

February 20, 2012

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

Stock Options (Subscription Rights to Shares)

At the meeting of the Board of Directors held today, Rakuten, Inc. (hereinafter the “Company”) approved the resolution to make proposals at the 15th Annual General Shareholders’ Meeting to be held on March 29, 2012. The Company intends to make these proposals pursuant to Articles 236, 238 and 239 of the Companies Act, seeking shareholder approvals of the Company’s—issuance of Subscription Rights to Shares as stock options to Directors, Company Auditors and employees of the Company, its subsidiaries and affiliates; delegation of authority to determine the terms and conditions of the offer thereof to the Board of Directors of the Company and; the granting of Subscription Rights to Shares to its Directors and Company Auditors as non-monetary compensation according to the provisions of Articles 361 and 387 of the Companies Act. Details concerning these proposals are set out below.

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

The Company intends to implement two types of stock option schemes as stated below, with a view to increasing the Group’s overall corporate value by enhancing motivation and morale to encourage higher performance among Directors, Executive Officers, Company Auditors and employees of the Company, its subsidiaries and affiliates as well as recruiting and retaining talented staff.

- (1) One type of Subscription Rights to Shares entitles Directors, Executive Officers, Company Auditors and employees of the Company, its subsidiaries and affiliates to purchase shares in the Company by paying in one yen per share upon the exercise of such rights (hereinafter referred to as “Subscription Rights to Shares (A)”).
- (2) The Company is aiming to increase the Group’s overall corporate value by recruiting and retaining excellent staff together with enhancing motivation and morale to encourage higher performance of Directors, Executive Officers, Company Auditors and employees at its overseas businesses once they become the Company’s subsidiaries and affiliates. These businesses comprise Kobo Inc. (Head office: Toronto, Canada) which became the Company’s wholly owned subsidiary on January 11, 2012 (Toronto Canada local time) and other overseas subsidiaries of the Company (including those that have not become the Company’s subsidiaries at present; hereinafter collectively referred to as “the Company’s overseas subsidiaries”) as well as overseas affiliates of the Company (including those that have not become the Company’s affiliates at present; hereinafter collectively referred to as “the Company’s overseas affiliates”). To this end, the Company intends to issue the other type of Subscription Rights to Shares to the Directors, Executive Officers, Company Auditors and employees of its overseas subsidiaries and affiliates, entitling them to purchase shares in the Company by paying in one yen per share upon the exercise of such rights (hereinafter referred to as “Subscription Rights to Shares (B)”).

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 60,000 for Subscription Rights to Shares (A) and 30,000 for Subscription Rights to Shares (B).

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.

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

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 Subscription Rights to Shares to be issued

Subscription Rights to Shares to be issued shall not exceed 60,000 units for Subscription Rights to Shares (A) and 30,000 units for Subscription Rights to Shares (B).

One share 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 value of the assets to be contributed upon the exercise of each Subscription Rights to Shares is equal to the amount of payment per share (hereinafter referred to as the "Exercise Price") multiplied by the number of shares to be issued upon the exercise of such rights (these include shares held as treasury stock in replacement for an issuance of new shares; the same applies whenever referred to hereinafter) and the Exercise Price is set at one yen. In the case that the Company splits or consolidates its common stock after the date of issuance of Subscription Rights to Shares (hereinafter referred to as the "Issue Date"), the exercise price shall be adjusted according to the following formula. If any fraction less than one yen per share arises as a result of the adjustment, such fraction shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times (1 / \text{Ratio of split or consolidation})$$

In addition to the above, following the Issue Date, if the Company carries out a merger or similar deals that give rise to the necessity of adjusting the exercise price, the exercise price shall be properly adjusted within an appropriate and reasonable range.

(6) Exercise period of Subscription Rights to Shares

Exercise period of Subscription Rights to Shares (A) shall be from March 30, 2016 to March 28, 2022, while that of Subscription Rights to Shares (B) (hereinafter "Issue Date") shall be from the second anniversary of Subscription Rights to Shares to the tenth anniversary. 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

- 1) 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.
- 2) 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.
- 3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

Those who were granted Subscription Rights to Shares (B), however, may exercise such rights according to the conditions prescribed in 4) - 6) set out below in place of the above 1). Such rights are still subject to conditions prescribed in 2) and 3).

- 4) Those who received the allotment of the issue of Subscription Rights to Shares may exercise all or part of such rights in accordance with the following classifications.
 - (i) Those who received the allotment of issue of Subscription Rights to Shares may not exercise any of the Subscription Rights to Shares allotted to him/her from Issue Date to the date immediately preceding the second anniversary of the Issue Date.
 - (ii) Those who received the allotment of issue of Subscription Rights to Shares may exercise one-third of the Subscription Rights to Shares allotted to him/her from the second anniversary of the Issue Date to the date immediately preceding the third anniversary of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).
 - (iii) Those who received the allotment of issue of Subscription Rights to Shares may exercise two-thirds (however if a part of the Subscription Rights to Shares allotted is exercised by the third (3rd) anniversary, exercisable Subscription Rights to Shares shall be within two-thirds of the allotted Subscription Rights to Shares, including the already exercised Subscription Rights to Shares) of the Subscription Rights to Shares allotted to him/her from the third anniversary of the Issue Date to the date immediately preceding the fourth anniversary of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).
 - (iv) Those who received the allotment of issue of Subscription Rights to Shares may exercise all the Subscription Rights to Shares allotted to him/her from the fourth anniversary of the Issue Date to the tenth anniversary of the Issue Date.
- 5) Those who received the allotment of 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, this shall not apply to cases where (i) those who received the allotment of the issue of Subscription Rights to Shares exercise Subscription Rights to Shares which are exercisable at the time of the termination of delegation or employment relationship (including a case where those who received the allotment of the issue of Subscription Rights to Shares have passed away) between them and overseas subsidiaries or affiliates of the Company (hereinafter referred to as "Important Participating Companies") within 30 days from such termination, or (ii) it is allowed as an exceptional case by the Board of Directors in consideration of circumstances.
In addition, allotted Subscription Rights to Shares which are not then exercisable shall not be exercised thereafter: (a) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company of their own accord; those who received the allotment of the issue of Subscription Rights to Shares dismissed or displaced by Important Participating Companies due to

