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(Securities Code 4755)

March 8, 2019

To Shareholders with Voting Rights:

Hiroshi Mikitani
Representative Director,
Chairman, President & CEO
Rakuten, Inc.
1-14-1 Tamagawa
Setagaya-ku, Tokyo, Japan

**NOTICE OF
THE 22ND ANNUAL GENERAL SHAREHOLDERS' MEETING**

Dear Shareholders:

You are cordially invited to attend the 22nd Annual General Shareholders' Meeting of Rakuten, Inc. (the "Company"). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Shareholders' Meeting (described hereinafter) and exercise your voting rights by 6:00 p.m. Japan Standard Time on Wednesday, March 27, 2019.

- 1. Date and Time:** Thursday, March 28, 2019 at 10:00 a.m. Japan Standard Time
- 2. Place:** Hiten Main Banquet Hall,
Grand Prince Hotel New Takanawa,
3-13-1 Takanawa, Minato-ku, Tokyo, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements for the 22nd Fiscal Year (January 1, 2018 - December 31, 2018)
 2. Results of Audits of Consolidated Financial Statements by the Independent Auditor and the Board of Company Auditors
 - Proposals to be resolved:**
 - Proposal No.1 :** Partial Amendment to the Articles of Incorporation
 - Proposal No.2 :** Election of Seven Directors
 - Proposal No.3 :** Election of One Company Auditor
 - Proposal No.4 :** Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Company and its subsidiaries
 - Proposal No.5 :** Issuance of Share Options as retirement compensation stock options to Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company

Please be aware that starting this year, no gifts will be provided to shareholders attending the General Shareholders' Meeting. We appreciate your understanding on this matter.

Corporate Mission

Contribute to Society by Creating Value through Innovation and Entrepreneurship

The Rakuten Group's corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive to contribute to social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises.

Message from CEO

The Rakuten Group received a 4G frequency band allocation from the Minister for Internal Affairs and Communications in April 2018, and is now set to launch services as a mobile carrier operator in the fall of 2019. While this is a new challenge for the Rakuten Group, we intend to bring disruptive innovation to the industry by building a communications network that makes full use of the world's cutting-edge technology and utilizing Rakuten's unique track record and know-how as an Internet business operator. In service development, we will bring together the collective powers of the Rakuten Group in our efforts to maximize synergies with the membership-based Rakuten Ecosystem.

Looking back on 2018, during the year we laid a foundation to enhance our brand value both domestically and overseas by renewing the Rakuten global brand logo and through partnerships with FC Barcelona, the Golden State Warriors and others.

In the Internet Services business, domestic e-commerce services including Rakuten Ichiba and Rakuten Travel performed steadily, with double-digit growth in gross merchandise sales, and we are expanding our logistics functions based on our vision for "One Delivery" end-to-end logistics service. We have also been steadily developing new focus areas such as C2C, advertising and investment, as well as overseas businesses including Rakuten Viber and Ebates.

In the FinTech (financial) business, Rakuten Card, which is Japan's top credit card, further accelerated growth, and new Group collaborations have been created through the use of Rakuten Super Points in Rakuten Bank and Rakuten Securities. Rakuten services have penetrated widely in various settings due to growth in cashless payment including Rakuten Pay, as well as Rakuten Point Card and other services.

As a result of these initiatives, the Rakuten Group's global users reached approximately 1.3 billion and global gross transaction value grew to ¥15 trillion. In 2018, Group revenue was

¥1.1 trillion, up 16.6% year-on-year, topping ¥1 trillion for the first time, and operating income reached a record high of ¥170.4 billion, up 14.1% year-on-year.

Based on our philosophy to “contribute to society by creating value through innovation and entrepreneurship,” Rakuten will deliver high-value-added, innovative services to the world, without being constrained by conventional rules, and will work to improve corporate and shareholder value through sustainable growth.

We ask for the ongoing understanding and support of our shareholders in these endeavors.

Hiroshi Mikitani Chairman, President, and Representative Director

A handwritten signature in black ink that reads "Hiroshi Mikitani". The signature is written in a cursive, flowing style.

Information concerning the exercise of voting rights:

For those attending the Shareholders' Meeting:

Please present the Voting Rights Exercise Form enclosed in the original Japanese Version at the reception desk. You may exercise your voting right by appointing another shareholder with the right to vote as your proxy. Please be advised that such proxy is required to submit a document to attest to the proxy right.

Date: Thursday, March 28, 2019 at 10:00 a.m. Japan Standard Time

For those unable to attend the Shareholders' Meeting:

■Exercise of voting rights in writing

Please indicate your votes for or against each of the proposals on the Voting Rights Exercise Form enclosed in the original Japanese Version, and return the form so that it reaches the Company by the following deadline.

Deadline for exercise of voting rights: 6:00 p.m. Japan Standard Time on Wednesday, March 27, 2019

■Exercise of voting rights via the Internet

Please refer to the Guide to exercising voting rights via the Internet (page 5 through 6), and enter your votes for or against each of the proposals by following the instructions on the screen.

Deadline for exercise of voting rights: 6:00 p.m. Japan Standard Time on Wednesday, March 27, 2019

Guide to exercising voting rights via the Internet

How to access the website using a computer, mobile phone or any other electronic device

STEP 1 Access the website

URL of website for exercise of voting rights	https://www.web54.net
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Deadline for exercise of voting rights: By 6:00 p.m. Japan Standard Time on Wednesday, March 27, 2019

* The website for exercise of voting rights may also be accessed by reading the QR Code® on the right using a mobile phone equipped with barcode reading function. (QR Code is a registered trademark of DENSO WAVE INCORPORATED.)

QR Code



STEP 2 Login by entering the exercise of voting rights code

STEP 3 Enter your password and click NEXT

STEP 4 Please enter your votes for or against each of the proposals by following the instructions on the screen

Regarding the handling of exercise of voting rights

- (1) If voting rights have been exercised both in writing and via Internet, the vote via Internet, etc. shall be treated as valid.
- (2) In cases where voting rights are exercised multiple times via Internet, the last exercise of voting rights shall be treated as valid.
- (3) The fees charged by providers and communications companies when using the website for exercise of voting rights shall be borne by the shareholder.

Regarding the handling of exercise of voting rights codes and passwords

- (1) The code indicated on the Voting Rights Exercise Form is valid for this General Shareholders' Meeting only.
- (2) If a password is entered mistakenly more than a certain number of times, it will no longer be available for use. If you wish to request a new password, please follow the instructions on the screen.
- (3) Your exercise of voting rights code and password are valuable pieces of information used to confirm that the person exercising voting rights is the actual shareholder. Please treat it as carefully as your personal seal or PIN number.

Contact

Contact for inquiries related to operation of website for exercise of voting rights

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Helpline,
(Telephone) 0120-652-031 9:00 - 21:00

Inquiries on other matters

- Shareholders holding an account with a securities company
Shareholders who hold an account with a securities company should contact their securities company.
- Shareholders not holding an account with a securities company (holders of special accounts)
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Services Center

(Telephone) 0120-782-031 9:00 - 17:00 (excluding Saturdays, Sundays, and national holidays)

For institutional investors

In addition to the above method to exercise voting rights via the Internet, you may exercise your rights using an electronic exercise of voting rights platform provided by ICJ, Inc. Please note that this service is only available for those who requested it in advance.

Reference Documents for the General Shareholders' Meeting

Matters to be Resolved and Reference Matters

Proposal No. 1: Partial Amendment to the Articles of Incorporation

1. Reasons for the proposal

The Company will implement Group reorganization on April 1, 2019 (scheduled). In conjunction with this reorganization, the Company proposes an amendment to current Article 2 (Purpose) of the Company's Articles of Incorporation and the establishment of a Supplementary Provision to define the effective date of the amendment as April 1, 2019.

In light of its future business developments, the Company proposes an amendment to the current Article 2 (Purpose) of the Company's Articles of Incorporation to include new business purposes.

2. Details of the proposed amendment

The details of the proposed amendment are as follows:

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
(Purpose) Article 2 The purposes of the Company shall be to engage in the following business activities: 1.-14. (Omission of the provisions) 15. Loaning money, intermediary service and guarantee of lending and borrowing of money, dealing with credit cards, financial instruments business, bank agency business and other financial businesses. 16. Issue, sales and management of electronic value information such as electronic money and prepaid payment instruments, provision of electronic settlement <u>and</u> fund transfer business.	(Purpose) Article 2 The purpose of the Company shall be <u>to control and manage the business operations of companies or business entities in Japan and overseas that engage in the following businesses by acquiring or holding shares or equities of the said companies or business entities.</u> 1.-14. (Unchanged) 15. Loaning money, intermediary service and guarantee of lending and borrowing of money, dealing with credit cards, financial instruments business, bank agency business, <u>electronic settlement agency business</u> and other financial businesses. 16. Issue, sales and management of electronic value information such as electronic money <u>and virtual currencies,</u> and prepaid payment instruments, provision of electronic settlement, <u>collection and payment agency services,</u> fund transfer business <u>and virtual currency exchange business.</u>

Existing Articles of Incorporation	Proposed amendment
<p>17.-29. (Omission of the provisions) (Newly established)</p> <p><u>30.-33.</u> (Omission of the provisions) (Newly established)</p> <p>(Newly established)</p>	<p>17.-29. (Unchanged)</p> <p><u>30. Management of pharmacies and dispensing of pharmaceuticals.</u></p> <p><u>31.-34.</u> (Unchanged)</p> <p><u>2</u> The Company may engage in the businesses stipulated in each of the foregoing items and all other businesses incidental and related thereto.</p> <p><u>(Supplementary Provision)</u></p> <p><u>Article 1 Changes to Article 2 (excluding the changes of items 15 and 16 and the addition of item 30 of Paragraph 1) shall become effective on April 1, 2019. Article 1 of the Supplementary Provision shall be deleted after the date on which the changes become effective.</u></p>

Proposal No. 2: Election of Seven Directors

1. Reasons for the proposal

The terms of office of all seven incumbent Directors will expire at the conclusion of the meeting. Accordingly, election of seven Directors (including four Outside Directors and one new director) is proposed. If this item is approved as proposed, three Outside Directors of the seven Directors will be appointed as Independent Directors, in accordance with the regulations of the Tokyo Stock Exchange, Inc.

2. Our approach towards the Board of Directors

(Measures to Enhance the Effectiveness of Corporate Governance)

The Group aims to maximize corporate value, and has been implementing various measures with rigorous corporate governance as our highest priority.

The Company has supervised management through a Board of Company Auditors comprised exclusively of Outside Company Auditors. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains the responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Company's Board of Directors, which includes both Outside Directors and Outside Company Auditors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective as well as enhancing the effectiveness of corporate governance by engaging in casual and multilateral discussions on management.

Also, the Company has been holding intensive meetings, where Directors and Company Auditors mainly engage in debate about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors.

(Selection of Candidates for Directors)

The Company selects candidates for Directors who embody the Company's corporate philosophy at a high level and who have high potential to contribute to further development of the Group. Additionally, by making each Director's term of office of each Director, the Company upholds the principle of reflecting the will of its shareholders in selecting its Directors each year.

