

February 20, 2015  
Company name Rakuten, Inc.  
Representative Hiroshi Mikitani  
Chairman and CEO  
(Stock Code: 4755  
Tokyo Stock Exchange First Section)

## Subscription Rights to Shares as Stock Options

On February 20, 2015, the Board of Directors of Rakuten Inc. (hereinafter the “Company”) resolved that the Company will submit the Proposals to the 18th Annual General Shareholders’ Meeting scheduled to be held on March 27, 2015, that the Company is authorized to issue the following Subscription Rights to Shares as stock options to Directors, Executive Officers, Company Auditors and employees of the Company and its subsidiaries and affiliates, pursuant to Articles 236, 238 and 239 of the Companies Act.

The Company will submit three proposals separated by type of persons to whom subscription rights to shares will be allotted. (I. Stock options to Directors (excluding Outside Directors), Executive Officers and employees of the Rakuten Group Companies, II. Stock options to Outside Directors of the Rakuten Group Companies, III. Stock options to Company Auditors of the Rakuten Group Companies.)

### **I: Issuance of Subscription Rights to Shares as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies**

1. The reason for issuing the Subscription Rights to Shares on especially favorable conditions

[Reason]

Since the value of the Subscription Rights to Shares is linked with the Company’s stock price, delivering the Subscription Rights to Shares as part of a performance-linked compensation package to the executives and employees of the Group will allow the executives and employees of the Group to share the gains of shareholders when stock prices rise, and also causes them to 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 Subscription Rights to Shares shall commence on the date on which one year has passed from the issuance of the Subscription Rights to Shares, while the proportion of the Subscription Rights to Shares, which may be exercised, shall 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 Subscription Rights to Shares becoming exercisable thereafter. By making the stock options exercisable in stages in such a way, it will be possible not only to further raise the incentive of the Group towards higher performance and higher stock prices in the medium to long term and retain existing talented staff, but also to 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.

The Company intends to implement stock option plans for the executives and employees of the Group for the purpose of continuous enhancement of the Group's corporate and shareholder values by raising the motivation of the executives and employees of the Group towards higher performance and by recruiting and retaining talented staff.

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

In the determination of the total amount of compensation, including the granting of the Subscription Rights to Shares, factors 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 are taken into account.

In addition, the Group has designed its compensation system so that, as a general rule, the higher the rank of and the larger the role played by an individual, the larger the bonus linked to the performance of each Group company, business segment or division, and to the performance of the individual, and the larger the proportion of the stock options linked to stock prices. Nevertheless, a major feature of the Group's compensation system is that it delivers Subscription Rights to Shares to a wide range of personnel starting with second-year employees with relatively small ranks and roles up to the Directors. This reflects the Group's belief that by making the majority of its executives and employees potential shareholders, it will further raise the awareness of each executive and employee towards enhancing corporate and shareholder values, as well reinforce the sense of unity among the Group members, which is thought to be an indispensable element in expanding and fostering the "Rakuten Eco-System" both in Japan and abroad.

2. Outline of the issuance of the Subscription Rights to Shares

(1) Persons to whom Subscription Rights to Shares will be allotted

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

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

(2) Class and number of shares to be issued upon exercise of Subscription Rights to Shares

The class of shares to be issued upon the exercise of Subscription Rights to Shares shall be common stock of the Company, and the number of shares to be issued shall not exceed 9,000,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those 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.

$$\frac{\text{Number of shares after adjustment}}{\text{Number of shares before adjustment}} = \text{Ratio of split or consolidation}$$

