



February 20, 2013

Company name Rakuten, Inc.
Representative Hiroshi Mikitani
Chairman and CEO
(JASDAQ Code: 4755)

Subscription Rights to Shares as Stock Options

On February 20, 2013, the Board of Directors of Rakuten Inc. (the "Company") resolved that the Company will submit the Proposal to the 16th Annual General Shareholders' Meeting 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, and to delegate the determination of the terms and conditions of the offer thereof to the Board of Directors of the Company.

In addition, pursuant to the provisions of Articles 361 and 387 of the Companies Act, this proposal requests the approval of delivery of Subscription Rights to Shares as non-monetary compensation for Directors and Company Auditors of the Company as written below, at the 16th Annual General Shareholders' Meeting to be held on March 28, 2013.

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, granting Subscription Rights to Shares will make the Company's medium to long-term performance to be reflected on the compensation of executives and employees, whereby stockholders and the executives and employees of the Group can share the equal benefit. Therefore, granting Subscription Rights to Shares makes it possible to further enhance motivation and morale towards higher performance among executives and employees of the Group, and to recruit and retain talented staff. For the purpose of increasing corporate value of the Group, stock option plans are implemented for the executives and employees of the Group.

In addition, since the exercise period of Subscription Rights to Shares starts at least three years from the date of issuance of Subscription Rights to Shares (hereinafter "Issue Date"), 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

Directors, Executive Officers, Company Auditors and employees 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 6,000,000.

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.

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

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 60,000 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 Strike Price for 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 29, 2017 to March 27, 2023. 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 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.
- (8) Matters concerning increase in capital stock and capital reserve by issuing (including transferred treasury stock in lieu of issuance of shares; hereinafter the same shall be applied) 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 a holder 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 referred to as "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 each those who received the allotment of issue 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) after taking into consideration the conditions etc. of 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 Company under Organizational Restructuring (or by the majority decision of directors if such company is not a company with board of directors).

(viii) Reason and conditions for 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 and Company Auditors

The reason for which the Company delivers aforementioned stock options to Directors and 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 20,000 units for Directors (including Outside Directors) of the Company (including a maximum of 1,000 units for Outside Directors), and 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 Directors and 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 Directors of the Company and that allotted to Company Auditors of the Company, respectively. 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, using equity option pricing model such as Black-Scholes model.

Regarding the above matter, it is on the proviso that the Proposal of "Issuance of Subscription Rights to Shares as Stock Options" be approved at our 16th Annual General Shareholders' Meeting scheduled to be held on March 28, 2013.