In particular, the Company selects persons who have extensive experience, professional knowledge, and are able to play a leading role in areas such as IT, the financial industry, corporate management, the legal profession, public administration, and consulting, and who are capable of appropriately guiding and supervising the business execution of the Group.

If the proposal on the election of Directors is approved at the 22nd Annual General Shareholders' Meeting, seven Directors will be appointed. The Company believes this to be an appropriate size in order to conduct management decision-making and supervision. Additionally, the Company places emphasis on the diversity of its Directors. This is reflected by the appointment of one woman and two foreign nationals as Directors among its seven Directors, and one woman and one foreign national among its four Outside Directors.

(Independence of Independent Directors and Independent Company Auditors)

With the aim of ensuring high transparency and strong management supervision, in selecting Independent Directors and Independent Company Auditors the Company appoints persons who, in principle, do not fall under any of the following criteria.

- a. Executive of the parent company or a fellow subsidiary of the Company (*1)
- b. A person or party whose major client is the Company or an executive thereof or a major client (*2) of the Company or an executive thereof
- c. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation

as Directors or Company Auditors

- d. A person or party who has recently fallen under any of a) through c) above (*3)
- e. A close relative of a person who falls under any of a) through d) above, or a close relative of an executive of the Company or its subsidiary (including those who were executives until recently) (including a close relative of non-executive Director or accounting advisor of the Company or its subsidiary, in the case where Outside Company Auditor is appointed as an Independent Company Auditor)

*1: An executive as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, which includes employees in addition to executive Directors, and does not include Company Auditors.

*2: Refers to cases in which, using the transaction amount with the Company as the criterion, the sum of the Company's total purchase amount accounts for 1% or more of the total amount of Cost of sales and Selling, general and administrative expenses.

*3: Cases which are considered effectively equivalent to the present condition, such as where a party or person fell under any of a) through c) at the time the contents of the proposal of the General Shareholders' Meeting were determined for the election of such Independent Directors or Independent Company Auditors as Outside Directors or Outside Company Auditors.

3. Candidates for Director

The candidates for Director are as follows:

No.	Name	Position at the Company	Term of Office	Attendance of the meetings of the Board of Directors
1	Hiroshi Mikitani Reappointment	Representative Director, Chairman, President & CEO	22 years	100% (13 out of the 13 meetings)
2	Masayuki Hosaka Reappointment	Representative Director & Vice Chairman	5 years	100% (13 out of the 13 meetings)
3	Charles B. Baxter Reappointment	Director	8 years	92% (12 out of the 13 meetings)
4	Ken Kutaragi Reappointment Outside Independent	Director	9 years	100% (13 out of the 13 meetings)
5	Takashi Mitachi Reappointment Outside Independent	Director	3 years	85% (11 out of the 13 meetings)
6	Jun Murai Reappointment Outside Independent	Director	7 years	77% (10 out of the 13 meetings)
7	Sarah J. M. Whitley New Outside	-	-	-

No.1	Name (Date of birth)	Hiroshi Mikitani (March 11, 1965) <u>Reappointment</u>		
Responsibilities at the Company		Representative Director, Chairman, President & CEO Group President of Group Company Division		
Reasons for nominating the candidate		Ever since founding the Company in February 1997, Mr. Mikitani has led the management of the Group as Representative Director for 22 years and has established the "Rakuten Ecosystem," a unique innovative business model. In addition, he is the driving force behind the growth of the entire Group and the Internet Services segment as Chief Executive Officer and Internet Services Segment Leader. His continued appointment is requested in anticipation of achieving further development of the Group.		
Career summary, Positions and responsibilities		Apr.	1988	Joined The Industrial Bank of Japan, Limited
		May	1993	Received MBA from Harvard Business School
		Feb.	1996	President & Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)
		Feb.	1997	Founder & President & Representative Director of the Company
		Feb.	2001	Chairman, President, & Representative Director of the Company (current position)
		Mar.	2004	Chief Executive Officer of the Company (current position)
		Apr.	2006	Chairman & Representative Director of Crimson Football Club, Inc. (currently Rakuten Vissel Kobe, Inc.) (current position)
		Jan.	2008	Chairman & Representative Director of Rakuten Baseball, Inc.
		Feb.	2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)
		Oct.	2011	Chairman of Tokyo Philharmonic Orchestra (current position)
		Aug.	2012	Chairman & Representative Director & team owner of Rakuten Baseball, Inc. (current position)
		Mar.	2015	Director of Lyft, Inc. (current position)
		Aug.	2016	Chairman & Director of Aspyrian Therapeutics, Inc. (currently Rakuten Aspyrian, Inc.)
		Sep.	2017	Outside Director of Genesis Healthcare Co. (current position)
		Jan.	2018	Chairman & Representative Director of Rakuten Mobile Network, Inc. (current position)
Nov.	2018	Chairman & CEO of Rakuten Aspyrian, Inc. (current position)		

Significant office(s) concurrently held	Representative Partner of Crimson Group, LLC. Chairman & Representative Director of Rakuten Vissel Kobe, Inc. Representative Director of Japan Association of New Economy Chairman of Tokyo Philharmonic Orchestra Chairman & Representative Director & team owner of Rakuten Baseball, Inc. Chairman & CEO of Rakuten Aspyrian, Inc. Chairman & Representative Director of Rakuten Mobile Network, Inc.
Number of shares of the Company held	176,346,300 shares
Attendance of the meetings of the Board of Directors	100% (13 out of the 13 meetings)

No.2	Name (Date of birth)	Masayuki Hosaka (July 31, 1954) <u>Reappointment</u>		
Responsibilities at the Company	Representative Director & Vice Chairman President of FinTech Group Company			
Reasons for nominating the candidate	After working for a credit card service company, Mr. Hosaka joined the FinTech start-up business as General Manager of Personal Finance Department of the Company in 2003 and contributed to the rapid growth of the said business. In addition, as FinTech Segment Leader, he is the driving force behind the growth of this segment. His continued appointment is requested in anticipation of achieving further development of the Group.			
Career summary, Positions and responsibilities	Apr.	1980	Joined ORIX Credit Corporation	
	Dec.	2003	General Manager of Personal Finance Department of the Company	
	May	2005	Executive Officer of the Company	
	Feb.	2006	President & Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.)	
	Mar.	2007	Vice Chairman & Director of Rakuten Credit, Inc.	
	Apr.	2009	President & Representative Director of Rakuten Credit, Inc. (current position)	
	Feb.	2013	Managing Executive Officer of the Company	
	Jan.	2014	Executive Vice President of the Company	
	Mar.	2014	Representative Director of the Company (current position)	
	Apr.	2016	Representative Director & Vice Chairman (current position)	
	Jul.	2016	President of Card & Payments Company of the Company (currently FinTech Group Company) (current position)	
Significant office(s) concurrently held	President & Representative Director of Rakuten Card Co., Ltd.			
Number of shares of the Company held	116,600 shares			
Attendance of the meetings of the Board of Directors	100% (13 out of the 13 meetings)			

No.3	Name (Date of birth)	Charles B. Baxter (April 19, 1965) <u>Reappointment</u>		
Responsibilities at the Company		— (Chairman & Director, Rakuten USA, Inc.)		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of further promotion of the Group's US business based on his expertise in the Internet industry and corporate management, in addition to his contribution as Chairman and Director of Rakuten USA, Inc. since 2012.		
Career summary, Positions and responsibilities		Oct.	1998	CEO of eTranslate, Inc.
		Mar.	2001	Director of the Company
		Mar.	2003	Retired as Director of the Company
		Jul.	2004	Chairman of Wineshipping.com LLC (current position)
		Mar.	2011	Director of the Company (current position)
		Feb.	2012	Chairman & Director of Rakuten USA, Inc. (current position)
		Jan.	2015	Chairman of Reysn Holdco, Inc. (current position)
Significant office(s) concurrently held		—		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		92% (12 out of the 13 meetings)		

No.4	Name (Date of birth)	Ken Kutaragi (August 2, 1950) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management. He is an incumbent Outside Director of the Company and will have served for that position for nine years at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Apr.	1975	Joined Sony Corporation
		Nov.	1993	Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Apr.	1999	President & Representative Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2000	Director of Sony Corporation
		Nov.	2003	Director, Executive Vice President & COO of Sony Corporation
		Dec.	2006	Chairman, Representative Director & Group CEO of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2007	Honorary Chairman of Sony Computer Entertainment Inc. Senior Technology Advisor of Sony Corporation
		Oct.	2009	President, Representative Director & CEO of Cyber AI Entertainment Inc. (current position)
		Mar.	2010	Outside Director of the Company (current position)
		Jun.	2011	Outside Director of Nojima Corporation (current position)
		Jan.	2018	Outside Director of GA technologies Co., Ltd (current position)
Significant office(s) concurrently held		President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of Nojima Corporation Outside Director of GA technologies Co., Ltd		
Number of shares of the Company held		10,000 shares		
Attendance of the meetings of the Board of Directors		100% (13 out of the 13 meetings)		

No.5	Name (Date of birth)	Takashi Mitachi (January 21,1957) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>	
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his expertise as a management consultant along with his extensive experience in corporate management. He is an incumbent Outside Director of the Company and will have served for that position for three years at the conclusion of the meeting.	
Career summary, Positions and responsibilities		Apr.	1979 Joined Japan Airlines Co., Ltd.
		Jun.	1992 Received MBA from Harvard Business School
		Oct.	1993 Joined The Boston Consulting Group
		Jan.	1999 Vice President of The Boston Consulting Group
		Jan.	2005 Japan Co-chair of The Boston Consulting Group
		Apr.	2011 Board Member of Japan Association for the World Food Programme
		Apr.	2013 Adjunct Professor of Graduate School of Management of Kyoto University (current position)
		Jan.	2016 Senior Partner & Managing Director of The Boston Consulting Group
		Mar.	2016 Outside Director of the Company (current position)
		Jun.	2016 Outside Director of Lotte Co., Ltd. (current position)
		Mar.	2017 Outside Director of DMG MORI CO., LTD. (current position)
		Mar.	2017 Outside Director of FiNC Inc. (current position)
		Mar.	2017 Outside Director of Unicharm Corporation (current position)
		Jun.	2017 Outside Director of Tokio Marine Holdings, Inc. (current position)
		Oct.	2017 Senior Advisor of The Boston Consulting Group (current position)
Significant office(s) concurrently held		Adjunct Professor of Graduate School of Management of Kyoto University Senior Advisor of The Boston Consulting Group Outside Director of DMG MORI CO., LTD. Outside Director of Unicharm Corporation Outside Director of Tokio Marine Holdings, Inc.	
Number of shares of the Company held		0 shares	
Attendance of the meetings of the Board of Directors		85% (11 out of the 13 meetings)	

