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(Securities Code 4755)
March 10, 2017

To Shareholders with Voting Rights:

Hiroshi Mikitani
Representative Director
Rakuten, Inc.
1-14-1 Tamagawa
Setagaya-ku, Tokyo, Japan

**NOTICE OF
THE 20TH ANNUAL GENERAL SHAREHOLDERS' MEETING**

Dear Shareholders:

You are cordially invited to attend the 20th Annual General Shareholders' Meeting of Rakuten, Inc. (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Shareholders' Meeting (described hereinafter) and exercise your voting rights by 6:00 p.m. Japan Standard Time on Wednesday, March 29, 2017.

- 1. Date and Time:** Thursday, March 30, 2017 at 10:00 a.m. Japan Standard Time
- 2. Place:** Hiten Main Banquet Hall,
Grand Prince Hotel New Takanawa,
3-13-1 Takanawa, Minato-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements for the 20th Fiscal Year (January 1, 2016 - December 31, 2016)
 2. Results of Audits of the Consolidated Financial Statements by the Independent Auditor and the Board of Company Auditors**Proposals to be resolved:**
 - Proposal No.1 :** Partial Amendment to the Articles of Incorporation
 - Proposal No.2 :** Election of Eight Directors
 - Proposal No.3 :** Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies
 - Proposal No.4 :** Issuance of Share Options as Stock Options to Outside Directors of the Rakuten Group Companies
 - Proposal No.5 :** Issuance of Share Options as Stock Options to Company Auditors of the Rakuten Group Companies

Information concerning the exercise of voting rights:

For those attending the Shareholders' Meeting:

For those attending, please present the Voting Rights Exercise Form enclosed in the original Japanese Version at the reception desk on arrival at the meeting. You may exercise your voting right by appointing another shareholder with the right to vote as your proxy. Please be advised that such proxy is required to submit a document to attest to the proxy right.

For those unable to attend the Shareholders' Meeting:

■ Exercise of voting rights in writing

Please indicate your votes for or against each of the proposals on the Voting Rights Exercise Form enclosed in the original Japanese Version, and return the form by 6:00 p.m. Japan Standard Time on Wednesday, March 29, 2017.

■ Exercise of voting rights via the Internet

In the case where voting rights are exercised via the Internet, please refer to the "Guide to exercising voting rights via the Internet" (page 3 through 5), and vote by 6:00 p.m. Japan Standard Time on Wednesday, March 29, 2017.

Guide to exercising voting rights via the Internet

Before exercising your voting rights via the Internet, please be advised of the following items.

1. Regarding the website for exercise of voting rights

Voting rights may be exercised via the Internet only by using the following website designated by the Company for exercise of voting rights.

Address of website for exercise of voting rights:

<http://www.web54.net>

* The website for exercise of voting rights may also be accessed by reading the QR Code® on the right using a mobile phone equipped with barcode reading function. Please consult the instruction manual of your mobile phone for details on how to operate this function. (QR Code is a registered trademark of DENSO WAVE INCORPORATED.)



2. Regarding the handling of exercise of voting rights

- (1) If you are exercising your voting rights via the Internet, please use the exercise of voting rights code and password indicated on the enclosed Voting Rights Exercise Form, and enter your votes for or against each of the proposals by following the instructions on the screen.
- (2) The deadline for exercise of voting rights is 6:00 p.m. Japan Standard Time on Wednesday, March 29, 2017. Please exercise your voting rights ahead of time.
- (3) If voting rights have been exercised in writing and via Internet, etc., the vote via Internet, etc. shall be treated as valid. Furthermore, in the case where voting rights are exercised multiple times via Internet, etc., or by both computer and mobile phone, the last exercise of voting rights shall be treated as valid.
- (4) The fees charged by providers and communications companies (connection fees, etc.) when using the website for exercise of voting rights shall be borne by the shareholder.

3. Regarding handling of passwords and exercise of voting rights codes

- (1) Your password is a valuable piece of information used to confirm that the person voting is the actual shareholder. Please treat it as carefully as your personal seal or PIN number.
- (2) If a password is entered mistakenly more than a certain number of times, it will no longer be available for use. If you wish to request a new password, please follow the instructions on the screen.
- (3) The code indicated on the Voting Rights Exercise Form is valid for this General Shareholders' Meeting only.

