

February 22, 2019
Company name Rakuten, Inc.
Representative Hiroshi Mikitani
Chairman and CEO
(Stock Code: 4755
Tokyo Stock Exchange First Section)

Share Options as Retirement Compensation Stock Options

Rakuten, Inc. (hereinafter the “Company”) announces that the Board of Directors today resolved to propose that at the 22nd Annual General Shareholders’ Meeting to be held on March 28, 2019, the Company will be authorized to issue the following Share Options as stock options to Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company (hereinafter referred to as the “Officers of the Company”) , pursuant to Articles 236, 238 and 239 of the Companies Act.

Issuance of Share Options as Stock Options to Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company

1. The reason for issuing the Share Options on especially favorable conditions

[Reason]

Since the value of the Share Options is linked with the Company’s stock price, delivering the Share Options as part of a performance-linked compensation package to the Officers of the Company will allow the Officers of the Company to share the gains of shareholders when stock prices rise and feel shareholders’ losses when stock prices fall, thus enhancing their motivation to achieve higher performance and higher stock prices.

The Share Options may only be exercised by the Officers of the Company within ten days from the date following the date on which they retire from the Company, and its subsidiaries and affiliates. As a result of these Share Options, it will be possible to further raise the incentive of the Group towards higher performance and higher stock prices in the long-term, and retain existing talented staff.

The Company intends to implement retirement compensation stock option plans for the Officers of the Company in order to continuously enhance the Group’s corporate and shareholder value by recruiting and retaining talented staff and by raising the motivation of the Officers of the Company towards higher performance.

[Determination Methods and Main Features of the Group’s Compensation System]

In determination of the total amount of compensation, including the granting of Share Options, several factors are taken into account, such as the degree to which the Group’s operating profit targets were achieved; the business performance of each Group company, business segment or division; and the personnel evaluation of each individual.

As a general rule, the Group has designed its compensation system so that as an individual’s rank and responsibility increases, the portion of their total compensation comprised of

performance-based bonuses (based on individual, Group Company, business unit or department performance) and Stock Options (that are linked to stock prices) also increases. Nevertheless, it is the Group's belief that the Officers of the Company, in particular, compared to the other executives and employees of the Company, its subsidiaries or affiliates, are responsible for and should contribute to the further enhancement of performance and share holder value of the entire Group in the long-term. Accordingly, in order to raise the motivation of the Officers of Company to contribute to the enhancement of performance and stock prices in the long-term more than ever, the Company shall issue Share Options that may be exercised within ten days from the date following the date on which they retire from the Company, and its subsidiaries and affiliates, unlike those that were previously granted.

2. Outline of the issuance of the Share Options

(1) Persons to whom Share Options will be allotted

Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company.

(2) Class and number of shares to be issued upon exercise of Share Options

The class of shares to be issued upon the exercise of Share Options will be common stock of the Company, and the number of shares to be issued will not exceed 4,200,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment =

Number of shares

before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar action.

(3) Total number of Share Options to be issued

Share Options to be issued will not exceed 42,000 units.

One hundred shares will be issued for each Share Options; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the Share Options will be adjusted accordingly.

(4) Cash payment for Share Options

No cash payment is required for Share Options.

(5) Value of the assets to be contributed upon exercise of Share Options

The Price for one Share Option will be one yen.

(6) Exercise period of Share Options

The exercise period will be from the date on which Share Options are issued (hereinafter “date of issuance”) until the date on which 40 years have passed from the date of issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercise of Share Options

(i) Those who received an allotment of the issue of Share Options (hereinafter “Holders of Share Options”), shall exercise such rights within ten days from the date following the date on which they retire from Directors, Executive Officers, Company Auditors and employees of the Company, and its subsidiaries and affiliates at the time of exercising such rights.

(ii) Share Options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

(iii) Share Options may not be offered for pledge or disposed of in any other way.