No.6	Name (Date of birth)	Jun Murai (March 29, 1955) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice on the management of the Company based on his academic expertise in the Internet technology along with his extensive experience. He is an incumbent Outside Director of the Company and will have served for that position for seven years at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Aug.	1984	Assistant at Information Processing Center of Tokyo Institute of Technology
		Mar.	1987	Received Ph. D in Engineering from Keio University
		Apr.	1987	Assistant at Large-scale Computer Center of the University of Tokyo
		Apr.	1990	Associate Professor of Faculty of Environment and Information Studies of Keio University
		Apr.	1997	Professor of Faculty of Environment and Information Studies of Keio University (current position)
		May	2005	Vice-President of Keio Gijuku Educational Corporation
		Oct.	2009	Professor of Faculty of Environment and Information Studies of Keio University
		Sep.	2011	Outside Director of BroadBand Tower, Inc. (current position)
		Mar.	2012	Outside Director of the Company (current position)
		Oct.	2017	Dean of the Graduate School of Media and Governance of Keio University (current position)
Jun.	2018	Outside Director of LAC Co., Ltd. (current position)		
Significant office(s) concurrently held		Professor of Faculty of Environment and Information Studies of Keio University Dean of the Graduate School of Media and Governance of Keio University Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd.		
Number of shares of the Company held		1,500 shares		
Attendance of the meetings of the Board of Directors		77% (10 out of the 13 meetings)		

No.7	Name (Date of birth)	Sarah J. M. Whitley (August 6, 1958) <u>New</u> <u>Candidate for Outside Director</u>		
Reasons for nominating the candidate		Appointment is requested in anticipation of her advice to the management of the Company to enhance its corporate value based on her many years of experience in observing the Company and other Japanese companies as an investor. Although she has not directly participated in company management, the Company believes that she will be able to perform Outside Director's responsibilities for the above reasons.		
Career summary, Positions and responsibilities		Sep.	1980	Joined Baillie Gifford & Co.
		May	1986	Partner of Baillie Gifford & Co.
		Apr.	2018	Retired from Baillie Gifford & Co.
Significant office(s) concurrently held		-		
Number of shares of the Company held		-		
Attendance of the meetings of the Board of Directors		-		

- (Notes)
1. Candidate for Director Hiroshi Mikitani is Chairman of Tokyo Philharmonic Orchestra and Representative Director of Japan Association of New Economy, and the Company makes financial contributions and pays membership fees to both organizations. The ratio of such payments in fiscal 2018 was less than 1% of the combined total amount of the Cost of sales and Selling, general and administrative expenses of the Company for the year.
 2. Candidate for Director Takashi Mitachi is Adjunct Professor of Graduate School of Management of Kyoto University, which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Kyoto University and the Company in fiscal 2018 was less than 1% of the combined total amount of the Cost of sales and Selling, general and administrative expenses of the Company for the year.
 3. Candidate for Director Jun Murai is Professor of Faculty of Environment and Information Studies of Keio University and Dean of the Graduate School of Media and Governance of Keio University; the university helps operating an international standardization body to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2018 was less than 1% of the combined total amount of the Cost of sales and Selling, general and administrative expenses of the Company for the year. He is also Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between each of BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2018 was less than 1% of the combined total amount of the Cost of sales and Selling, general and administrative expenses of the Company for the year.
 4. Candidates for Director Ken Kutaragi, Takashi Mitachi, Jun Murai and Sarah J. M. Whitley are candidates for Outside Director and the summary of details of the liability limitation agreement with Outside Directors is as follows.
In order for Outside Directors to fulfill their expected roles, the Company stipulates under its current Articles of Incorporation that it can conclude with each Outside Director a liability limitation agreement, which restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the

provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into such a liability limitation agreement with the three incumbent Outside Directors of the Company Ken Kutaragi, Takashi Mitachi, and Jun Murai. The liability limitation agreement will be renewed with the three incumbent Outside Directors subject to the approval of their reappointment. Also, if the appointment of candidate for Outside Director Sarah J. M. Whitley is approved, the Company plans to conclude the same agreement with her.

5. If the reappointment of three candidates for Director Ken Kutaragi, Takashi Mitachi, and Jun Murai is approved, they will be appointed to the position of Independent Director specified by the regulations of the Tokyo Stock Exchange.

Proposal No. 3: Election of One Company Auditor

The term of office of Company Auditor Takeo Hirata will expire at the conclusion of the meeting. Accordingly, election of one Company Auditor is proposed.

The Board of Company Auditors has given its consent with regard to this proposal.

The candidate for Company Auditor is as follows:

	<p align="center">Name (Date of birth)</p>	<p align="center">Takeo Hirata (January 16, 1960) <u>Reappointment</u> <u>Candidate for Outside Company Auditor</u> <u>Candidate for Independent Company Auditor</u></p>	
<p align="center">Reasons for nominating the candidate</p>	<p>His continued appointment is requested in anticipation of his contribution to the Company's audit system based on his extensive knowledge and experience related primarily to sports and education. Although he has not participated in company management other than as an Outside Director or Outside Company Auditor to date, the Company believes that he will be able to perform Outside Company Auditor's responsibilities for the above reasons. He is an incumbent Outside Company Auditor of the Company and will have served for that position for 12 years at the conclusion of the meeting.</p>		
<p align="center">Career summary and positions</p>	Apr.	1982	Joined the Ministry of International Trade and Industry (currently Ministry of Economy, Trade, and Industry)
	Jun.	1988	Received a master's degree from Harvard Kennedy School
	Jun.	1995	Legal Examination Commissioner of General Affairs Division of Minister's Secretariat of International Trade and Industry (currently Ministry of Economy, Trade, and Industry)
	Jul.	1997	Financial Cooperation Office of International Trade Policy Bureau of Ministry of International Trade and Industry
	Jun.	2000	Director of Petroleum Exploration and Production Division of Agency of Natural Resources and Energy of Ministry of International Trade and Industry
	Jan.	2001	Director of Petroleum and Natural Gas Division of Agency for Natural Resources and Energy of Ministry of Economy, Trade and Industry
	Jul.	2002	General Secretary of Japan Football Association
	Apr.	2006	Professor of Waseda University Graduate School of Sport Sciences (current position)
	Mar.	2007	Outside Company Auditor of the Company (current position)
	Apr.	2011	Dean of Waseda University Research Institute for Strategy of Natural Resources (current position)
	Aug.	2013	Special Advisor to the Cabinet (current position)
	Jul.	2016	Chairman of the Japan Society of Sports Industry (current position)
	Jun.	2017	Outside Company Auditor of Isetan Mitsukoshi Holdings Ltd. (current position)
<p align="center">Significant office(s) concurrently held</p>	<p>Professor of Waseda University Graduate School of Sport Sciences Dean of Waseda University Research Institute for Strategy of Natural Resources Special Advisor to the Cabinet Chairman of the Japan Society of Sports Industry Outside Company Auditor of Isetan Mitsukoshi Holdings Ltd.</p>		
<p align="center">Number of shares of the Company held</p>	<p>21,500 shares</p>		
<p align="center">Attendance of the meetings of the Board of Directors</p>	<p>100% (13 out of the 13 meetings)</p>		

Attendance of the meetings of the Board of Company Auditors	100% (7 out of the 7 meetings)
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- (Notes)
1. Candidate for Company Auditor Takeo Hirata is Professor of Waseda University Graduate School of Sport Sciences and Dean of Waseda University Research Institute for Strategy of Natural Resources, to which the Company pays research expenses. The ratio of the amount of transactions between Waseda University and the Company in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year. He is also Chairman of the Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year. Additionally, he is an Outside Company Auditor of Isetan Mitsukoshi Holdings Ltd., which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Isetan Mitsukoshi Holdings Ltd. and the Company in fiscal 2018 is less than 1% of the combined total amount of Cost sales and Selling, general and administrative expenses at the Company for the year.
 2. Candidate for Company Auditor Takeo Hirata is a candidate for Outside Company Auditor and the summary of details of the liability limitation agreement with Outside Company Auditors is as follows.
In order for Outside Company Auditors to fulfill their expected roles, the Company stipulates under its current Articles of Incorporation that it can conclude with each Outside Company Auditor a liability limitation agreement, which restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into the liability limitation agreement with the incumbent Outside Company Auditor Takeo Hirata. This liability limitation agreement will be renewed with Takeo Hirata, subject to the approval of his reappointment.
 3. If the reappointment of candidate for Company Auditor Takeo Hirata is approved, Takeo Hirata will be appointed to the position of Independent Company Auditor specified by the regulations of the Tokyo Stock Exchange.

Proposal No. 4: Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Company and its subsidiaries

It is hereby proposed that the Company be authorized to issue the following Share Options as stock options to Directors (excluding Outside Directors), Executive Officers and employees of the Company and its subsidiaries (hereinafter referred to as the “executives and employees of the Group”), pursuant to Articles 236, 238 and 239 of the Companies Act, and to delegate the determination of the terms and conditions of the offer thereof to the Board of Directors of the Company.

Along with the above, this proposal also requests the approval of delivery of Share Options as additional compensation for the Company’s Directors (excluding Outside Directors) pursuant to Article 361 of the Companies Act, separately from the amount of compensation for Directors approved at the 18th Annual General Shareholders’ Meeting held on March 27, 2015.

Given the approval of Proposal No. 2 as submitted, the Company shall have three Directors (excluding Outside Directors).

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 executives and employees of the Group will allow executives and employees of the Group 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.

In addition, the exercise period of a portion of the Share Options will commence on the date on which one year has passed from the issuance of the Share Options, while the proportion of the Share Options, which may be exercised, will increase gradually in stages until the date prior to the date on which four years have passed from the issuance, with the rest of the Share Options becoming exercisable thereafter. By making the Share Options exercisable in stages in this way, it will be possible to exercise the Share Options on the date on which one year has passed from the issuance of the Share Options. This will offer an attractive compensation package to prospective recruits to the Group, especially in countries and regions where the competition for talented human resources is intense. On the other hand, by making a portion of the Share Options exercisable gradually in stages until the date prior to the date on which four years have passed from the issuance, 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 stock option plans for executives and employees of the Group in order to continuously enhance the Group’s corporate and shareholder value by recruiting and retaining talented staff and by raising the motivation of executives and employees of the Group 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 Share Options (that are linked to stock prices) also increases. Nevertheless, a major feature of the Group's compensation system is that it delivers Share Options to a wide range of personnel starting with first-year employees with relatively low ranks and small roles up to Directors. This reflects the Group's belief that making the majority of the executives and employees of the Group potential shareholders will further raise the awareness of each of the executives and employees of the Group towards enhancing corporate and shareholder values. Additionally, this is expected to reinforce the sense of unity among all executives and employees of the Group, which is thought to be an indispensable element in expanding and fostering the Rakuten Ecosystem both in Japan and abroad.

2. Outline of the issuance of the Share Options

(1) Persons to whom Share Options will be allotted

Directors (excluding Outside Directors), Executive Officers and employees of the Company and its subsidiaries

Outside Directors and Company Auditors of the Company's subsidiaries and affiliates shall be eligible for the allotment of Share Options, if such person remains a Director (excluding Outside Director), Executive Officer or employee of the Company or another subsidiary.

(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 33,000,000.

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.

$$\begin{array}{l} \text{Number of shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares} \\ \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

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 330,000 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 one year has passed from the issuance of the Share Options (hereinafter "date of issuance") to the date on which ten 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") will remain Directors (excluding Outside Directors), Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances and in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).
- (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) Share Options may be exercised by the Holder of Share Options, in whole or in part, according to the following categories.
 - i) The entire allotment of Share Options may not be exercised prior to the date on which one year has passed from the date of issuance.
 - ii) 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on

which two years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).

- iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
- (v) 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.

Proposal No. 5: Issuance of Share Options as retirement compensation stock options to Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company

It is hereby proposed that the Company be authorized to issue the following Share Options as retirement compensation 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, and to delegate the determination of the terms and conditions of the offer thereof to the Board of Directors of the Company.

Along with the above, this proposal also requests the approval of delivery of Share Options as additional compensation for the Company's Directors (excluding Outside Directors) pursuant to Article 361 of the Companies Act, separately from the amount of compensation for Directors approved at the 18th Annual General Shareholders' Meeting held on March 27, 2015.

Given the approval of Proposal No. 2 as submitted, the Company shall have three Directors (excluding Outside Directors), two of whom will serve concurrently as 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.

$$\begin{array}{l} \text{Number of shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares} \\ \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

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 as Directors, Executive Officers, Company Auditors and employees of the Company and its subsidiaries and affiliates.
- (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.

Business Report

(From January 1, 2018 to December 31, 2018)

Part 1 Current Condition of the Rakuten Group

1. Business Progress and Results

Revenue	Non-GAAP operating income	IFRS operating income	Net income attributable to owners of the parent company
¥1,101.5 billion	¥161.1 billion	¥170.4 billion	¥142.3 billion
(16.6% increase YoY)	(3.5% decrease YoY)	(14.1% increase YoY)	(28.7% increase YoY)

Application of International Financial Reporting Standards: Starting from the fiscal year ended December 31, 2013, the Rakuten Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

The Rakuten Group is disclosing consolidated business results in terms of both its internal measures which management relies upon in making decisions (hereinafter the “Non-GAAP financial measures”) and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting unusual items and other adjustments prescribed by the Rakuten Group. The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that Rakuten believes shall be excluded for the purpose of preparing future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expense and amortization of acquisition-related intangible assets.

(Note) For disclosure of Non-GAAP financial measures, the Rakuten Group refers to the rule specified by the U.S. Securities and Exchange Commission but does not fully comply with said rule.

■ Business Results for the Fiscal Year Ended December 31, 2018 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2018 has been recovering gradually overall, although attention must be paid to the future outlook, including trends in trade issues, the prospects for the Chinese economy, and the impact of fluctuations in financial and capital markets. The Japanese economy also enjoyed a gradual recovery due to increased capital investment and production by companies in the midst of continuing improvement in the wage and employment environment.

The “Investments for the Future Strategy 2018,” adopted by Cabinet decision in June 2018, calls on Japan to incorporate cutting-edge technologies such as IoT, robotics, artificial intelligence (AI) and Big Data throughout all industries and society as a whole in order to realize a new Society 5.0 that achieves both economic development and solutions to social problems, transforming to a data-driven society where it is possible to

provide new added value through the collection, analysis and use of data.

Under such an environment, the Rakuten Group is at the forefront of corporate efforts to combine knowledge from these fields in order to press ahead with the development of businesses bringing together membership, Big Data, and branding, along with the development of services using AI and blockchain. In communication services, the Rakuten Group is implementing a plan approved by the Minister for Internal Affairs and Communications in April 2018 to set up specified base stations to promote the spread of fourth-generation mobile communication system, and is also conducting verification tests for fifth-generation mobile communication system.

In domestic e-commerce services, the mainstay of Internet Services, given that the Rakuten Group faced the impact of volume limits and increased shipping costs from shipping companies, it is proceeding with development and reinforcement of its logistics hubs. On the other hand, the Rakuten Group is making every effort towards further growth in gross merchandise sales and revenues by focusing on strategies to enhance services for smart devices, and further opening up of the Rakuten Ecosystem, as well as on other initiatives, including sales promotion activities to cultivate loyal customers and win new users, promotion of cross-use, programs aimed at improving customer satisfaction. In overseas Internet services, operations are expanding at U.S. subsidiaries including Ebates Inc. (hereinafter "Ebates"), and the Rakuten Group is continuing to make investments aimed at future growth. In the investment business, the Rakuten Group is proceeding with investment in companies that have innovative technology and business models, and recorded unrealized gains and losses on stocks with regard to these investments.

In the FinTech segment, revenue and operating income increased steadily, due to growth in commission income driven by further expansion of Rakuten Card's membership base, in addition to the expansion of banking services, etc. However, an operating loss was recorded in general insurance services as a result of payment of insurance claims, etc., related to large-scale natural disasters including typhoons and the heavy rains in western Japan that occurred during the third quarter ended September 30, 2018.

As a result, the Rakuten Group achieved revenue of ¥1,101,480 million, up 16.6% year-on-year, for the fiscal year ended December 31, 2018. Non-GAAP operating income was ¥161,130 million, down 3.5% year-on-year.

■ Reconciliation of IFRS Operating Income to Non-GAAP Operating Income

For the fiscal year ended December 31, 2018, amortization of intangible assets of ¥10,982 million and stock-based compensation expenses of ¥7,833 million were excluded from Non-GAAP operating income. In addition, one-off items of ¥28,110 million were recorded mainly due to the transfer of all shares in O-net, Inc.

■ Operating Results for the Fiscal Year Ended December 31, 2018 (IFRS basis)

The Rakuten Group recorded revenue of ¥1,101,480 million, up 16.6% year-on-year, operating income of ¥170,425 million, up 14.1% year-on-year, and net income attributable to owners of the parent company of ¥142,282 million, up 28.7% year-on-year, for the fiscal year ended December 31, 2018.

(Millions of yen)

	Fiscal year ended December 31, 2017 (21st)	Fiscal year ended December 31, 2018 (22nd)	Amount Change YoY	% Change YoY
Revenue	944,474	1,101,480	157,006	16.6%
Non-GAAP operating income	167,010	161,130	(5,880)	(3.5) %
Amortization of intangible assets	(7,758)	(10,982)	(3,224)	41.6%
Stock-based compensation expenses	(7,509)	(7,833)	(324)	4.3%
One-off items	(2,399)	28,110	30,509	—
IFRS operating income	149,344	170,425	21,081	14.1%
Net income attributable to owners of the parent company	110,585	142,282	31,697	28.7%

■ Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss is presented on a Non-GAAP operating income basis.

Internet Services Segment

Sales composition ratio (excluding adjustments): 65.7%

(Billions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Segment Revenue	680.3	788.4
Segment Profit	100.8	95.7

Main businesses: Domestic e-commerce (Rakuten Ichiba, Rakuten Travel, etc.), Overseas e-commerce (Ebates, RAKUTEN FRANCE, etc.), E-book services (Rakuten Kobo, OverDrive, etc.), communication and messaging services (Rakuten Mobile, Viber, etc.), professional sports (Rakuten Eagles, Vissel Kobe)

In the Internet Services segment for the fiscal year ended December 31, 2018, in the mainstay domestic e-commerce services, given that the Rakuten Group faced the impact of volume limits and increased shipping costs from shipping companies, it is proceeding with development and reinforcement of its logistics hubs. On the other hand, the Rakuten Group is making every effort towards further growth in gross merchandise sales and revenues by focusing on strategies to enhance services for smart devices, and further opening up of the Rakuten Ecosystem, as well as on other initiatives, including sales promotion activities to cultivate loyal customers and win new users, promotion of cross-use, programs aimed at improving customer satisfaction. In overseas Internet services, operations are expanding at subsidiaries including Ebates, and the Rakuten Group is continuing to make investments aimed at future growth. In the investment business, the Rakuten Group is proceeding with investment in companies that have innovative technology and business models, and recorded unrealized gains and losses on stocks with regard to these investments. Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, and Viber, which provides messaging and VoIP services, substantially increased revenue thanks to their full-scale aggressive sales activities. As a result, revenue for the Internet Service segment rose to ¥788,390 million, a 15.9% year-on-year increase, while segment profit stood at ¥95,725 million, a 5.0% year-on-year decrease.

FinTech Segment

Sales composition ratio (excluding adjustments): 34.3%

(Billions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Segment Revenue	333.2	410.8
Segment Profit	72.8	79.9

Main businesses: Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Life Insurance, Rakuten General Insurance

In the FinTech segment for the fiscal year ended December 31, 2018, revenue and operating income increased steadily, due to growth in commission income driven by further expansion of Rakuten Card's membership base, in addition to contribution from expansion of banking services, etc. However, an operating loss was recorded in general insurance services as a result of payment of insurance claims, etc., related to large-scale natural disasters including typhoons and the heavy rains in western Japan that occurred during the third quarter ended September 30, 2018.

As a result, the FinTech segment recorded ¥410,796 million in revenue, a 23.3% year-on-year increase, while segment profit stood at ¥79,852 million, a 9.7% year-on-year increase.

2. Operating Results and Financial Status

Classification		19th (From January 1, 2015 to December 31, 2015)	20th (From January 1, 2016 to December 31, 2016)	21st (From January 1, 2017 to December 31, 2017)	22nd (From January 1, 2018 to December 31, 2018)
Revenue	(Millions of yen)	713,555	781,916	944,474	1,101,480
Operating income	(Millions of yen)	96,778	78,512	149,344	170,425
Non-GAAP operating income	(Millions of yen)	154,242	119,615	167,010	161,130
Income before income tax	(Millions of yen)	94,076	74,458	138,082	165,423
Net income	(Millions of yen)	45,885	38,435	110,488	141,889
Comprehensive income	(Millions of yen)	52,725	20,106	100,981	124,452
Basic earnings per share	(Yen)	33.50	26.96	80.03	105.43
Diluted earnings per share	(Yen)	33.25	26.74	79.28	104.38
Total assets	(Millions of yen)	4,269,953	4,604,672	6,184,299	7,345,002
Total equity attributable to owners of the Company	(Millions of yen)	666,111	682,391	683,181	774,473
Equity per share attributable to owners of the Company	(Yen)	467.65	478.40	507.32	572.83
Cash flows from operating activities	(Millions of yen)	78,245	30,700	162,056	145,615
Cash flows used in investing activities	(Millions of yen)	(224,078)	(26,841)	(203,718)	(67,569)
Cash flows from financing activities	(Millions of yen)	221,831	45,200	194,458	208,418
ROE	(%)	8.4	5.7	16.2	19.5
Dividend per share	(Yen)	4.5	4.5	4.5	4.5

(Notes) 1. Non-GAAP operating income is operating income under IFRS (hereinafter "IFRS operating income") after deducting unusual items and other adjustments prescribed by the Rakuten Group. The management believes disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook.

2. With regard to insurance business policy reserve for insurance business, the Rakuten Group has previously applied the method of measuring insurance liabilities prescribed by laws and regulations that apply to insurance contracts in Japan. However, from the fiscal year ended December 31, 2017, in order to measure insurance liabilities according to discount rates based on current market interest and reflect the time value of money, the Rakuten Group has changed to a method that recognizes interest arising from the book value of insurance liabilities in profit or loss, and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate in other comprehensive income. Accordingly, major management indicators, etc. for the fiscal year ended December 31, 2015 and the fiscal year ended December 31, 2016 have been retrospectively restated to reflect the change in accounting policy.