4. Regarding system-related requirements

If you are exercising your voting rights via the Internet, please confirm that the system you are using meets the following conditions.

- (1) Requirements for access through website for computers
 - i. Screen resolution of 800 X 600 pixels (SVGA) or over.
 - ii. The following applications are installed:
 - (a) Microsoft® Internet Explorer Version 5.01 SP2 or later as web browser

(b) Adobe® Acrobat® Reader® Version 4.0 or later, or Adobe® Reader® Version 6.0 or later, as PDF file browser.

* Internet Explorer is a registered trademark, brand name, and product name of Microsoft Corporation (U.S.) in the United States and other countries. Adobe® Acrobat® Reader® and Adobe® Reader® are registered trademarks, brand names, and product names of Adobe Systems Incorporated (U.S.) in the United States and other countries.

* Both of these software applications are distributed free of charge on the respective company websites.

iii. If the pop-up blocker function is activated on your web browser or its add-in tools, etc., please turn off (or temporarily turn off) this function and enable the use of cookies for this website in your privacy settings.

iv. If you are unable to access the above website, it may be that your connection with the Internet is prohibited by the settings of firewall proxy servers or security measures software, etc. Please check those settings.

(2) Requirements for access through website for mobile phone devices

Your mobile phone model must be able to use one of the services below, and be capable of 128bit SSL (Secure Socket Layer) encrypted connection.

1) i-mode 2) EZweb 3) Yahoo! Keitai

* i-mode, EZweb, Yahoo!, and Yahoo! Keitai are trademarks, registered trademarks, or names of services of NTT DOCOMO, INC., KDDI CORPORATION, Yahoo! Incorporated (U.S.), and SoftBank Mobile Corp. respectively.

* If the website is accessed via a mobile phone device using a full browser application, a computer via a phone device using the phone as transmission device only, or a smartphone device, such votes will be treated as votes exercised through the website for computers regardless of whether the above conditions are met.

5. Contact for inquiries related to operation of computers and other devices

(1) Please contact the number below if you have any questions about how to use your computer, mobile phone, or other devices in connection with exercise of your voting rights through this website.

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Helpline,
(Telephone) 0120-652-031 (Hours) 9:00 - 21:00

(2) Inquiries on other matters should be directed as follows:

i. Shareholders holding an account with a securities company

Shareholders who hold an account with a securities company should contact their securities company.

ii. Shareholders not holding an account with a securities company (holders of special accounts)

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Services Center
(Telephone) 0120-782-031 (Hours) 9:00 - 17:00 (excluding Saturdays, Sundays, and national holidays)

6. Regarding use of the platform for electronic exercise of voting rights (for institutional investors)

Institutional investors may exercise their voting rights electronically via the “electronic exercise of voting rights platform” operated by ICJ, Inc. for this General Shareholders’ Meeting.

Reference Documents for the General Shareholders' Meeting

Matters to be Resolved and Reference Matters

Proposal No. 1: Partial Amendment to the Articles of Incorporation

1. Reasons for the proposal

In light of its future business developments, the Company proposes an amendment to the current Article 2 (Purpose) of the Company's Articles of Incorporation to include new business purposes.

2. Details of the proposed amendment

The details of the proposed amendment are as follows:

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
<p>(Purpose) Article 2 The purposes of the Company shall be to engage in the following business activities:</p> <p>1.-6. (Omission of the provisions)</p> <p>7. The following business activities related to computers, computer peripherals, computer-related devices and software:</p> <p>a) Development and production b) Sale, import, export, intermediary service and capital investment c) Maintenance and repair d) Operation and dispatch of personnel e) Calculation service f) Lease and rental (Newly established)</p>	<p>(Purpose) Article 2 The purposes of the Company shall be to engage in the following business activities:</p> <p>1.-6. (Unchanged)</p> <p>7. The following business activities related to computers, computer peripherals, computer-related devices, software <u>and digital contents</u>:</p> <p>a) Development and production b) Sale, import, export, intermediary service and capital investment c) Maintenance and repair d) Operation and dispatch of personnel e) Calculation service f) Lease and rental g) <u>Distribution</u></p>