reasons imputable to them under the governing laws of their incorporation; or delegation or employment relationship between those who received the allotment of the issue of subscription rights shares and Important Participating Companies terminated due to death of those who received the allotment of the issue of Subscription Rights to Shares, permanent invalidity which disables them to continue to execute their duties for Important Participating Companies or an affiliate under the governing law for its incorporation, or mandatory retirement, (b) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company of their own accord because significant disadvantageous changes in the basic terms of the delegation or employment contract unilaterally imposed on them by Important Participating Companies or an affiliate thereof under the governing law for its incorporation, those who received the allotment of the issue of Subscription Rights to Shares, notwithstanding the provision in 4), may also exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the anniversary date of the Issue Date (hereinafter referred to as "Commencement Date") to the date of the retirement or leaving of the Company (hereinafter referred to as "Date of Leaving") against the one-year period which includes the Date of Leaving and commences on the Commencement Date by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in 4) at the time when the said one-year period has elapsed (However, in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company on or before the second anniversary date of the Issue Date, those who received the allotment of the issue of Subscription Rights to Shares may exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the Issue Date to the Date of Leaving against the two-year period by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in 4) (ii) on the second anniversary date of the Issue Date) (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down) (however, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with Important Participating Companies), and (c) in cases where those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by Important Participating Companies despite the lack of reasons imputable to them under the governing laws of incorporation, those who received the allotment of the issue of Subscription Rights to Shares may, notwithstanding the provision in 4), exercise all of allotted Subscription Rights to Shares that are held at the time of receiving the notification of dismissal or displacement (However, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with Important Participating Companies).

- 6) Notwithstanding the provisions of 4) above, in the event of a sale of all or substantially all of the assets of the business of Important Participating Companies to a third party other than the Company or an affiliate of Important Participating Companies under the governing law for its incorporation, or in the event of a reorganization such as a merger (except for reorganization carried out by solely involving Important Participating Companies and one or more of its affiliates under the governing law for its incorporation) with respect to which all or substantially all of the persons who were the beneficial owners of the common shares of Important Participating Companies immediately prior to such transaction do not, following such transaction, beneficially own directly or indirectly more than 50% of the resulting voting rights of all shareholders of Important Participating Companies (including all the voting rights of Important Participating Companies or other similar rights which may be issued or transferred as a result of the exercising of the Subscription Rights to Shares of Important Participating Companies), the holder of the Subscription Rights to Shares may exercise all the rights he/she holds at

the time of such event, provided that such Subscription Rights to Shares are exercised immediately before such event comes into force.

(8) Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares

- 1) 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.
- 2) 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 1) above less the amount of increase in capital stock set out therein.

(9) Reasons and conditions for the acquisition of Subscription Rights to Shares

- 1) 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.
- 2) In case that a holder of Subscription Rights to Shares (A) ceases to accommodate the conditions of (7) 1) above before exercising Subscription Rights to Shares, or in case that a holder of Subscription Rights to Shares (B) becomes unable to exercise all or part of Subscription Rights to Shares pursuant to the provision in (7) 5) or 6), 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, and the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

- 1) 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.

- 2) 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
- 3) 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.
- 4) 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 the amount obtained by multiplying the amount paid after Organizational Restructuring which is the adjusted amount of the Exercise Price determined in (5) above by the number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares determined in accordance with 3) above, after taking into consideration the conditions, etc. of the Organizational Restructuring.
- 5) 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.
- 6) 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.
- 7) 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).
- 8) 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) Adjustments due to share splits

On and after July 1, 2012, the effective date of share splits resolved at the meeting of Board of Directors held on February 20, 2012, each number of shares stated in (2) and (3) has been centupled in accordance with the adjustment to the number of shares defined in (2) and (3) above and the Exercise Price prescribed in (5) has been adjusted to one hundredth of the original value in accordance with the adjustment provision in (5). (Subscription Rights to Shares less than one yen shall be rounded up.) As a result of these adjustments, the Exercise Price for each Subscription Right to Shares and the number of shares to be issued upon the exercise of such rights is set at one yen and one hundred shares respectively.

(14) 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 (A) 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 (A) 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 (A) calculated on the day when such rights are allotted, by the number of Subscription Rights to Shares (A) 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 (A) delivered to Company Auditors of the Company shall not be in excess of 50 million yen. Fair value of each Subscription Right to Shares (A) shall be based on the fair unit price valuation calculated applying variables including share price on the day when the Subscription Rights to Shares (A) are allotted and the Exercise Price, etc. using equity option pricing model such as Black-Scholes model.

Subscription Rights to Shares (B) are not granted to Directors and Company Auditors of the Company.

The above scheme will be implemented subject to shareholders' approval of "Issuance of Subscription Rights to Shares as Stock Options" at the 15th Annual General Shareholders' Meeting held on March 29, 2012.