3. Capital Investment

The total amount of capital investment for the fiscal year was ¥100,072 million, primarily on the development and acquisition of software programs.

4. Capital Procurement

The Company procured ¥182,000 million in December 2018 by issuing unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement).

5. Business Reorganization

- (1) In March 2018, the Company acquired all the common stock and class stock of Asahi Fire & Marine Insurance Co., Ltd. (“Asahi Fire”) through a tender offer, and made Asahi Fire a wholly owned subsidiary in April 2018. Asahi Fire changed its corporate name to Rakuten General Insurance Co., Ltd. as of July 2, 2018.
- (2) In July 2018, the Company and Gurunavi, Inc. (“Gurunavi”) entered into a capital and business alliance agreement, and the Company acquired 4,677,600 of shares issued by Gurunavi (ratio of voting rights: 9.99%).
- (3) In November 2018, the Company decided to transfer all shares of O-net, Inc. (“O-net”), which had been a wholly owned subsidiary of the Company, to a new company which is established by Polaris Capital Group Co., Ltd. (“Polaris”), and concluded a share transfer agreement with Polaris. The transfer of all shares was completed on December 28, 2018.

6. Challenges

As a company group that contributes to society by creating value through innovation and entrepreneurship, our challenges are to respond flexibly to changes in our business environment, and build a framework for continuous growth. Through long-term continuous growth, we aim to maximize the corporate and shareholders’ value of the Rakuten Group and continue to be a Global Innovation Company that brings benefit to society as a whole.

(1) Business strategy

The Rakuten Group aims to generate synergistic benefits that include the maximization of the lifetime value of each member and minimization of customer acquisition cost, and maximize Group revenue. We will achieve this by creating an environment in which members worldwide can continuously surf between multiple services in the “Rakuten Ecosystem,” at the core of which are the membership, big data, and brand held by the Rakuten Group.

In Internet Services, particularly e-commerce and travel, we will pursue various measures for cultivating a loyal customer base, winning new users, promoting cross use of services, and improving customer satisfaction, as well as enhancing services for smart devices and promoting strategies to open up the “Rakuten Ecosystem,” with the aim of creating new markets through the utilization of technologies such as big data and AI. In services such as Ebates and Viber, we aim to expand the “Rakuten Ecosystem” membership base while providing new value to our users.

We are pursuing even greater growth of FinTech services in such areas as credit cards, banking, securities, and insurance by generating synergistic benefits between businesses, promoting cross use of services, and integrating technologies including AI and voice recognition. The “Investments for the Future Strategy 2017,” adopted by Cabinet decision in June 2017, calls on Japan to aim for a cashless payment ratio of approximately 40% over the next 10 years. Against this backdrop, the Rakuten Group is focusing on introducing its payment services in more locations and enhancing the functions of its payment apps to

achieve the Rakuten Group's vision for a comprehensive payment services platform. Furthermore, we will enhance our portfolio of new businesses including C2C (consumer-to-consumer), sharing economy services, advertising and investment, while continuing to focus efforts on utilization of AI such as deep learning, in unceasing pursuit of innovation not bound by the status quo. With regard to the mobile carrier business scheduled to launch in October 2019, we will utilize the world's cutting-edge technology to build a network unlike any seen before.

In addition to pursuing growth of individual businesses and maximizing cross-business synergies, we intend to expand the "Rakuten Ecosystem" not only in Japan but globally by establishing innovative marketing methods that utilize the Rakuten Group's membership, big data and Rakuten Super Points, creating a Global ID Platform that provides a single membership ID and loyalty program worldwide, and raising our brand value through integrating service brands and partnerships with "FC Barcelona," the NBA "Golden State Warriors" and others. To do this, we must further enhance our global management, and we will work to reinforce our overseas development centers and bolster our system for optimizing technological development on a global basis.

(2) Management structure

The Rakuten Group positions thorough corporate governance as our top challenge, and we are developing a number of initiatives to ensure good corporate governance.

The Company has supervised management through a Board of Company Auditors comprised exclusively of Outside Company Auditors. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System by which the Board has retained the responsibility for management decision-making and supervision, while Executive Officers have been made responsible for the executive functions.

The Company's Board of Directors, which includes the Outside Directors and Outside Company Auditors who are highly independent experts of a variety of fields, supervises the execution of duties from an objective perspective and enhances the effectiveness of corporate governance by engaging in frank and multilateral discussions on management. Additionally, we have been holding intensive meetings, consisting primarily of Directors and Company Auditors, where we discuss Rakuten Group management strategy and other matters, separately from the Board of Directors. These meetings allow for discussions with a medium to long-term perspective that is not dominated by near-term challenges or the Board of Directors agenda items.

In addition, we have introduced an internal Company system to ensure agile business execution and clear accountability.

Through such efforts, the Rakuten Group will continue to build a management structure with more highly effective governance functions that enables swift management decisions.

7. Principal Businesses

As a Global Innovation Company engaged in the two main activities of Internet Services and FinTech, the Group Companies are organized into two reportable segments: "Internet Services" and "FinTech."

Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Group Companies in order to determine the allocation of resources and assess performance.

The "Internet Services" segment comprises businesses running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with business for advertising etc. on these sites. Additionally, this segment includes businesses for the provision of messaging and communication services and management of professional sports teams.

The "FinTech" segment engages in businesses providing services over the internet related to banking and securities, credit cards, life insurance, general insurance and electronic money.

8. Information on Principal Parent Company and Principal Subsidiaries
Information on Principal Subsidiaries

Company name	Capital	Ratio of voting rights	Main business
Rakuten Card Co., Ltd.	¥19,324 million	100.00%	Issuance of credit card, Rakuten Card, and related services
Ebates Inc.	0.1 U.S. dollar	100.00% (100.00%)	Online cash- back service
Rakuten Bank, Ltd.	¥25,954 million	100.00%	Internet banking service
Rakuten Direct Inc.	¥100 million	100.00%	E-commerce services for daily necessities and household goods
Rakuten Securities, Inc.	¥7,496 million	100.00%	Online securities trading services
Rakuten Communications Corp.	¥2,026 million	100.00%	IP telephone, cloud and other services
Rakuten General Insurance Co., Ltd.	¥5,153 million	100.00% (100.00%)	General insurance business
Rakuten Life Insurance Co., Ltd.	¥5,000 million	100.00% (100.00%)	Life insurance business
OverDrive Holdings, Inc.	1 U.S. dollar	100.00% (100.00%)	E-book distribution services for libraries and others
Rakuten Kobo Inc.	886 million Canadian dollars	100.00% (100.00%)	E-book services
RAKUTEN MARKETING LLC	1 U.S. dollar	100.00% (100.00%)	Performance marketing services
VIBER MEDIA LTD.	62 thousand U.S. dollars	100.00%	Mobile messaging and VoIP services

(Notes) 1. Figures in the brackets under Ratio of voting rights represent percentage of voting rights held indirectly.

2. There is no subsidiary that corresponds to the specified subsidiaries.

3. Rakuten General Insurance Co., Ltd. changed its company name from Asahi Fire & Marine Insurance Co., Ltd. on July 2, 2018.

9. Principal Offices

(1) The Company

Name	Location	Name	Location
Rakuten Crimson House	Setagaya-ku, Tokyo	Nagoya Branch	Nagoya-shi, Aichi
Sapporo Branch	Sapporo-shi, Hokkaido	Osaka Branch	Osaka-shi, Osaka
Sendai Branch	Sendai-shi, Miyagi	Hiroshima Branch	Hiroshima-shi, Hiroshima
Saitama Branch	Saitama-shi, Saitama	Fukuoka Branch	Fukuoka-shi, Fukuoka

(2) Subsidiaries

Name	Location
Rakuten Card Co., Ltd.	Setagaya-ku, Tokyo
Ebates Inc.	U.S.
Rakuten Bank, Ltd.	Setagaya-ku, Tokyo
Rakuten Direct Inc.	Setagaya-ku, Tokyo
Rakuten Securities, Inc.	Setagaya-ku, Tokyo
Rakuten Communications Corp.	Setagaya-ku, Tokyo
Rakuten General Insurance Co., Ltd.	Chiyoda-ku, Tokyo
Rakuten Life Insurance Co., Ltd.	Setagaya-ku, Tokyo
OverDrive Holdings, Inc.	U.S.
Rakuten Kobo Inc.	Canada
RAKUTEN MARKETING LLC	U.S.
VIBER MEDIA LTD.	Luxembourg

10. Employees

Classification	Number of employees	Year-on-year change
Total	17,214	Increased by 2,369

(Note) Number of employees excludes those serving concurrently as employees and Directors, temporary staff and part-time employees.

Name of business segments	Number of employees
Internet Services	11,145
FinTech	4,146
Company-wide (common)	1,923
Total	17,214

(Note) Company-wide (common) figure represents the number of employees of the development and management divisions that cannot be classified in a specific segment.

11. Principal Borrowings

(Millions of yen)

Creditor	Outstanding balance
Mizuho Bank, Ltd.	203,355
Sumitomo Mitsui Banking Corporation	98,319
Sumitomo Mitsui Trust Bank, Limited	66,512

Part 2 Matters Concerning Shares of the Company

1. Total Number of Shares Issued:
1,434,573,900 shares
(including 82,555,538 shares of treasury stocks)

2. Number of Shareholders: 262,232

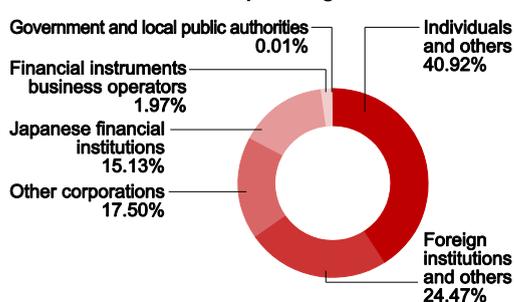
3. Major Shareholders (Top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Crimson Group, LLC.	226,419,000	16.75
Hiroshi Mikitani	176,310,600	13.04
Haruko Mikitani	132,625,000	9.81
The Master Trust Bank of Japan, Ltd. (Trust account)	62,647,200	4.63
Japan Trustee Services Bank, Ltd. (Trust account)	52,472,900	3.88
Culture Convenience Club Co., Ltd.	17,662,000	1.31
Japan Trustee Services Bank, Ltd. (Trust account 5)	17,475,800	1.29
GIC PRIVATE LIMITED-C	15,175,346	1.12
STATE STREET BANK WEST CLIENT-TREATY 505234	14,920,200	1.10
THE BANK OF NEW YORK MELLON 140051	14,511,900	1.07

(Note) Percentage of shares held is calculated excluding treasury stocks (82,555,538 shares).

4. Other Important Matters Concerning Shares
Not applicable.

Distribution of ownership among shareholders



*Treasury stocks are included in "Individuals and others."