Existing Articles of Incorporation	Proposed amendment
<p>8.-28. (Omission of the provisions)</p> <p>29. Import, export and sale of sporting goods, game machines, toys, processed food, household goods and miscellaneous goods, cosmetics, pharmaceutical products and medical <u>instruments.</u></p> <p><u>30. Manufacture and processing of sporting goods, game machines, toys, processed food, cosmetics, pharmaceutical products and medical instruments.</u></p> <p><u>31.-33.</u> (Omission of the provisions)</p>	<p>8.-28. (Unchanged)</p> <p>29. <u>Research, development, manufacture, sales and manufacturing, processing,</u> import, export and sale of sporting goods, game machines, toys, <u>agricultural, marine and livestock products and</u> processed food, household goods and miscellaneous goods, cosmetics, pharmaceutical products and medical <u>devices.</u></p> <p>(Deleted)</p> <p><u>30.-32.</u> (Unchanged)</p>

Proposal No. 2: Election of Eight Directors

1. Reasons for the proposal

The terms of office of all eight incumbent Directors will expire at the conclusion of the meeting. Accordingly, election of the eight Directors (including five Outside Directors) is proposed. If this item is approved as proposed, four of the Outside Directors will be appointed as Independent Directors, in accordance with the regulations of the Tokyo Stock Exchange, Inc., thereby maintaining the 50% of the Directors being Independent Directors

2. Our approach towards the Board of Directors

(Measures to Enhance the Effectiveness of Corporate Governance)

The Group is aiming to maximize corporate value, and has been implementing various measures as rigorous corporate governance is our highest priority.

The Company has supervised management through the Board of Company Auditors comprised exclusively of Outside Company Auditors. Additionally, in order to separate the supervisory and executive roles of the management, the Company has adopted an Executive Officer System in which the Board retains the responsibility for management decision-making and supervision, while Executive Officers are responsible for the executive functions.

The Company's Board of Directors, which includes both the Outside Directors and Outside Company Auditors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective as well as enhancing the effectiveness of corporate governance by engaging in casual and multilateral discussions on management.

Starting from April 2016, the Company has been holding intensive sessions every quarter held separately from the meetings of the Board of Directors, where Directors and Company Auditors mainly engage in debate about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective, rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors. In addition, in August 2016, the Company completely revised the items to be discussed by and the standards for the Board of Directors in order to achieve prompt corporate management. The Company will continue to implement measures to enhance the effectiveness of corporate governance.

(Selection of Candidates for Directors)

The Company selects candidates for Directors who embody such corporate philosophy at a high level and who have high potentials to contribute to further development of the Group. Additionally, by making the term of office of each Director one year, the Company upholds the principle of reflecting the will of its shareholders in selecting its Directors each year.

In particular, the Company selects persons who have extensive experience, professional knowledge, and are able to play a leading role in areas such as IT, the financial industry, corporate management, the legal profession, finance and accounting, public administration, and consulting, and who are capable of appropriately guiding and supervising the business execution of the Group.

If the proposal on the election of Directors is approved at the 20th Annual General Shareholders' Meeting, eight Directors will be appointed, which the Company believes to be an appropriate size in order to conduct management decision-making and supervision. Additionally, the Company places emphasis on the diversity of its Directors. This is reflected by the appointment of one woman and three foreign nationals as Directors among its eight Directors, and one woman and two foreign nationals among its five Outside Directors.

(Independence of Independent Directors and Independent Company Auditors)

With the aim of ensuring high transparency and strong management supervision,

to increase the corporate value, the Company appoints persons who, in principle, do not fall under any of the following criteria to be independent in selecting its Independent Directors and Independent Company Auditors.

- a. Executive of the parent company or a fellow subsidiary of the Company (*1)
- b. A person or party whose major client is the Company or an executive thereof or a major client (*2) of the Company or an executive thereof
- c. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as Directors or Company Auditors
- d. A person or party who has recently fallen under any of a) through c) above (*3)
- e. A close relative of a person who falls under any of a) through d) above, or a close relative of an executive of the Company or its subsidiary (including those who were executives until recently) (including a close relative of non-executive Director or accounting advisor of the Company or its subsidiary, in the case where Outside Company Auditor is appointed as an Independent Company Auditor)

*1: An executive as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, which includes employees in addition to executive Directors, and does not include Company Auditors.

