August 14, 2017

Company name: MarketEnterprise Co., Ltd.
Representative: Yasushi Kobayashi, President, CEO
Securities code: 3135, Tokyo Stock Exchange Mothers
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Notice of Issuance of Stock Options with Commitment to Performance Targets (Stock Options with Charge)

The Board of Directors of MarketEnterprise Co., Ltd. approved a resolution on August 14, 2017 to issue stock acquisition rights No. 6 (the "Stock Options") to the Representative Director of MarketEnterprise as described below pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act. The Stock Options will be issued without approval of a General Meeting of Shareholders because the Stock Options will be sold to the recipient at a price equivalent to their fair value and not allocated at particularly favorable terms. In addition, the Stock Options will be purchased at the discretion of the individual eligible to receive them and are not distributed as remuneration for this individual.

I. Purpose and reason for offering the stock acquisition rights

The Stock Options will be issued and sold to the Market Enterprise Representative Director for the purpose of clearly defining his responsibility for managing business operations with the goals of the medium to long-term growth of sales and earnings and growth of corporate value.

The Stock Options can be exercised only if the sum of ordinary profit is at least 500 million yen in any two consecutive fiscal years. This target was established for the following reason.

Based on recent results of operations, the company's infrastructure and other factors, MarketEnterprise established the new goal of raising the ordinary profit to 1,000 million yen by the fiscal year ending June 2026, the 20th anniversary of its establishment. As one step toward accomplishing this goal, the fiscal year ended June 2017 and the fiscal year ending June 2018 are positioned as a strategic investment period to achieve rapid growth over the long-term. Substantial up-front investments have been made for upgrading and enlarging the workforce, equipment and other components of operations. The two-year ordinary profit total of 500 million yen by no later than the fiscal year ending June 2022, which is a requirement for exercising the Stock Options, was established as a milestone for progress concerning the improvement in profitability following this two-year investment period.
There is a possibility that the investments during this two-year period fail to produce benefits and, as a result, the price of MarketEnterprise stock falls to a designated level (50% of the exercise price of the Stock Options, which is equivalent to the stock price on the business day prior to the day of the resolution of the Board of Directors to issue the Stock Options). In this case, the Stock Options must be exercised at the original exercise price. Including this provision makes the allottee (the Representative Director), who is a major shareholder and the chief executive officer of MarketEnterprise, accountable to some degree for the decline in the stock price. By giving the Representative Director exposure to the same significant stock price volatility risk as all other shareholders, the Stock Options are expected to contribute to the growth of MarketEnterprise's corporate value. Half of the exercise price was selected as the level for the mandatory exercise of the Stock Options because this is believed to be suitable concerning the responsibility of the allottee in consideration of the current operations of MarketEnterprise.

In addition, the Board of Directors approved a resolution today for the establishment of a trust for stock acquisition rights issued at the market price with MarketEnterprise Representative Director Yasushi Kobayashi as the trustor. The resolution also approves the issuance of the stock acquisition rights No. 7, which have the same performance target as for the Stock Options, and the stock acquisition rights No. 8, which have an even higher performance target, for the establishment of this trust. The Stock Options are structured to expose the holder to the risk of significant stock price volatility just as for other MarketEnterprise shareholders during the investment period when earnings decline. Furthermore, the Stock Options place emphasis on the commitment to improve profitability following this investment period. Therefore, the stock acquisition rights No. 7, which have the same purpose, have the same performance target. The stock acquisition rights No. 8 have a different performance target because they are an incentive for achieving subsequent long-term performance targets. MarketEnterprise believes that using both the Stock Options and the trust for stock acquisition rights issued at the market price will contribute to more growth in corporate value and shareholder value. More information about the schemes for the Stock Options and the trust is in a press release announced today titled "Notice of Issuance of Stock Acquisition Rights Using a Third-party Allotment and Establishment of a Trust for Stock Acquisition Rights Issued at the Market Price."

If all of the Stock Options are exercised, the total number of shares of common stock issued will be equal to 2.36% of all MarketEnterprise stock currently issued. If all of the stock acquisition rights No. 7 and No. 8 are exercised, the number of shares of common stock issued will be equal to 8.67% of all MarketEnterprise stock currently issued. However, the Stock Options can be exercised only if pre-determined performance targets are achieved. Reaching these targets is expected to contribute to growth in corporate value and shareholder value, which would produce benefits for current shareholders, too. As a result, MarketEnterprise believes that the impact of share dilution due to the issuance of the Stock Options is reasonable.