Part 3 Matters Concerning Share Options

1. Status of the Share Options as of the End of Fiscal Year

(1) Summary of Contents of Share Options Held by Officers of the Company

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 9th Share Options (February 12, 2010)	5,067	Common stock 506,700	Free of charge	701	From March 28, 2013 to March 26, 2019
The 17th Share Options (February 20, 2013)	1,512	Common stock 151,200	Free of charge	0.01	From March 30, 2016 to March 28, 2022
The 22nd Share Options (February 20, 2014)	1,657	Common stock 165,700	Free of charge	0.01	From March 29, 2017 to March 27, 2023
The 36th Share Options (February 20, 2015)	4,646	Common stock 464,600	Free of charge	0.01	From March 29, 2018 to March 27, 2024
The 46th Share Options (February 18, 2016)	7,166	Common stock 716,600	Free of charge	0.01	From March 1, 2017 to February 27, 2026
The 47th Share Options (February 18, 2016)	75	Common stock 7,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 48th Share Options (February 18, 2016)	45	Common stock 4,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 50th Share Options (July 22, 2016)	25,446	Common stock 2,544,600	Free of charge	0.01	From August 1, 2017 to August 1, 2026
The 57th Share Options (February 20, 2017)	90	Common stock 9,000	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 58th Share Options (February 20, 2017)	72	Common stock 7,200	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 59th Share Options (February 20, 2017)	15,262	Common stock 1,526,200	Free of charge	0.01	From March 1, 2018 to March 1, 2027
The 69th Share Options (February 19, 2018)	84	Common stock 8,400	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 70th Share Options (February 19, 2018)	105	Common stock 10,500	Free of charge	0.01	From March 31, 2021 to March 29, 2027

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 71st Share Options (February 19, 2018)	14,706	Common stock 1,470,600	Free of charge	0.01	From March 1, 2019 to March 1, 2028
The 72nd Share Options (April 27, 2018)	33,903	Common stock 3,390,300	Free of charge	0.01	From May 1, 2019 to May 1, 2028

- (Notes)
1. The number of Share Options, the number of shares subject to Share Options and Exercise Price (per share) described above represent figures after the share split (1:100) conducted on July 1, 2012.
 2. The Exercise Price (per share) of Share Options described above represents figures after the public offering conducted on June 30, 2015.
 3. Conditions for exercise of the 9th Share Options are as follows:
 - a) Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of Rakuten, Inc. in consideration of circumstances.
 - b) Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - c) Stock Options may not be pawned or disposed of in any other manner.
 - d) Other conditions for the exercise shall be subject to the provisions of the agreement on the allotment of Share Options to be concluded between the Company and the Holders of Share Options, based on resolution at the Board of Directors on the issuance of Share Options.
 4. With regard to the exercise period for Share Options issued in and after the 10th Share Options, 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.
 5. Conditions for exercise of the 17th and 22nd Share Options are as follows:
 - a) Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - b) Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - c) Stock Options may not be pawned or disposed of in any other manner.
 6. Conditions for exercise of the 36th, 47th, 48th, 57th, 58th, 69th and 70th Share Options are as follows:
 - a) Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - b) Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - c) Stock Options may not be pawned or disposed of in any other manner.
 - d) 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 the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such 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
 7. Conditions for exercise of the 46th, 50th, 59th, 71st and 72nd Share Options are as follows:
 - a) Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - b) Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - c) Stock Options may not be pawned or disposed of in any other manner.
 - d) Share Options may be exercised by the Holders of Share Options, in whole or in part,

according to the following categories.

- i) The entire allotment of Share Options shall not be exercised prior to the date on which one year has passed from the date of issuance.
 - ii) 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
- e) 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 the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such 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

(2) Status by Classification of the Share Options Held by Officers of the Company

Classification	Name	Number of Share Options	Number of owners
Directors	The 9th Share Options	300	1
	The 17th Share Options	60	1
	The 22nd Share Options	39	1
	The 36th Share Options	78	1
	The 46th Share Options	788	3
	The 50th Share Options	275	1
	The 59th Share Options	1,771	3
	The 71st Share Options	2,649	3
	The 72nd Share Options	2,284	2
Outside Directors	The 17th Share Options	15	1
	The 22nd Share Options	26	2
	The 36th Share Options	24	2
	The 47th Share Options	45	3
	The 57th Share Options	72	4
	The 70th Share Options	84	4
Company Auditors	The 22nd Share Options	13	1
	The 36th Share Options	12	1
	The 48th Share Options	30	2
	The 58th Share Options	54	3
	The 69th Share Options	63	3

- (Notes) 1. As for the number of shares subject to Share Options above has been set to 100 shares per one Share Option.
2. "Directors" in the above table do not include Outside Directors.

2. Status of the Share Options Issued During the Fiscal Year

(1) Summary of Contents of Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 65th Share Options (December 14, 2017)	480	Common stock 48,000	Free of charge	1	From January 1, 2019 to January 1, 2028
The 66th Share Options (January 18, 2018)	17	Common stock 1,700	Free of charge	1	From March 31, 2021 to March 29, 2027
The 67th Share Options (January 18, 2018)	28,440	Common stock 2,844,000	Free of charge	1	From February 1, 2019 to February 1, 2028
The 68th Share Options (January 18, 2018)	3,441	Common stock 344,100	Free of charge	1	From March 1, 2019 to March 1, 2028
The 71st Share Options (February 19, 2018)	12,057	Common stock 1,205,700	Free of charge	1	From March 1, 2019 to March 1, 2028
The 72nd Share Options (April 27, 2018)	31,619	Common stock 3,161,900	Free of charge	1	From May 1, 2019 to May 1, 2028
The 73rd Share Options (July 27, 2018)	70,779	Common stock 7,077,900	Free of charge	1	From August 1, 2019 to August 1, 2028
The 74th Share Options (October 26, 2018)	4,983	Common stock 498,300	Free of charge	1	From November 1, 2019 to November 1, 2028
The 75th Share Options (October 26, 2018)	3,266	Common stock 326,600	Free of charge	1	From November 1, 2019 to November 1, 2028

- (Notes) 1. With regard to the exercise period for Share Options issued in and after the 10th Share Options, 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.
2. Conditions for exercise of the 66th Share Options are as follows:
- Those who received an allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - Stock Options may not be pawned or disposed of in any other manner.

- d) 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 the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such 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
3. Conditions for exercise of the 65th, 67th, 68th, 71st, 72nd, 73rd, 74th and 75th Share Options are as follows:
- a) Those who received an allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors (excluding Outside Directors), Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - b) Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - c) Stock Options may not be pawned or disposed of in any other manner.
 - d) Share Options may be exercised by the Holder, in whole or in part, according to the following categories.
 - i) The entire allotment of Share Options shall not be exercised prior to the date on which one year has passed from the date of issuance.
 - ii) 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
 - e) 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 are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such 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

(2) Status by Classification of the Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Classification	Name	Number of Share Options	Number of shares	Number of owners
Employees of the Company (Excluding Officers)	The 67th Share Options	13,214	1,321,400	4,965
	The 71st Share Options	10,730	1,073,000	57
	The 73rd Share Options	19,103	1,910,300	5,058
Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)	The 65th Share Options	480	48,000	272
	The 66th Share Options	17	1,700	3
	The 67th Share Options	15,226	1,522,600	2,353
	The 68th Share Options	3,441	344,100	317
	The 71st Share Options	1,327	132,700	57
	The 72nd Share Options	31,619	3,161,900	1,262
	The 73rd Share Options	51,676	5,167,600	2,445
	The 74th Share Options	4,983	498,300	184
	The 75th Share Options	3,266	326,600	35

Part 4 Matters Concerning Officers of the Company

1. Name of Directors and Company Auditors

(As of December 31, 2018)

Title	Name	Responsibility within the Company and significant concurrent positions
Chairman, President, and Representative Director	Hiroshi Mikitani	Representative Director, Chairman, President & CEO Group President of Group Company Division Representative Partner of Crimson Group, LLC. Chairman & Representative Director of Rakuten Vissel Kobe, Inc. Chairman & Representative Director and team owner of Rakuten Baseball, Inc. Representative Director of Japan Association of New Economy Chairman of Tokyo Philharmonic Orchestra Chairman & CEO of Rakuten Aspyrian, Inc. Chairman & Representative Director of Rakuten Mobile Network, Inc.
Vice Chairman and Representative Director	Masayuki Hosaka	Executive Vice Chairman President of FinTech Group Company President & Representative Director of Rakuten Card Co., Ltd.
Director	Charles B. Baxter	— (Chairman & Director of Rakuten USA, Inc.)
Director <u>Outside</u> <u>Independent</u>	Ken Kutaragi	President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of Nojima Corporation Outside Director of GA technologies Co., Ltd
Director <u>Outside</u> <u>Independent</u>	Takashi Mitachi	Adjunct Professor of Graduate School of Management of Kyoto University Senior Advisor of The Boston Consulting Group Outside Director of DMG MORI CO., LTD. Outside Director of Unicharm Corporation Outside Director of Tokio Marine Holdings, Inc.
Director <u>Outside</u> <u>Independent</u>	Jun Murai	Professor of Faculty of Environment and Information Studies of Keio University Dean of the Graduate School of Media and Governance of Keio University Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd.
Director <u>Outside</u> <u>Independent</u>	Youngme Moon	Donald K. David Professor of Business Administration of Harvard Business School Director of Unilever N.V./Unilever PLC
Company Auditor (Full-time) <u>Outside</u>	Takahide Uchida	—
Company Auditor (Full-time) <u>Outside</u> <u>Independent</u>	Masahide Hiramoto	—
Company Auditor <u>Outside</u> <u>Independent</u>	Takeo Hirata	Professor of Waseda University Graduate School of Sport Sciences Dean of Waseda University Research Institute for Strategy of Natural Resources Chairman of Japan Society of Sports Industry Special Advisor to the Cabinet Outside Company Auditor of Isetan Mitsukoshi Holdings Ltd.
Company Auditor <u>Outside</u>	Katsuyuki Yamaguchi	Managing Partner of Nishimura & Asahi NY LLP Outside Company Auditor of FreeBit Co., Ltd. Outside Company Auditor of BrainPad Inc. Outside Company Auditor of HAKUHODO DY HOLDINGS INCORPORATED

- (Notes)
1. Masahide Hiramoto was newly elected as and assumed the office of Company Auditor at the 21st Annual General Shareholders' Meeting held on March 29, 2018.
 2. Yoshiaki Senoo retired from the office of Company Auditor on March 29, 2018.
 3. Four Directors Ken Kutaragi, Takashi Mitachi, Jun Murai and Youngme Moon are Outside Directors.
 4. Four Company Auditors Takahide Uchida, Masahide Hiramoto, Takeo Hirata and Katsuyuki Yamaguchi are Outside Company Auditors.
 5. Director Takashi Mitachi is Adjunct Professor of Graduate School of Management of Kyoto University, which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Kyoto University and the Company in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
 6. Director Jun Murai is Professor of the Faculty of Environment and Information Studies of Keio University and Dean of the Graduate School of Media and Governance of Keio University, which shares a role in operating an international standardization body to which Company pays membership fees. The ratio of the amount of fees in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year. He is also Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between each of BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
 7. Company Auditor Takeo Hirata is Professor of Waseda University Graduate School of Sport Sciences and Dean of Waseda University Research Institute for Strategy of Natural Resources, and the Company pays research expenses to Waseda University. The ratio of the amount of expenses in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year. He is also Chairman of Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year. He is also Outside Company Auditor of Isetan Mitsukoshi Holdings Ltd., which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Isetan Mitsukoshi Holdings Ltd. and the Company in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
 8. Company Auditor Katsuyuki Yamaguchi is Managing Partner of Nishimura & Asahi NY LLP and Outside Company Auditor of BrainPad Inc., each of which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between each of Nishimura & Asahi NY LLP and BrainPad Inc. and the Company in fiscal 2018 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
 9. The Company has appointed Ken Kutaragi, Takashi Mitachi, Jun Murai, Youngme Moon, Masahide Hiramoto and Takeo Hirata as Independent Directors based on the stipulations of the Tokyo Stock Exchange, Inc. and reported the appointments to the Tokyo Stock Exchange.