*2: Refers to cases in which, using the transaction amount with the Company as the criterion, the sum of the Company's total purchase amount accounts for 1% or more of the total amount of Cost of sales and Selling, general and administrative expenses.

*3: Cases which are considered, in effect, equivalent to the present condition, such as where a party or person fell under any of a) through c) at the time the contents of the proposal of the General Shareholders' Meeting are determined for the election of such Independent Directors or Independent Company Auditors as Outside Directors or Outside Company Auditors.

3. Candidates for Director

The candidates for Director are as follows:

No.	Name	Position at the Company	Term of Office	Attendance of the meetings of the Board of Directors
1	Hiroshi Mikitani Reappointment	Chairman, President, and Representative Director	20 years	100% (12 out of the 12 meetings)
2	Masayuki Hosaka Reappointment	Vice Chairman and Representative Director	3 years	100% (12 out of the 12 meetings)
3	Charles B. Baxter Reappointment	Director	6 years	100% (12 out of the 12 meetings)
4	Ken Kutaragi Reappointment Outside Independent	Director	7 years	100% (12 out of the 12 meetings)
5	Joshua G. James Reappointment Outside	Director	1 year	89% (8 out of the 9 meetings) (*)
6	Takashi Mitachi Reappointment Outside Independent	Director	1 year	100% (9 out of the 9 meetings) (*)
7	Jun Murai Reappointment Outside Independent	Director	5 years	75% (9 out of the 12 meetings)
8	Youngme Moon Reappointment Outside Independent	Director	2 years	83% (10 out of the 12 meetings)

*Counted after the appointment as a Director on March 30, 2016.

No.1	Name (Date of birth)	Hiroshi Mikitani (March 11, 1965) <u>Reappointment</u>		
Responsibilities at the Company		Chief Executive Officer President, Open EC, AD, Affiliate Company Group President, Group Company Division		
Reasons for nominating the candidate		Ever since founding the Company in February 1997, Mr. Mikitani has led the management of the Group as Representative Director for 20 years and has established the "Rakuten Ecosystem," a unique innovative business model. In addition, he is the driving force behind the growth of the entire Group and the Internet Services segment as Chief Executive Officer and Internet Services Segment Leader. His continued appointment is requested in anticipation of achieving further development of the Group.		
Career summary, Positions and responsibilities		Apr.	1988	Joined The Industrial Bank of Japan, Limited
		May	1993	Received MBA from Harvard Business School
		Feb.	1996	President and Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)
		Feb.	1997	Founder and President and Representative Director of the Company
		Feb.	2001	Chairman, President, and Representative Director of the Company (current position)
		Mar.	2004	Chief Executive Officer of the Company (current position)
		Apr.	2006	Chairman and Representative Director of Crimson Football Club, Inc. (currently Rakuten Football Club, Inc.) (current position)
		Jan.	2008	Chairman and Representative Director of Rakuten Baseball, Inc.
		Feb.	2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)
		Oct.	2011	Chairman of Tokyo Philharmonic Orchestra (current position)
		Aug.	2012	Chairman and Representative Director and team owner of Rakuten Baseball, Inc. (current position)
		Mar.	2015	Director of Lyft, Inc. (current position)
Aug.	2016	Chairman and Director of Aspyrian Therapeutics, Inc. (current position)		
Significant office(s) concurrently held		Representative Partner of Crimson Group, LLC. Chairman and Representative Director of Rakuten Football Club, Inc. Representative Director of Japan Association of New Economy. Chairman of Tokyo Philharmonic Orchestra, Chairman and Representative Director and team owner of Rakuten Baseball, Inc.		
Number of shares of the Company held		176,155,800 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of the 12 meetings)		