II. Terms and conditions for issuance of the stock acquisition rights

1. Number of stock acquisition rights:

1,200

The total number of shares of MarketEnterprise common stock to be granted upon the exercise of the Stock Options is 120,000. If the number of shares to be granted is adjusted as described in the following section 3. (1), the total number of shares to be granted will instead be the adjusted number of shares to be granted multiplied by the number of the Stock Options.

2. Payment for stock acquisition rights

The issue price for one Stock Option is 100 yen.

The issue price is the same as the result of the valuation determined by Plutus Consulting Co., Ltd., a third-party valuation firm that was asked to determine a valuation of the Stock Options. Plutus Consulting based its valuation on the closing price of 562 yen per share on the Tokyo Stock Exchange on August 10, 2017, the day before the Board of Directors resolution to issue the Stock Options, a stock price volatility of 61.30%, a dividend yield of 0%, a risk-free interest rate of 0.066% and the terms for issuing the Stock Options (exercise price of 562 yen per share, exercise period of 10 years, performance target and stock price condition). Plutus Consulting used these parameters to perform a Monte Carlo simulation, which is a general model for calculating option prices, to determine the valuations of the Stock Options.

3. Details of stock acquisition rights

(1) Type and number of shares to be issued upon exercise of stock acquisition rights

The number of shares to be issued upon exercise of each of the Stock Options (the “number of shares granted”) is 100.

If MarketEnterprise conducts a stock split (including the allotment of shares of MarketEnterprise common stock without charge; the same applies hereafter) or a consolidation of shares after the allotment date of the Stock Options, the number of shares granted will be adjusted in accordance with the following formula. However, this adjustment will be performed only for shares to be issued upon exercise of Stock Options that have not been exercised at the time of the stock split or consolidation of shares. Any fraction less than one share resulting from the adjustment is discarded.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of split (or consolidation)

In addition, after the allotment date of the Stock Options, if there is a merger, divestiture or capital reduction involving MarketEnterprise or if there is some other event that requires an adjustment of the number of shares granted, MarketEnterprise will perform this adjustment in an appropriate manner to a reasonable extent.

(2) Value of assets to be contributed upon exercise of stock acquisition rights and calculation method

The value of assets to be contributed upon exercise of the Stock Options is the amount calculated by multiplying the amount to be paid per share (the “exercise price”) by the number of shares granted.

The exercise price is 562 yen.

If MarketEnterprise conducts a stock split or a consolidation of shares after the allotment date of the Stock Options, the exercise price will be adjusted in accordance with the following formula and any fraction less than one yen resulting from the adjustment will be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If MarketEnterprise issues new shares of common stock or disposes its treasury shares at a price below market value (excluding the cases of the issuance of new shares through the exercise of stock acquisition rights, disposal of treasury shares, as well as the transfer of treasury shares through a share exchange) after the allotment date of the Stock Options, the exercise price will be adjusted in accordance with the following formula and any fraction less than one yen resulting from the adjustment will be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Per share market price before new issuance}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

In the formula above, the “number of issued shares” denotes the total number of issued shares of MarketEnterprise common stock less the number of treasury shares. If the MarketEnterprise disposes of its treasury shares, the “number of newly issued shares” will be replaced with the “number of treasury shares to be disposed of.”

In addition, if there is a need to adjust the exercise price due to a merger with another company,

company split, or any other similar events after the allotment date of the Stock Options, MarketEnterprise may appropriately adjust the exercise price to a reasonable extent.

(3) Period during which the stock acquisition rights may be exercised

The exercise period of the Stock Options starts on July 1, 2019 and ends on August 31, 2027.

(4) Matters regarding the amount of capital and capital reserve to be increased

1) The amount by which the capital will be increased as a result of the issuance of shares upon the exercise of the Stock Options is the maximum amount of increase in capital to be calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules multiplied by 0.5. Any fraction less than one yen resulting from the calculation is rounded up.