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

- (3) Total number of Subscription Rights to Shares to be issued  
Subscription Rights to Shares to be issued shall not exceed 90,000 units.  
One hundred shares shall be issued for each Subscription Right to Shares; 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 Subscription Right to Shares shall be adjusted likewise.
- (4) Cash payment for Subscription Rights to Shares  
No cash payment is required for Subscription Rights to Shares.
- (5) Value of the assets to be contributed upon exercise of Subscription Rights to Shares  
The Price for one Subscription Rights to Shares shall be one yen.
- (6) Exercise period of Subscription Rights to Shares  
The exercise period shall be from the date on which one year has passed from the issuance of the Subscription Rights to Shares (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 shall be the working day immediately preceding the final day.
- (7) Conditions for exercise of Subscription Rights to Shares
  - (i) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter "Holders of Subscription Rights to Shares") shall remain 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.
  - (ii) Subscription Rights to Shares shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
  - (iii) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
  - (iv) Subscription Rights to Shares may be exercised by the Holder of Subscription Rights to Shares, in whole or in part, according to the following categories.
    - i) The entire allotment of Subscription Rights to Shares shall not be exercised prior to the date on which one year has passed from the date of issuance.
    - ii) Fifteen percent of the allotment of Subscription Rights to Shares 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 Subscription Rights to Shares, such fraction shall be discarded).

- iii) Thirty-five percent of the allotment of Subscription Rights to Shares (if a portion of the allotment of Subscription Rights to Shares 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 Subscription Rights to Shares, such fraction shall be discarded).
- iv) Sixty-five percent of the allotment of Subscription Rights to Shares (if a portion of the allotment of Subscription Rights to Shares 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 unit arises in the number of exercisable Subscription Rights to Shares, such fraction shall be discarded).
- v) The entire allotment of Subscription Rights to Shares 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 Subscription Rights to Shares 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 Subscription Rights to Shares by the methods listed below.
  - i) Receipt by cash
  - ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
  - iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
  - iv) Other methods specified by the Company
  
- (8) Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
  - (i) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall 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 shall be rounded up.
  - (ii) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in (i) above less the amount of increase in capital stock set out therein.
  
- (9) Reasons and conditions for the acquisition of Subscription Rights to Shares
  - (i) In case that 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 Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
  - (ii) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of (7) (i) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
  
- (10) Restriction on the acquisition of Subscription Rights to Shares by transfer
  - Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(11) Treatment of Subscription Rights to Shares 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"), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter "Restructured Company") shall be delivered under the following conditions to Holders of Subscription Rights to Shares remaining unexercised (hereinafter "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares 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 Subscription Rights to Shares of the Restructured Company to be delivered

The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

(ii) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

Shares of common stock of the Restructured Company

(iii) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

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 Subscription Rights to Shares

The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be decided according to (5) above after taking into consideration the conditions, etc. of the Organizational Restructuring.

(v) Exercise period of Subscription Rights to Shares

Starting from the later of either the first date of the exercise period of Subscription Rights to Shares 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 Subscription Rights to Shares as stipulated in (6) above.

(vi) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares

To be determined in accordance with (8) above.

- (vii) Restriction on acquisition of Subscription Rights to Shares by transfer
    - Acquisition of Subscription Rights to Shares by transfer shall 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 Board of Directors).
  - (viii) Reasons and conditions for the acquisition of Subscription Rights to Shares
    - To be determined in accordance with (9) above.
- (12) Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares
- Fractions of less than one share in the number of shares to be delivered to Holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.
- (13) Other details of Subscription Rights to Shares
- Other details of Subscription Rights to Shares shall be determined by the meeting of the Board of Directors to determine conditions of the offer of Subscription Rights to Shares.
3. Matters concerning remuneration for Directors
- The reason that the Company delivers aforementioned stock options to its Directors (excluding Outside Directors; hereinafter the same shall apply) as the compensation etc. is as stated in 1. above.
  - Out of aforementioned Subscription Rights to Shares as stock options, the Company delivers a maximum of 20,000 units for Directors of the Company.
  - The amount of Subscription Rights to Shares to be delivered as part of the remuneration for Directors of the Company, shall be calculated by multiplying the fair value of each Subscription Right to Shares calculated on the day when such rights are allotted, by the number of Subscription Rights to Shares allotted to Directors of the Company. Fair value of each Subscription Right to Shares shall be based on the fair unit price valuation calculated applying variables including share price on the day when the Subscription Rights to Shares are allotted and the conditions of Subscription Rights to Shares, etc. using equity option pricing model such as Black-Scholes model.

