

February 26, 2016  
Company name Rakuten, Inc.  
Representative Hiroshi Mikitani  
Chairman and CEO  
(Stock Code: 4755  
Tokyo Stock Exchange First Section)

## Share Options as Stock Options

Rakuten, Inc. (hereinafter the “Company”) announces that the Board of Directors today resolved to propose that at the 19th Annual General Shareholders’ Meeting to be held on March 30, 2016, the Company will be authorized to issue the following Share Options 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 Share Options 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 Share Options as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies**

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 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 Share Options shall 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, 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 Share Options becoming exercisable thereafter. By making the stock options exercisable in stages in such a 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, which 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 the executives and employees of the Group for the purpose of continuous enhancement of the Group's corporate and shareholder values by recruiting and retaining talented staff and by raising the motivation of the executives and employees of the Group towards higher performance.

[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 Share Options, 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 Share Options 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 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 and affiliates

Outside Directors of the Company's subsidiaries and affiliates shall be eligible for the allotment of the Share Options, 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 Share Options

The class of shares to be issued upon the exercise of Share Options shall be common stock of the Company, and the number of shares to be issued shall not exceed 15,500,000.

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 Share Options 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 Share Options to be issued

Share Options to be issued shall not exceed 155,000 units.

One hundred shares shall 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 shall be adjusted likewise.

(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 shall be one yen.

(6) Exercise period of Share Options

The exercise period shall 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 shall be the working day immediately preceding the final day.

(7) Conditions etc. for exercise of Share Options

(i) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") 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) Share Options 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) Share Options shall 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 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 unit 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 unit 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 unit 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.
- (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 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
- (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 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 Share Options 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 Share Options
  - (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 Share Options at the date specifically determined by the Board of Directors of the Company

without any compensation therefor.

- (ii) In case that Holders of Share Options ceases to accommodate the conditions of (7) (i) above before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

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

Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(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") shall 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 shall 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 shall 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 shall 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

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 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 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 shall be discarded.

(13) Other details of Share Options

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

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 Share Options as stock 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, shall 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 shall 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 equity option pricing model such as Black-Scholes model.

## II: Issuance of Share Options as Stock Options to Outside Directors of the Rakuten Group Companies

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

Since the value of the Share Options is linked with the Company's stock price, delivering Share Options 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 Share Options starts on the day after at least three years from the date of issuance of Share Options, Share Options 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 Share Options

#### (1) Persons to whom Share Options 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 Share Options

The class of shares to be issued upon the exercise of Share Options 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 Share Options 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.

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

In addition, if the Company carries out a merger, 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 Share Options to be issued

Share Options to be issued shall not exceed 1,000 units.

One hundred shares shall 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 shall be adjusted likewise.

(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 shall be one yen.

(6) Exercise period of Share Options

Exercise period of Share Options shall be from March 31, 2020 to March 29, 2026. 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 etc. for exercise of Share Options

(i) Those who received the allotment of the issue of Share Options (hereinafter “Holders of Share Options”) 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) Share Options 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) Share Options shall 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 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

(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 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 Share Options 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 Share Options

- (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 Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
- (ii) In case that Holders of Share Options ceases to accommodate the conditions of (7) (i) above before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

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

Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(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") shall 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 shall 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 shall 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 shall 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 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 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 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 shall be discarded.

(13) Other details of Share Options

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

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 Share Options as stock options, the Company delivers a maximum of 1,000 units for Outside Directors of the Company.

The amount of Share Options to be delivered as part of the remuneration for Outside Directors of the Company, shall 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 Outside Directors of the Company. Fair value of each Share Options shall 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 equity option pricing model such as Black-Scholes model.

### III: Issuance of Share Options as Stock Options to Company Auditors of the Rakuten Group Companies

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

Since the value of the Share Options is linked with the Company's stock price, delivering Share Options 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 Share Options starts on the day after at least three years from the date of issuance of Share Options, Share Options 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 Share Options

(1) Persons to whom Share Options 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 Share Options

The class of shares to be issued upon the exercise of Share Options 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 Share Options shall be adjusted according to the following formula; provided that such adjustment shall 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, 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 Share Options to be issued

Share Options to be issued shall not exceed 3,000 units.

One hundred shares shall 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 shall be adjusted likewise.

(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 shall be one yen.

(6) Exercise period of Share Options

Exercise period of Share Options shall be from March 31, 2020 to March 29, 2026. 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 etc. for exercise of Share Options

(i) Those who received the allotment of the issue of Share Options (hereinafter “Holders of Share Options”) 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) Share Options 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) Share Options shall 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 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

(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 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 Share Options 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 Share Options

- (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 Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
- (ii) In case that Holders of Share Options ceases to accommodate the conditions of (7) (i) above before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

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

Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(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") shall 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 shall 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 shall 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 shall 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 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 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 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 shall be discarded.

(13) Other details of Share Options

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

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 Share Options as stock options, the Company delivers a maximum of 3,000 units for Company Auditors of the Company.

The amount of Share Options to be delivered as part of the remuneration for Company Auditors of the Company, shall 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 Company Auditors of the Company. Total fair value of the Share Options delivered to Company Auditors of the Company shall not be in excess of 50 million yen. Fair value of each Share Options shall 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 equity option pricing model such as Black-Scholes model.

Regarding the above matter, it is on the proviso that the Proposals of "Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies", "Issuance of Share Options as Stock Options to Outside Directors of the Rakuten Group Companies" and "Issuance of Share Options as Stock Options to Company Auditors of

the Rakuten Group Companies” be approved at our 19th Annual General Shareholders’ Meeting scheduled to be held on March 30, 2016.