2. Summary of the Liability Limitation Agreement

In order for all Outside Directors and Outside Company Auditors to fulfill their expected roles, the Company stipulates under its current Articles of Incorporation that it can conclude limited liability agreements with each of them. These restrict their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into such liability limitation agreements with the Outside Directors and Outside Company Auditors of the Company.

3. Compensation of Directors and Company Auditors

Classification	Number of recipients	Amount of compensation
Directors	8	¥244 million
Company Auditors	5	¥66 million

- (Notes) 1. The amounts in the above table include One Director who retired at the conclusion of the 21st Annual General Shareholders' Meeting held on March 29, 2018 and One Company Auditor who resigned on March 29, 2018.
2. The amounts in the above table do not include amounts related to employees' salaries and bonuses to Directors serving concurrently as employees.
3. The amounts in the above table include compensation of ¥136 million in total for Outside Officers (five Directors and five Company Auditors).
4. In addition to the amounts shown above, the amount recorded as expenses during the current fiscal year for Share Options granted as stock options is ¥251 million paid to eight Directors and ¥9 million paid to four Company Auditors. Of these, the amount recorded as expenses for Outside Officers (five Directors and four Company Auditors) accounts for ¥19 million.

4. Matters Concerning Outside Officers

(1) Relationship between Significant Office(s) Concurrently Held and the Company

The relationship between significant office(s) concurrently held and the Company is described in note 1.

(2) Major Activities during the Current Fiscal Year

Classification	Name	Major Activities
Outside Directors	Ken Kutaragi	He attended all 13 meetings of the Board of Directors that were held in fiscal 2018, where he made necessary statements (questions, opinions, etc.) based on his expert knowledge of the entertainment business and technology, as well as his wide-ranging experience in business management.
	Takashi Mitachi	He attended 11 out of the 13 meetings of the Board of Directors that were held in fiscal 2018, where he made necessary statements (questions, opinions, etc.) based on his expert knowledge and experience as a management consultant.
	Jun Murai	He attended 10 out of the 13 meetings of the Board of Directors that were held in fiscal 2018, where he made necessary statements (questions, opinions, etc.) based on his knowledge and experience as an academic expert in Internet technology.
	Youngme Moon	She attended 11 out of the 13 meetings of the Board of Directors that were held in fiscal 2018, where she made necessary statements (questions, opinions, etc.) based on her knowledge and experience as an academic expert in business administration.
Outside Company Auditors	Takahide Uchida	He attended all 13 meetings of the Board of Directors and all 7 meetings of the Board of Company Auditors that were held in fiscal 2018, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Masahide Hiramoto	He attended all 10 meetings of the Board of Directors and all 5 meetings of the Board of Company Auditors that were held in fiscal 2018 after he assumed the office of Company Auditor, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Takeo Hirata	He attended all 13 meetings of the Board of Directors and all 7 meetings of Board of Company Auditors that were held in fiscal 2018, where he made necessary statements (questions, opinions, etc.) based on his wide-ranging expert knowledge and experience related to sports and education.
	Katsuyuki Yamaguchi	He attended all 13 meetings of the Board of Directors and all 7 meetings of the Board of Company Auditors that were held in fiscal 2018, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience, especially as an attorney, and from his perspective as an expert on corporate law.

Part 5 Independent Auditor

1. Name of the Independent Auditor

ERNST & YOUNG SHINNIHONLLC

2. Amount of Compensation to the Independent Auditor for the Fiscal Year

- | | |
|--|--------------|
| (1) Amount of compensation for services set forth in Article 2, Paragraph 1 of Certified Public Accountants Act | ¥134 million |
| (2) Total amount of cash and other financial benefits payable to the Independent Auditor by the Company and its subsidiaries | ¥509 million |

- (Notes) 1. The audit engagement entered into by the Company and the Independent Auditor does not clearly distinguish the amount of compensation for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act, and practically it cannot be distinguished. Therefore, (1) above shows the total amount of such compensation.
2. The Board of Company Auditors agreed to the amount of compensation to the Independent Auditor, following the examination of the relevant factors including the number of days spent for audit work, staffing, etc., as part of the accounting audit plan for the fiscal year presented by the Independent Auditor, as well as the verification and assessment of the audit work performed in the previous fiscal year, adequacy of progress in audit work by the independent Auditor, and the basis of calculation for the cost estimation presented as prerequisite to the amount of compensation.
3. With regard to the Company's principal subsidiaries that are overseas subsidiaries, an audit (limited to those based on the provisions of the Companies Act or the Financial Instruments and Exchange Act (including equivalent laws and regulations of foreign countries)) has been received from a certified public accountant or audit firm (including persons holding equivalent qualifications in foreign countries) other than the Company's Independent Auditor.

3. Non-Audit Services

The Company entrusts to the independent auditor primarily the work of preparing a comfort letter related to issuance of corporate bonds, which is a task other than the work set forth in Article 2, Paragraph 1 of the Certified Public Accountants Law, and paid compensation for the work.

4. Policy on Dismissal or Non-reappointment of Independent Auditor

In the case where the Independent Auditor is believed to be applicable to any item of Article 340, Paragraph 1 of the Companies Act, the Board of Company Auditors shall consider the dismissal thereof and carry out such dismissal if such action is found adequate subject to the unanimous consent of all Company Auditors.

Also, the Board of Company Auditors shall decide the detail of the proposal on dismissal or non-reappointment of the Independent Auditor to be presented to General Shareholders' Meeting, if such action is deemed necessary for reasons such as the circumstance in which the Independent Auditor is found to have difficulty in adequately executing its duty.

The Company's Structure and Policy

1. Structure to Ensure Execution of Duties

The Board of Directors of the Company has made the following resolutions concerning systems to ensure the performance of business operations of Directors comply with laws, regulations and the Articles of Incorporation, and that business operations are conducted in an appropriate manner.

(1) System for Ensuring Directors and Employees Comply with Laws, Regulations and the "Articles of Incorporation"

Rakuten, Inc. has stipulated the "Rakuten Group Code of Ethics" and Rakuten, Inc. as well as its subsidiaries ("Rakuten Group"), shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President); initiatives promoting Group-wide compliance under the leadership of the Chief Operating Officer (COO), a dedicated full-time Function Chief Compliance Officer ("Function CCO") who, under the leadership of the COO, oversees the integration of Group-wide compliance management, and Company CCOs appointed according to Rakuten, Inc.'s internal Company System structure; and by reporting the status of compliance initiatives to the Group Risk Compliance Committee and the Board of Directors.

Moreover, Outside Directors and Outside Company Auditors shall also thoroughly supervise and audit the execution of duties by Directors and employees. To technically and objectively verify compliance with laws, regulations and the "Articles of Incorporation", lawyers shall also be appointed for those positions.

Additionally, compliance education about the knowledge and sense of ethics needed as a member of Rakuten Group is carried out for all executives and employees of Rakuten Group. Rakuten Group shall appropriately administer a system for internal reporting that prevents retribution against those who report and consult through establishing a point of contact for executives, current and former employees of Rakuten Group to consult and report about legal violations and other compliance issues. Rakuten Group will also collect information widely from outside the company.

(2) System for Managing and Protecting Information Related to the Execution of Duties by Directors

Any information, including written documents and digital records, regarding the execution of duties by Directors of Rakuten, Inc. shall be legally and properly preserved and managed in accordance with the Rakuten Group Regulations and other internal regulations. Additionally, Directors and Company Auditors shall have full-time access to all information relevant to this matter.

(3) System for Risk Management

Under Rakuten, Inc.'s internal Company System structure, Company Presidents will be responsible for appropriately dealing with, in accordance with Rakuten Group Regulations, risks that arise during the course of individual Companies' business operations. The CFO, CISO, COO and Function CCO will liaise with each Company President to manage Company-specific risks in relation to their respective fields of finance, information security, and compliance, etc., as well as deal with important Group-wide risks relating to their respective fields.

For risks relating to information security, including Information Security Management System (ISMS) certification for major businesses in Rakuten Group, the CISO conducts risk management at a Group-wide level.

In order to appropriately manage risks arising from business investments or related activities, all investment proposals are required to be discussed in the Rakuten, Inc. Investment Committee and approved by the Rakuten, Inc. Board of Directors if

exceeding a certain amount.

The Internal Audit Department of Rakuten, Inc. will, from an independent standpoint, carry out audits of Rakuten, Inc. and Group Companies' status of compliance with laws and related Rakuten Group Regulations, and regularly report to the Rakuten, Inc. Board of Directors.

(4) System Allowing Directors to Efficiently Carry Out their Duties

An appropriate and efficient decision making system to allow Directors of Rakuten Group to execute their duties shall be formulated based on the Rakuten Group Regulations, and other internal regulations. Moreover, transparency and speed in decision making shall be sought by promoting online internal procedures.

Prompt and flexible decision-making and execution of duties shall be promoted by having Executive Officers, who were appointed by the Board of Directors, perform duties under the control of Directors.

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on "Financial Instruments and Exchange Act" and other applicable domestic and foreign laws and regulations shall be conducted and effectiveness of these shall be evaluated accordingly.

(6) System for Rakuten Group to Only Engage in Appropriate Business Practices

In order to realize unified Group management, Rakuten, Inc. stipulates Rakuten Group Regulations and other internal regulations dealing with company ideals, group governance, company management, risk management, compliance, etc. Regarding the execution of subsidiaries' significant duties, Rakuten Group shall administer a system for approval and reporting to Rakuten, Inc. based on the Rakuten Group Authority Table and Rakuten Group Guidelines. The Rakuten Group Regulations protect the independence of the subsidiaries while also creating the needed framework for business operations which is followed by the entire Rakuten Group.

In addition, the Internal Audit Department, which is an independent organization under the Representative Director and President, ensures the appropriateness of operations by having a strong relationship with the organizational unit-in-charge of internal audit of each subsidiary and by conducting internal audits on Rakuten Group as a whole.

(7) Requests from Auditors for Employees' Assistance and Employees' Independence from Directors

To assist the duties of Company Auditors, the Company Auditors Office is established under the Board of Company Auditors, and the Company Auditors may give orders to employees belonging to the Company Auditors Office as the need arises. Additionally, when employees assist Company Auditors, the effectiveness of the orders from Company Auditors shall be ensured by employees of the Company Auditors Office not receiving orders from Directors and by requiring approval from the Company Auditors for such employees' transfer and performance assessments.