## II: Issuance of Subscription Rights to Shares as Stock Options to Outside Directors of the Rakuten Group Companies

1. The reason for issuing the Subscription Rights to Shares on especially favorable conditions

Since the value of the Subscription Rights to Shares is linked with the Company's stock price, delivering Subscription Rights to Shares as part of a performance-linked compensation package to the Outside Directors of the Group will make the enhancement of the Company's corporate and shareholder values in the medium to long term be reflected in their compensation and allow shareholders and the Outside Directors of the Group to share equal benefits and disbenefits. This is expected to lead to a greater awareness on the part of the Outside Directors of the roles demanded of them, including the proffering of objective and candid advice based on their knowledge and experience accumulated within and outside the Company, making management decisions and conducting oversight over business execution from the perspective of shareholders' interest.

The Company intends to implement stock options for the Outside Directors for the purpose of continuous enhancement of the Group's corporate and shareholder values.

In addition, since the exercise period of Subscription Rights to Shares starts on the day after at least three years from the date of issuance of Subscription Rights to Shares, Subscription Rights to Shares function as an incentive for higher performance and higher stock price for the medium to long term up to the start of the exercise period.

2. Outline of the issuance of the Subscription Rights to Shares

- (1) Persons to whom Subscription Rights to Shares will be allotted

Outside Directors of the Company and its subsidiaries and affiliates

- (2) Class and number of shares to be issued upon exercise of Subscription Rights to Shares

The class of shares to be issued upon the exercise of Subscription Rights to Shares shall be common stock of the Company, and the number of shares to be issued shall not exceed 100,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those 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.

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

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

of the merger, company split, share exchange, share transfer, etc.

- (3) Total number of Subscription Rights to Shares to be issued  
Subscription Rights to Shares to be issued shall not exceed 1,000 units.  
One hundred shares shall be issued for each Subscription Right to Shares, 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 Subscription Right to Shares shall be adjusted likewise.
- (4) Cash payment for Subscription Rights to Shares  
No cash payment is required for Subscription Rights to Shares.
- (5) Value of the assets to be contributed upon exercise of Subscription Rights to Shares  
The Price for one Subscription Rights to Shares shall be one yen.
- (6) Exercise period of Subscription Rights to Shares  
Exercise period of Subscription Rights to Shares shall be from March 28, 2019 to March 26, 2025. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
- (7) Conditions for exercise of Subscription Rights to Shares
  - (i) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter "Holders of Subscription Rights to Shares") shall remain 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.
  - (ii) Subscription Rights to Shares shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
  - (iii) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

- (iv) The Holders of Subscription Rights to Shares 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 Subscription Rights to Shares by the methods listed below.
  - i) Receipt by cash
  - ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
  - iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
  - iv) Other methods specified by the Company
  
- (8) Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
  - (i) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall 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 shall be rounded up.
  - (ii) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in (i) above less the amount of increase in capital stock set out therein.
  
- (9) Reasons and conditions for the acquisition of Subscription Rights to Shares
  - (i) In case that 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 Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
  - (ii) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of (7) (i) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
  
- (10) Restriction on the acquisition of Subscription Rights to Shares by transfer
  - Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(11) Treatment of Subscription Rights to Shares 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"), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter "Restructured Company") shall be delivered under the following conditions to Holders of Subscription Rights to Shares remaining unexercised (hereinafter "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares 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 Subscription Rights to Shares of the Restructured Company to be delivered

The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

(ii) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

Shares of common stock of the Restructured Company

(iii) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

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 Subscription Rights to Shares

The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be decided according to (5) above after taking into consideration the conditions, etc. of the Organizational Restructuring.