2) The amount by which the capital reserve will be increased as a result of the issuance of shares upon the exercise of the Stock Options is the maximum amount of increase in capital described in item 1) above minus the amount of capital increase described in item 1) above.

(5) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of the Stock Options through transfer requires an approval by a resolution of the Board of Directors of MarketEnterprise.

(6) Conditions for exercising stock acquisition rights

1) The recipient of the Stock Options (the "rights holder") can exercise the stock acquisition rights No. 6 only if the sum of ordinary profit is at least 500 million yen for any two consecutive fiscal years during the period beginning with the fiscal year ending June 2018 and ending with the fiscal year ending June 2022. To determine ordinary profit, the figures in the consolidated statements of income in the MarketEnterprise Securities Reports will be used as reference and the Board of Directors can determine a different indicator for reference if there is a significant revision to the principles used for indicators used for reference, such as due to the application of an international financial reporting standard.

2) Irrespective of the provisions of the preceding item 1), if the closing price of MarketEnterprise common stock falls below 50% of the exercise price even once on a financial instruments exchange during the period starting on the allotment date and ending on the end of the exercise period of the Stock Options, the rights holder must exercise all remaining Stock Options by the end of the exercise period. However, this requirement does not apply in the following cases.

(a) When significant false or fraudulent information has been included in information disclosed by the Company

(b) When it is determined that the Company has failed to properly announce a significant fact that should have been disclosed in accordance with laws and regulations or the rules of a financial instruments exchange where the Company's stock is listed

(c) When the Company's stock is delisted, the Company becomes insolvent or there is some other major change involving an item used as a premise when the Stock Options are issued

(d) When there is any other event that can be viewed objectively as a detrimental act by the Company regarding the trust of the rights holder

3) If the rights holder dies, the Stock Options can be exercised only by one individual who legally inherits all Stock Options. If this heir subsequently dies, the Stock Options cannot be exercised by the next legal heir.

4) If the total number of issued shares would exceed the number of authorized shares by the exercise of the Stock Options at the time of exercise thereof, the Stock Options cannot be exercised.

5) A Stock Option of less than one unit may not be exercised.

4. Allotment date of stock acquisition rights

August 30, 2017

5. Items related to acquisition of stock acquisition rights

(1) If the shareholders of MarketEnterprise approves (or the Board of Directors resolves, if the approval of the shareholders is not required) a proposal for a company split agreement or a company split plan under which MarketEnterprise will become a splitting company, or a proposal for a share exchange agreement or share transfer plan under which MarketEnterprise will become a wholly owned subsidiary, MarketEnterprise may acquire all Stock Options without charge on a date separately specified by the Board of Directors of MarketEnterprise.

(2) MarketEnterprise may acquire the stock acquisition rights without charge in the event that the rights holder is no longer able to exercise the Stock Options as described in item 3. (6) above before the exercise.

6. Treatment of stock acquisition rights in conjunction with a corporate reorganization

For mergers (limited to cases where MarketEnterprise no longer exists as a result of the merger), absorption-type company splits, incorporation-type company splits, share exchanges or share transfers of MarketEnterprise (the “corporate reorganization”), the stock acquisition rights of stock companies specified in Article 236, Paragraph 1, Item 8, (1) to (5) of the Companies Act (the “reorganized corporations”) will be granted, respectively, to the rights holder on the effective date of the corporate reorganization in accordance with the following conditions. However, this provision is limited to cases in which absorption-type merger agreements, incorporation-type merger agreements, absorption-type company split agreements, incorporation-type company split plans, share exchange contracts or share transfer plans stipulate that the stock acquisition rights of reorganized corporations will be issued under the following terms and conditions:

(1) Number of the stock acquisition rights of reorganized corporations to be granted

The same number as the stock acquisition rights held by the rights holder must be granted.

(2) Type of shares of reorganized corporations to be issued under the stock acquisition rights

Common stock of the reorganized corporations must be issued.

(3) Number of shares of reorganized corporations to be issued under the stock acquisition rights

To be determined in accordance with item 3. (1) above, while taking into account the terms and conditions of the corporate reorganization.