(8) System for Directors and Employees to Report to Company Auditors and for Company Auditors to Carry Out Effective Audits

Directors and employees of Rakuten Group shall give all legally required reports to Company Auditors and provide additional necessary reports and information if the Company Auditor requests it. Rakuten, Inc. will ensure the effectiveness of audits through prohibiting retribution for reporting against those who report to the company auditors. Additionally, if Rakuten, Inc. receives a request for prepayment of expenses or repayment from Company Auditors, it shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Company Auditor's duty.

2. Summary of the Status of Application of Structure to Ensure Execution of Duties

In the fiscal year under review, basic policies for internal controls have been applied based on the aforementioned "Structure to Ensure Execution of Duties," under which the following initiatives have been implemented.

(1) System for compliance

- i) Rakuten, Inc. has established a reporting system between the Function CCO (Function Chief Compliance Officer: a dedicated position overseeing Group-wide compliance initiatives under the leadership of the COO (Chief Operating Officer)) and each Company CCO based on an internal Company System. Through this, the Company has maintained a system for strengthening compliance across the Group. Under this system, Rakuten, Inc. held four meetings of the Group Risk and Compliance Committee comprising Function CCO, Company CCO, from January to November 2018. In addition to reports and deliberations on significant factors that require regular assessment, including the progress of compliance training and acknowledgement at each department, the status of compliance with laws, regulations and internal regulations, and the number of whistle blowing reports, they exchanged opinions on future efforts to strengthen compliance.
- ii) In May 2006, the "Rakuten Group Code of Ethics" was established. Education activities for employees are conducted on an ongoing basis to ensure employees are well-informed about its spirit. Specifically, the Rakuten Group has carried out morning meetings focused on compliance and business ethics involving employees of all Group Companies, compliance and business ethics training for new recruits, education on business ethics and key internal rules for employees of all Group Companies, and compliance pledges for executives and employees to make public statements on compliance and adherence to internal regulations.
- iii) Rakuten, Inc. has stipulated a Rakuten Group's internal whistleblower system in the Rakuten Group Guidelines, which are the common rules of the Rakuten Group, and the system has been operated in Japan and overseas. The status of internal

whistleblower reports at the Company and its subsidiaries is reported to the Board of Directors, Group Risk and Compliance Committee and Company Auditors.

(2) System for risk management

- i) Important risks for each business are identified based on each Group company's internal regulations, detailed regulations, and operational manuals, and reported to company presidents and the Group Risk and Compliance Committee in accordance with the risk map. Regarding information management, which is one of the major risks for the Rakuten Group, a system has been established in accordance with the requirements of the Information Security Management Systems (ISMS).
- ii) A meeting of the Investment and Lending Committee, which consists of members including Outside Directors and external experts, are held on a monthly basis, in principle, at Rakuten, Inc. for the purpose of examining all new investment proposals within Rakuten Group. Additionally, proposals involving major investment in excess of certain thresholds are approved and resolved at the Board of Directors of Rakuten, Inc.

(3) System for financial reporting

- i) Independent Auditors conduct accounting audits based on the Companies Act and the Financial Instruments and Exchange Act, for the Company as well as its main subsidiaries.

The Company and Independent Auditors mutually exchange opinions and share information on a regular basis, while sharing internal audit results.

Meanwhile, the Company has prepared Group Accounting Policies in accordance with International Financial Reporting Standards (IFRS), by which the Company properly conducts its accounting and prepares consolidated financial statements.

With respect to timely disclosure of corporate information, the Company ensures prompt and adequate disclosure based on the timely disclosure guidelines specified by the Tokyo Stock Exchange, Inc. and the Rakuten Group Regulations as well as other internal regulations.

- ii) In an effort to enhance the reliability of our financial reporting, information including the annual assessment plan, status of progress of the assessment, results of the assessment of effectiveness of internal control over the financial reporting at the Company as well as the Group, is reported to the Board of Directors and each officer with relevant responsibilities, in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" (Business Accounting Council).

(4) System to ensure effectiveness of audit by Company Auditors

The Company ensures the effective execution of audits by Company Auditors by streamlining the framework for providing reports and information to Company Auditors, such as the establishment of Company Auditors Office as an organizational unit that assists Company Auditors in executing their duties.

3. Policy Concerning Decisions on Dividends of Surplus

As for the policy for shareholder return, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments for medium-to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows.

- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Ensure sufficiency in comparison with risks associated with business activities and assets
- Maintain the level of financial rating required for stable financing, while sustaining the level of shareholders equity in compliance with regulatory requirements

For the current fiscal year, the Company decided to pay dividend of ¥4.5 per share (¥4.5 per share for the previous fiscal year) at the Meeting of the Board of Directors held on February 12, 2019.

The Company's distribution of dividends of surplus is decided by the Board of Directors. As a general rule, payment in principle is made once a year in the form of a year-end dividend. Other matters in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to judgment allowing for management circumstances and other factors.

Purchase of treasury stock will be determined flexibly, as a financial measure towards contributing to the enhancement of shareholder value.

(Reference) Trends in dividend per share

	19th (From January 1, 2015 to December 31, 2015)	20th (From January 1, 2016 to December 31, 2016)	21st (From January 1, 2017 to December 31, 2017)	22nd (From January 1, 2018 to December 31, 2018)
Dividend per share (yen)	4.50	4.50	4.50	4.50

Note: The figures have been rounded to the nearest million.

Consolidated Statement of Financial Position

(As of December 31, 2018)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Cash and cash equivalents	990,242	Accounts payable - trade	255,353
Accounts receivable - trade	181,026	Deposits for banking business	2,355,114
Financial assets for securities business	1,789,832	Financial liabilities for securities business	1,753,216
Loans for credit card business	1,464,030	Derivative liabilities	9,213
Investment securities for banking business	205,641	Bonds and borrowings	1,234,143
Loans for banking business	891,925	Other financial liabilities	444,531
Investment securities for insurance business	277,057	Income taxes payable	13,243
Derivative assets	27,388	Provisions	90,516
Investment securities	384,788	Insurance business policy reserve	334,536
Other financial assets	275,800	Employee retirement benefit liabilities	5,164
Investments accounted for using equity method	12,788	Deferred tax liabilities	13,059
Property, plant and equipment	91,335	Other liabilities	60,707
Intangible assets	553,815	Total liabilities	6,568,795
Deferred tax assets	50,049	Equity	
Other assets	149,286	Equity attributable to owners of the Company	774,473
		Common stock	205,924
		Capital surplus	218,856
		Retained earnings	424,568
		Treasury stock	(97,300)
		Other components of equity	22,425
		Non-controlling interests	1,734
		Total equity	776,207
Total assets	7,345,002	Total liabilities and equity	7,345,002

Note: The figures have been rounded to the nearest million.

Consolidated Statement of Income

(Year ended
December 31, 2018)

(Millions of Yen)

Items	Amounts
Continuing operations	
Revenue	1,101,480
Operating expenses	1,027,753
Other income	120,634
Other expenses	23,936
Operating income	170,425
Financial income	954
Financial expenses	4,132
Share of loss of investments accounted for using equity method	1,824
Income before income tax	165,423
Income tax expense	23,534
Net income	141,889
Net income attributable to:	
Owners of the Company	142,282
Non-controlling interests	(393)
Net income	141,889

Note: The figures have been rounded to the nearest million.

Balance Sheet (J-GAAP)

(As of December 31, 2018)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Current assets	484,211	Current liability	564,870
Cash and deposits	152,732	Accounts payable-trade	20,140
Accounts receivable-trade	121,955	Commercial papers	100,000
Merchandise	7,204	Short-term loans payable	45,800
Supplies	406	Current portion of bonds	20,000
Prepaid expenses	13,484	Accounts payable-other	148,494
Accounts receivable-other	141,980	Accrued expenses	19,710
Income taxes receivable	1,018	Advance received	7,387
Short-term loans receivable from subsidiaries and affiliates	10,007	Deposits received	112,784
Deferred tax assets	30,292	Provision for point card certificates	83,406
Other	5,789	Provision for bonuses	3,526
Allowance for doubtful accounts	(660)	Suspense receipt	1,641
Noncurrent assets	1,305,146	Other	1,977
Property, plant and equipment	15,460	Noncurrent liabilities	571,644
Buildings-net	6,968	Bonds	302,000
Machinery, equipment and vehicles	668	Long-term loans payable	252,400
Tools, furniture and fixture-net	7,071	Provision for retirement benefits	893
Construction in progress	514	Asset retirement obligations	3,009
Other	237	Deferred tax liabilities	2,846
Intangible assets	73,245	Other	10,495
Goodwill	7,618		
Patent right	1,445	Total liabilities	1,136,515
Trademark	92		
Software	40,751	Net assets	
Software in progress	7,806	Shareholders' equity	635,076
Other	15,530	Common stock	205,924
Investments and other assets	1,216,439	Capital surplus	215,578
Investment securities	10,578	Legal capital surplus	173,460
Stocks of subsidiaries and affiliates	1,180,982	Other capital surplus	42,117
Investments in capital of subsidiaries and affiliates	645	Retained earnings	310,786
Long-term loans receivable from subsidiaries and affiliates	9,626	Other retained earnings	310,786
Claims provable in bankruptcy, claims provable in rehabilitation, and other	3,158	Retained earnings brought forward	310,786
Long-term prepaid expenses	4,471	Treasury stock	(97,213)
Lease and guarantee deposits	5,991	Valuation and translation adjustments	1,479
Other	4,393	Unrealized gains or losses on available-for-sale securities	1,479
Allowance for doubtful accounts	(3,408)	Share options	16,286
		Total net assets	652,842
Total assets	1,789,357	Total liabilities and net assets	1,789,357

Note: The figures have been rounded down to the nearest million.

Income Statement (J-GAAP)

(Year ended
December 31, 2018)

(Millions of Yen)

Items	Amounts	
Net sales		431,904
Cost of sales		127,121
Gross profit		304,782
Selling, general and administrative expenses		303,461
Operating profit		1,321
Non-operating income		
Interest income	134	
Dividends income	20,957	
Foreign exchange gain	986	
Other	1,023	23,102
Non-operating expenses		
Interest expenses	2,471	
Commission fee	2,863	
Other	946	6,281
Ordinary profit		18,142
Extraordinary gain		
Gain on extinguishment of tie-in shares	2,239	
Gain on sales of non-current assets	365	
Gain on sales of investment securities	6,429	
Gain on sales of stocks of subsidiaries and affiliates	29,062	
Gain on liquidation of subsidiaries and affiliates	47,611	
Other	119	85,828
Extraordinary loss		
Loss on disposal of properties	432	
Impairment loss	294	
Loss on valuation of stocks of subsidiaries and affiliates	3,379	
Loss on valuation of investment securities	169	
Provision of allowance for doubtful accounts of subsidiaries and affiliates	914	
Restructuring loss	8,402	
Other	1,682	15,275
Income before income taxes		88,695
Income taxes-current	2,331	
Income taxes-deferred	4,523	6,855
Net profit		81,840

Note: The figures have been rounded down to the nearest million.