(v) Exercise period of Subscription Rights to Shares

Starting from the later of either the first date of the exercise period of Subscription Rights to Shares 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 Subscription Rights to Shares as stipulated in (6) above.

(vi) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares

To be determined in accordance with (8) above.

- (vii) Restriction on acquisition of Subscription Rights to Shares by transfer
  - Acquisition of Subscription Rights to Shares by transfer shall 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 Board of Directors).
- (viii) Reasons and conditions for the acquisition of Subscription Rights to Shares
  - To be determined in accordance with (9) above.
  
- (12) Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares
  - Fractions of less than one share in the number of shares to be delivered to Holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.
  
- (13) Other details of Subscription Rights to Shares
  - Other details of Subscription Rights to Shares shall be determined by the meeting of the Board of Directors to determine conditions of the offer of Subscription Rights to Shares.
  
- 3. Matters concerning remuneration for Directors
  - The reason that the Company delivers aforementioned stock options to its Outside Directors as the compensation etc. is as stated in 1. above.
  - Out of aforementioned Subscription Rights to Shares as stock options, the Company delivers a maximum of 1,000 units for Outside Directors of the Company.
  - The amount of Subscription Rights to Shares to be delivered as part of the remuneration for Outside Directors of the Company, shall be calculated by multiplying the fair value of each Subscription Right to Shares calculated on the day when such rights are allotted, by the number of Subscription Rights to Shares allotted to Outside Directors of the Company. Fair value of each Subscription Right to Shares shall be based on the fair unit price valuation calculated applying variables including share price on the day when the Subscription Rights to Shares are allotted and the conditions of Subscription Rights to Shares, etc. using equity option pricing model such as Black-Scholes model.

### III: Issuance of Subscription Rights to Shares as Stock Options to Company Auditors of the Rakuten Group Companies

1. The reason for issuing the Subscription Rights to Shares on especially favorable conditions

Since the value of the Subscription Rights to Shares is linked with the Company's stock price, delivering Subscription Rights to Shares as part of a performance-linked compensation package to the Company Auditors of the Group will make the enhancement of the Company's corporate and shareholder values in the medium to long term be reflected in their compensation and allow shareholders and the Company Auditors of the Group to share equal benefits and disbenefits. This is expected to lead to a greater awareness on the part of the Company Auditors of the roles demanded of them, namely the execution of proper audits, thus ensuring the sound growth of the Group, which is indispensable to the enhancement of corporate and shareholder values, and the establishment of a system that will meet the trust placed in the Group by society.

The Company intends to implement stock options for the Company Auditors for the purpose of continuous enhancement of the Group's corporate and shareholder values.

In addition, since the exercise period of Subscription Rights to Shares starts on the day after at least three years from the date of issuance of Subscription Rights to Shares, Subscription Rights to Shares function as an incentive for higher performance and higher stock price for the medium to long term up to the start of the exercise period.

2. Outline of the issuance of the Subscription Rights to Shares

- (1) Persons to whom Subscription Rights to Shares will be allotted

Company Auditors of the Company and its subsidiaries and affiliates

- (2) Class and number of shares to be issued upon exercise of Subscription Rights to Shares

The class of shares to be issued upon the exercise of Subscription Rights to Shares shall be common stock of the Company, and the number of shares to be issued shall not exceed 300,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those 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.

$$\text{Number of shares after adjustment} = \frac{\text{Number of shares before adjustment}}{\text{Ratio of split or consolidation}}$$

