

February 25, 2022
Company name Rakuten Group, Inc.
Representative Hiroshi Mikitani
Chairman and CEO
(Stock Code: 4755
Tokyo Stock Exchange First Section)

Share Options as Stock Options

Rakuten Group, Inc. (hereinafter the “Company”) announces that the Board of Directors today resolved to propose that at the 25th Annual General Shareholders’ Meeting to be held on March 30, 2022, the Company will be authorized to issue the following Share Options as stock options to Company’s Outside Directors separately from the amount of compensation for Directors approved at the 18th Annual General Shareholders’ Meeting held on March 27, 2015.

The Company plans to issue Share Options exercisable while holders of the Share Options remain Outside Directors of the Company. The details of these Share Options are as described below.

1. The reason for justifying the grant of Share Options as stock options to Outside Directors and the basis for calculation

[Reason]

Since the value of the Share Options is linked with the Company’s stock price, delivering the Share Options to the Company’s Outside Directors, who are expected to contribute to the enhancement of the medium- and long-term corporate and shareholder value of the Group as a whole, not only by supervising management but also by providing advice and other support related to management, will allow them 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 Company, through the Board of Directors, has defined a policy for deciding on the content of remuneration for individual Directors. An overview of this policy is provided below. The Company intends to implement stock option plans (share options exercisable while in service) for the Company’s Outside Directors in accordance with the above decision-making policy in expectation of effects to enhance corporate and shareholder value by granting Share Options. We understand that there is a negative connotation to the granting of stock options to Outside Directors since their role is to supervise company’s management. However, as stated above, we intend to grant them stock options with the expectation that advice from Outside Directors shall contribute for appropriate corporate governance through management supervision and enhancement of the Company’s corporate values in the long term.

[Basis for Calculation]

The amount of Share Options to be delivered as part of the remuneration for the Company’s Outside Directors will be calculated by multiplying fair value of each Share Options calculated on the day when such rights are allotted, by the number of Share Options allotted to the Company’s Outside Directors. 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.

[Policies on Determining the Amount of Directors' Compensation and the Calculation Method (Compensation Policy)]

(1) Basic Policies

The compensation for the Company's Directors is determined based on the following basic policies.

For executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources. The portion of share options is designed to be high to promote sustainable growth of the Company by improving medium- to long-term corporate value and achieving management goals. For non-executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources who will support management with global expertise.

(2) Compensation Structure

The compensation of executive Directors comprises the followings:

- a. Basic compensation (fixed, monthly payment)
- b. Performance-linked compensation (performance-linked bonuses as short-term incentive compensation, annual payment)
- c. Non-cash based compensation (stock-based compensation stock option as medium- to long-term incentive compensation, annual payment)

Additionally, the ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on position and role of each executive Director. Non-executive Directors and Outside Directors who are independent from business execution are only paid a fixed monthly amount.

If Proposal is approved at this General Shareholders' Meeting, the Company plans to revise this Compensation Policy and pay non-cash based compensation to Outside Directors as well as incentives for them to contribute to the enhancement of the medium- and long-term corporate and shareholder value of the Group as a whole, by supervising management and providing advice and other support related to management.

(3) Indicators and Method of Calculation of Performance-linked Compensation and Non-cash Based Compensation

To increase awareness of the development and expansion of the Rakuten Ecosystem, multiple KPIs such as consolidated operating income of each fiscal year have been selected for performance-linked compensation and non-cash based compensation. They are linked to growth and profitability. In determining the amount of performance-linked compensation and non-cash based compensation, individual evaluations are determined based on the achievement of targets for the indicator set by the managing organization of each executive Director. The amount paid is determined based on individual evaluations and overall company performance.

(4) Compensation Determination Process

The Company's Board of Directors resolves the compensation policy for Directors after providing explanations to Independent Outside Directors and obtaining their appropriate advice. Other decision-making processes are also explained to the Independent Outside Directors at the Board of Directors as necessary, and appropriate advice is obtained.

The amount of individual compensation for Directors is determined by Hiroshi Mikitani, the Representative Director, Chairman, President & CEO, who is delegated this authority by the Board of Directors within the compensation limit determined at the general shareholders' meeting and in accordance with the compensation policy. He evaluates the business each Director is in charge of while considering the Company's overall performance and obtaining advice from Outside Directors as necessary to determine the amount of individual compensation. Thus, the Board of Directors believes that the content of individual compensation, etc. is in line with the compensation policy.

2. Details of share options to be issued as stock options exercisable while in service

(1) Persons to whom Share Options will be allotted

Outside Directors 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 in each fiscal year will not exceed 100,000.

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 actions.

(3) Total number of Share Options to be issued

Share Options to be issued in each fiscal year will not exceed 1,000 units.

One hundred shares will be issued for each Share Option; 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 exercising the Share Options

- a) Those who received an allotment of the issue of share options (hereinafter “Holders of Share Options”) will remain Directors, Executive Officers, Audit & Supervisory Board Members 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).
- b) 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.
- c) Share options may not be offered for pledge or disposed of in any other way.
- 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 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 by or on the day immediately 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 by or on the day immediately 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.
- 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 in all applicable jurisdictions) 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. 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) Grounds and terms of acquisition of share options
- a) If the General Shareholders' Meeting approves an absorption-type merger in which the Company is the absorbed company, an absorption-type company split agreement or incorporation-type company split plan in which the Company is the split company, or a share exchange agreement or share transfer plan under which the Company would become a wholly owned subsidiary, the Company may obtain new share options without contribution on the date separately specified by the Company's Board of Directors.
 - b) If the terms stipulated in (7) a) cease to apply to Holders of Share Options before they exercise said options, the Company may obtain the share options without contribution on the date separately specified by the Company's Board of Directors.
- (9) 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.
- (10) 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.

Regarding the above matter, it is on the proviso that the Proposals of "Revision of Remuneration for Outside Directors (Grant of Stock Options)" be approved at our 25th Annual General Shareholders' Meeting scheduled to be held on March 30, 2022.