(4) Value of assets to be contributed upon the exercise of the stock acquisition rights

The value of assets to be contributed upon the exercise of each stock acquisition right to be granted is the amount obtained by multiplying the amount to be paid in after the corporate reorganization through adjustment of the exercise price as prescribed in item 3. (2) above by the number of shares of reorganized corporations to be issued upon the stock acquisition rights in accordance with item 6. (3) above, considering the terms and conditions of the corporate reorganization.

(5) Period during which the stock acquisition rights can be exercised

The period starts on the later of either the first day of the exercise period as prescribed in item 3. (3) above or the effective date of the corporate reorganization and ends on the last day of the exercise period as prescribed in item 3. (3) above.

(6) Matters regarding the amount of capital and capital reserve to be increased as a result of the issuance of shares upon the exercise of stock acquisition rights

To be determined in accordance with item 3. (4) above.

(7) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of stock acquisition rights through transfer requires an approval by a resolution of the Board of Directors of the reorganized corporation.

(8) Other conditions for exercising stock acquisition rights

To be determined in accordance with item 3. (6) above.

(9) Reasons and conditions to acquire stock acquisition rights

To be determined in accordance with item 5. above.

(10) Other conditions will be determined in the same manner as those for the reorganized corporation.

7. Matters regarding certificates for the stock acquisition rights

MarketEnterprise will not issue certificates for the Stock Options.

8. Payment date for the stock acquisition rights

August 30, 2017

9. Subscription date

August 30, 2017

10. Allottees of the stock acquisition rights and the number of the stock acquisition rights to be allotted

Representative Director of MarketEnterprise: 1 person (1,200 units)

III. Matters regarding transactions with a controlling shareholder

1. Whether the Stock Options fall under transactions with a controlling shareholder and compliance with the guideline for protection of non-controlling shareholders

The issuance of the Stock Options is a transaction with a controlling shareholder because the allottee is Yasushi Kobayashi, who is the Representative Director of MarketEnterprise.

In the Corporate Governance Report that was released on February 10, 2017, the guideline for protection of non-controlling shareholders in transactions with controlling shareholders contains the following statement. The issuance of the Stock Options has been decided in accordance with this guideline.

“MarketEnterprise Representative Director Yasushi Kobayashi is a controlling shareholder. If there is a transaction with a controlling shareholder, assuming that this transaction is necessary, the basic requirement is that the transaction must be suitable just as for ordinary business activities. To verify the terms and suitability of the transaction, the MarketEnterprise Board of Directors must examine the transaction and approve a resolution allowing the transaction regardless of the amount of money involved. This process is used to protect the interests of non-controlling shareholders.”

2. Measures to ensure fairness and prevent conflicts of interest

The Stock Options are issued in accordance with rules and procedures prescribed by MarketEnterprise.

MarketEnterprise believes that the terms and conditions of the Stock Options are suitable and that there are no significant differences with respect to the terms and conditions ordinarily used for stock acquisition rights. Furthermore, to prevent the arbitrary distribution of the Stock Options, the Stock Options are allocated at a price based on the fair value calculated by Plutus Consulting, a third-party valuation firm that is independent of MarketEnterprise and the allottee of the Stock Options. To prevent conflicts of interest, Yasushi Kobayashi, who is to receive the Stock Options, did not vote on any Board of Directors resolutions concerning the Stock Options.

3. Summary of opinion of party having no interest with the controlling shareholder concerning any disadvantages to non-controlling shareholders caused by the Stock Options

Following discussions regarding the Stock Options, the MarketEnterprise Board of Directors approved a resolution today stating that the terms and conditions of the Stock Options are suitable. Upon the approval of the resolution, the directors received an opinion from Masaki Yamazaki, an External Audit & Supervisory Board Member who has no interest with the controlling shareholder, that issuing the Stock Options will not be a disadvantage to non-controlling shareholders. This opinion is based on the following points: (1) Representative Director Yasushi Kobayashi, the controlling shareholder, clearly has a responsibility to increase sales and earnings; (2) the Stock Options are structured and granted for the purpose of further increasing Mr. Kobayashi’s motivation to increase corporate value and achieving the performance target is expected to increase corporate value; (3) the price of the Stock Options is fair based on the valuation determined by a third-party valuation firm having no interest with the controlling shareholder; and (4) for the issuing procedure, proper measures were used to avoid a conflict of interest between MarketEnterprise and the controlling shareholder.