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

- (3) Total number of Subscription Rights to Shares to be issued  
Subscription Rights to Shares to be issued shall not exceed 3,000 units.  
One hundred shares shall be issued for each Subscription Right to Shares, 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 Subscription Right to Shares shall be adjusted likewise.
- (4) Cash payment for Subscription Rights to Shares  
No cash payment is required for Subscription Rights to Shares.
- (5) Value of the assets to be contributed upon exercise of Subscription Rights to Shares  
The Price for one Subscription Rights to Shares shall be one yen.
- (6) Exercise period of Subscription Rights to Shares  
Exercise period of Subscription Rights to Shares shall be from March 28, 2019 to March 26, 2025. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
- (7) Conditions for exercise of Subscription Rights to Shares
- (i) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter "Holders of Subscription Rights to Shares") shall remain 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.
  - (ii) Subscription Rights to Shares shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
  - (iii) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

- (iv) The Holders of Subscription Rights to Shares 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 Subscription Rights to Shares by the methods listed below.
  - i) Receipt by cash
  - ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
  - iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
  - iv) Other methods specified by the Company
  
- (8) Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
  - (i) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall 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 shall be rounded up.
  - (ii) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in (i) above less the amount of increase in capital stock set out therein.
  
- (9) Reasons and conditions for the acquisition of Subscription Rights to Shares
  - (i) In case that 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 Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
  - (ii) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of (7) (i) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
  
- (10) Restriction on the acquisition of Subscription Rights to Shares by transfer
  - Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(11) Treatment of Subscription Rights to Shares 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"), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter "Restructured Company") shall be delivered under the following conditions to Holders of Subscription Rights to Shares remaining unexercised (hereinafter "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares 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 Subscription Rights to Shares of the Restructured Company to be delivered

The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

(ii) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

Shares of common stock of the Restructured Company

(iii) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

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 Subscription Rights to Shares

The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be decided according to (5) above after taking into consideration the conditions, etc. of the Organizational Restructuring.

(v) Exercise period of Subscription Rights to Shares

Starting from the later of either the first date of the exercise period of Subscription Rights to Shares 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 Subscription Rights to Shares as stipulated in (6) above.

(vi) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares

To be determined in accordance with (8) above.

- (vii) Restriction on acquisition of Subscription Rights to Shares by transfer  
Acquisition of Subscription Rights to Shares by transfer shall 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 Board of Directors).
  - (viii) Reasons and conditions for the acquisition of Subscription Rights to Shares  
To be determined in accordance with (9) above.
- (12) Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares  
Fractions of less than one share in the number of shares to be delivered to Holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.
- (13) Other details of Subscription Rights to Shares  
Other details of Subscription Rights to Shares shall be determined by the meeting of the Board of Directors to determine conditions of the offer of Subscription Rights to Shares.
3. Matters concerning remuneration for Company Auditors  
The reason that the Company delivers aforementioned stock options to its Company Auditors as the compensation etc. is as stated in 1. above.  
Out of aforementioned Subscription Rights to Shares as stock options, the Company delivers a maximum of 3,000 units for Company Auditors of the Company.  
The amount of Subscription Rights to Shares to be delivered as part of the remuneration for Company Auditors of the Company, shall be calculated by multiplying the fair value of each Subscription Right to Shares calculated on the day when such rights are allotted, by the number of Subscription Rights to Shares allotted to Company Auditors of the Company. Total fair value of the Subscription Rights to Shares delivered to Company Auditors of the Company shall not be in excess of 50 million yen. Fair value of each Subscription Right to Shares shall be based on the fair unit price valuation calculated applying variables including share price on the day when the Subscription Rights to Shares are allotted and the conditions of Subscription Rights to Shares, etc. using equity option pricing model such as Black-Scholes model.

Regarding the above matter, it is on the proviso that the Proposals of “Issuance of Subscription Rights to Shares as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies”, “Issuance of Subscription Rights to Shares as Stock Options to Outside Directors of the Rakuten Group Companies” and “Issuance of Subscription Rights to Shares as Stock Options to Company Auditors of the Rakuten Group Companies” be approved at our 18th Annual General Shareholders’ Meeting scheduled to be held on March 27, 2015.