(iv) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of Share Options by the methods listed below.

i) Receipt by cash

ii) Appropriation of shares owned by the Holders of Share Options

iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options

iv) Other methods specified by the Company

(8) Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

(i) Amount of increase in capital stock by issuing shares upon exercise of Share Options will be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen will be rounded up.

(ii) Amount of increase in capital reserve by issuing shares upon exercise of Share Options will be the upper limit of capital stock increase as described in (i) above minus the amount of increase in capital stock set out therein.

(9) Reasons and conditions for the acquisition of Share Options

(i) In cases where the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly

owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at a date specifically determined by the Board of Directors of the Company without any compensation.

(ii) In cases where Holders of Share Options cease to accommodate the conditions of (7) (i) above before exercising Share Options, the Company may acquire such Share Options at a date specifically determined by the Board of Directors of the Company without any compensation.

(10) Restriction on the acquisition of Share Options by transfer

Any acquisition of Share Options by transfer will require approval via a resolution of the Board of Directors of the Company.

(11) Treatment of Share Options in case of organizational restructuring of the Company

In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter "Restructured Company") will be delivered under the following conditions to Holders of Share Options remaining unexercised (hereinafter "Remaining Share Options") at the time when Organizational Restructuring takes effect. In this case, the Remaining Share Options will lapse and the Restructured Company will issue new Share Options. However, the foregoing will apply only to cases in which the delivery of Share Options of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement, or the share transfer plan.

(i) Number of Share Options of the Restructured Company to be delivered

The Restructured Company shall deliver Share Options, the number of which will equal the number of Share Options held by the holder of the Remaining Share Options.

(ii) Class of shares of the Restructured Company to be issued upon the exercise of Share Options

Shares of common stock of the Restructured Company

(iii) Number of shares of the Restructured Company to be issued upon the exercise of Share Options

To be decided according to (2) and (3) above after taking into consideration the conditions, etc. of the Organizational Restructuring.

(iv) Value of the assets to be contributed upon the exercise of Share Options

The value of the assets to be contributed upon the exercise of each Share Options will be decided according to (5) above after taking into consideration the conditions, etc. of the Organizational Restructuring.

(v) Exercise period of Share Options

Starting from the later of either the first date of the exercise period of Share Options as stipulated in (6) above or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Options as stipulated in (6) above.

(vi) Matters concerning increase in capital stock and capital reserve to be increased by the

issuing of shares by the Restructured Company upon the exercise of Share Options

To be determined in accordance with (8) above.

(vii) Restriction on acquisition of Share Options by transfer

Acquisition of Share Options by transfer will be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with a Board of Directors).

(viii) Reasons and conditions for the acquisition of Share Options

To be determined in accordance with (9) above.

(12) Rules pertaining to fractions of less than one share arising from the exercise of Share Options

Fractions of less than one share in the number of shares to be delivered to Holders of Share Options who exercised Share Options will be discarded.

(13) Other details of Share Options

Other details of Share Options will be determined by the meeting of the Board of Directors to determine the conditions of the offer of Share Options.

3. Matters concerning remuneration for Directors

The reason that the Company delivers aforementioned Share Options to its Directors (excluding Outside Directors; hereinafter the same will apply) as the compensation etc. is as stated in 1 above.

Out of the aforementioned Share Options, the Company delivers a maximum of 20,000 units for Directors of the Company.

The amount of Share Options to be delivered as part of the remuneration for Directors of the Company, will be calculated by multiplying the fair value of each Share Options calculated on the day when such rights are allotted, by the number of Share Options allotted to Directors of the Company. Fair value of each Share Options will be based on the fair unit price valuation calculated applying variables including share price on the day when the Share Options are allotted and the conditions of Share Options, etc. using an equity option pricing model such as the Black-Scholes model.

Regarding the above matter, it is on the proviso that the Proposals of "Issuance of Share Options as Stock Options to Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company" be approved at our 22nd Annual General Shareholders' Meeting scheduled to be held on March 28, 2019.