulfilled; when these conditions are not fulfilled, the rights shall expire. Specifically, the Company is scheming to introduce 3 different types of the Stock Options with following exercise conditions and working term conditions:

- (1) Stock Options of 3-years working term conditions — Achieving net sales of 393 billion yen, market capitalization of 2 trillion yen, and 1.3x stock price to the stock price of the date of allocation.
- (2) Stock Options of 6-years working term conditions — Achieving market capitalization of 3 trillion yen, and 1.8x stock price to the stock price of the date of allocation.
- (3) Stock Options of 10-years working term conditions — Achieving market capitalization of 5 trillion yen, and 2.5x stock price to the stock price of the date of allocation.

At the time when all 3 types of stock options are exercised, 31,000,000 shares (maximum) of outstanding 311,644,285 stocks as of March 31, 2018 will be issued, resulting 9.95% dilution. However, achieving conditions of exercising the rights means contribution to enhance corporate and shareholders value and meets the interests of existing shareholders, thus the Company recognizes that the size of such issue is reasonable.

2. Detail of the Stock Options (Stock Acquisition Rights)

(1) Type and Number of Shares

The type of shares to be subject to the Stock Options shall be common stocks of the Company, and the number of shares to be subject to the Stock Options shall be 31,000,000 shares maximum.

(2) The Number of the Stock Acquisition Right

The number of the stock acquisition rights shall be 310,000 units maximum. The number of shares to be issued upon exercise of each stock acquisition rights (hereinafter, the "Number of Shares") shall be 100 shares of the common stock of the Company. However, if the Company implemented a stock split (including gratis allocation of common stock; the same shall apply hereinafter) or a reverse stock split after the date of allocation of the stock acquisition rights, the Number of Shares will be adjusted based on the following formula:

$$\text{Number of Shares to be issued after adjustment} = \text{Number of Shares to be issued before adjustment} \times \text{Ratio of stock split or reverse stock split}$$

In addition, if there is an unavoidable ground requiring adjustment of the Number of Shares to be issued such as the Company's merger, company split and capital reduction, the Number of Shares to be issued may be adjusted to the extent necessary. Furthermore, in parallel with the adjustment of the Number of Shares to be issued, above (1)'s maximum number shall be adjusted.

(3) Amount Paid for the Stock Acquisition Right

Amount paid for the stock acquisition rights will be equivalent to the fair evaluation value of the stock

acquisition rights calculated by the Black-Scholes model at the date of allocation of stock acquisition rights. Persons whom the stock acquisition rights are allotted can offset their payment obligations to be paid for the stock acquisition rights with their monetary compensation claims; thus, persons will not be required to make payment.

(4) Value of Assets Financed Upon the Exercise

The value of assets to be financed upon the exercise of the stock acquisition rights shall be 1 yen (the paid-in amount per share to be delivered upon the exercise of the stock acquisition rights) multiplied by the number of shares granted.

(5) Period for the Exercise of the Stock Acquisition Rights

The period for exercising the stock acquisition rights shall be the period defined by the Board of Directors of the Company and less than 20 years from the next day of the date of allocation of stock acquisition rights.

(6) Conditions of Exercising Rights of Stock Acquisition Rights

Persons whom the stock acquisition rights are allotted can exercise their rights within the exercising period complying any of the following conditions from I. to III. However, the Eligible Directors must be in position of business executing directors continuously at the time of exercising the rights; as for Mr. Yusaku Maezawa the president and the representative director of the Company must be in the position of the representative director.

I. The Eligible Directors can exercise their rights from the next day of when all the following conditions are fulfilled:

- a) The Eligible Directors continued to be in the position of the business executing director for 3 years from the date of allocation of the stock acquisition rights,
- b) net sales of the consolidated financial statements of the Company exceeds 393 billion yen in the audited securities report for fiscal year ending 2021 March,
- c) the average market capitalization (calculated by the following formula; the same shall apply hereinafter) of the Company exceeds 2 trillion yen of preceding 30 business days from the specified date between the date of allocation to June 30, 2021 (including the specified date, but excluding the days on which ordinary transactions of the Company's common stock cannot take place), and
- d) the average stock price (calculated by the following formula; the same shall apply hereinafter) of the Company exceeds 1.3x of preceding 30 business days from the specified date (This should be the exact same day which stated in c); the same shall apply hereinafter) between the date of allocation to June 30, 2021 (including the specified date, but excluding the days on which ordinary transactions of the Company's common stock cannot take place).

$$\text{Market Capitalization} = \left(\text{Total number of outstanding stocks of the Company (*)} - \text{Treasury stocks the Company holds (*)} \right) \times \text{Closing price of ordinary transactions of the Company's common stocks on the Tokyo Stock Exchange}$$

(*) Both shall be numerical values on the aforementioned specified date

$$\text{Stock Price} = \text{Closing price of ordinary transactions of the Company's common stocks on the Tokyo Stock Exchange (*)}$$

(*) If stock split or reverse stock split is implemented after the date of allocation, this shall be adjusted by the following formula (rounded up to the nearest yen unit)

$$\text{Adjusted stock price} = \frac{\text{Stock price before adjustment}}{\text{Ratio of split (or reverse split)}}$$

II. The Eligible Directors can exercise their rights from the next day of when all the following conditions are fulfilled:

- a) The Eligible Directors continued to be in the position of the business executing director for 6 years from the date of allocation of the stock acquisition rights,
- b) the average market capitalization of the Company exceeds 3 trillion yen of preceding 30 business days from the specified date between the date of allocation to June 30, 2024 (excluding the days on which ordinary transactions of the Company's common stock cannot take place), and
- c) the average stock price of the Company exceeds 1.8x of preceding 30 business days from the specified date between the date of allocation to June 30, 2024 (excluding the days on which ordinary transactions of the Company's common stock cannot take place).

III. The Eligible Directors can exercise their rights from the next day of when all the following conditions are fulfilled:

- a) The Eligible Directors continued to be in the position of the business executing director for 10 years from the date of allocation of the stock acquisition rights,
- b) the average market capitalization of the Company exceeds 5 trillion yen of preceding 30 business days from the specified date between the date of allocation to June 30, 2028 (excluding the days on which ordinary transactions of the Company's common stock cannot take place), and
- c) the average stock price of the Company exceeds 2.5x of preceding 30 business days from the specified date between the date of allocation to June 30, 2028 (excluding the days on which ordinary transactions of the Company's common stock cannot take place).

(*) With the approval of the agenda as the condition, based on the resolution of the Board of Directors after the adjournment of the Shareholders Meeting, the Company is deliberating to allocate stock acquisition rights of 155,000 (maximum) with the conditions stated in above I., that of 93,000 (maximum) with the conditions stated in above II., and that of 62,000 (maximum) with the conditions stated in above III. respectively.

(7) Restriction on Acquisition of Stock Acquisition Rights by Transfer

Approval by the Board of Directors of the Company shall be required for the acquisition of the stock acquisition rights by transfer.

(8) Other Details in regard with the Stock Acquisition Rights

Other details in regard with the stock acquisition rights shall be resolved by the Board of Directors of the Company.

DISCLAIMER:

This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.