No.2	Name (Date of birth)	Masayuki Hosaka (July 31, 1954) <u>Reappointment</u>		
Responsibilities at the Company	Executive Vice Chairman President, Card & Payments Company			
Reasons for nominating the candidate	After working for a credit card service company, Mr. Hosaka joined the FinTech start-up business as General Manager of Personal Finance Department of the Company in 2003 and contributed to the rapid growth of the said business. In addition, as FinTech Segment Leader, he is the driving force behind the growth of this segment. His continued appointment is requested in anticipation of achieving further development of the Group.			
Career summary, Positions and responsibilities	Apr.	1980	Joined ORIX Credit Corporation	
	Dec.	2003	General Manager of Personal Finance Department of the Company	
	May	2005	Executive Officer of the Company	
	Feb.	2006	President and Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.)	
	Mar.	2007	Vice Chairman and Director of Rakuten Credit, Inc.	
	Apr.	2009	President and Representative Director of Rakuten Credit, Inc. (current position)	
	Feb.	2013	Managing Executive Officer of the Company	
	Jan.	2014	Executive Vice President of the Company	
	Mar.	2014	Representative Director of the Company (current position)	
	Apr.	2016	Executive Vice Chairman of the Company (current position)	
	Jul.	2016	President, Card & Payments Company of the Company	
	Significant office(s) concurrently held	President and Representative Director of Rakuten Card Co., Ltd.		
Number of shares of the Company held	156,600 Shares			
Attendance of the meetings of the Board of Directors	100% (12 out of the 12 meetings)			

No.3	Name (Date of birth)	Charles B. Baxter (April 19, 1965) <u>Reappointment</u>		
Responsibilities at the Company		(Chairman and Director, Rakuten USA, Inc.)		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of further promotion of the Group's US business based on his expertise in the Internet industry and corporate management, in addition to his contribution as Chairman and Director of Rakuten USA, Inc. since 2012.		
Career summary, Positions and responsibilities		Oct.	1998	CEO of eTranslate, Inc.
		Mar.	2001	Director of the Company
		Mar.	2003	Retired as Director of the Company
		Jul.	2004	Chairman of Wineshipping.com LLC (current position)
		Mar.	2011	Director of the Company (current position)
		Feb.	2012	Chairman and Director of Rakuten USA, Inc. (current position)
		Jan.	2015	Chairman of Reynolds Holdco, Inc. (current position)
Significant office(s) concurrently held		—		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of the 12 meetings)		

No.4	Name (Date of birth)	Ken Kutaragi (August 2, 1950) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		Appointment is requested in anticipation of his advice to the management of the Company based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management. He is the incumbent Outside Director of the Company and will have served for that position for seven years at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Apr.	1975	Joined Sony Corporation
		Nov.	1993	Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Apr.	1999	President and Representative Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2000	Director of Sony Corporation
		Nov.	2003	Director, Executive Vice President and COO of Sony Corporation
		Dec.	2006	Chairman and Group CEO of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2007	Honorary Chairman of Sony Computer Entertainment Inc. Senior Technology Advisor of Sony Corporation (current position)
		Oct.	2009	Representative Director and CEO of Cyber AI Entertainment Inc. (current position)
		Mar.	2010	Director of the Company (current position)
		Jun.	2011	Outside Director of Nojima Corporation (current position)
Significant office(s) concurrently held		Senior technology advisor of Sony Corporation Representative Director and CEO of Cyber AI Entertainment Inc. Outside Director of Nojima Corporation		
Number of shares of the Company held		10,000 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of the 12 meetings)		

No.5	Name (Date of birth)	Joshua G. James (June 28, 1973) <u>Reappointment</u> <u>Candidate for Outside Director</u>		
Reasons for nominating the candidate		Appointment is requested in anticipation of his advice to the management of the Company based on his expertise in the Internet services and his extensive experience in the management of Internet service businesses in North America. He has served as the Company's Outside Director in the past. He is the incumbent Outside Director of the Company and will have served for that position for one year at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Oct.	1996	Founder and CEO of Omniture, Inc.
		Oct.	2009	Senior Vice President and General Manager of Omniture Business Unit of Adobe Systems, Inc.
		Oct.	2010	Founder and CEO of Domo, Inc. (current position)
		Mar.	2011	Director of the Company
		Mar.	2015	Retired as Director of the Company
		Mar.	2016	Director of the Company (current position)
Significant office(s) concurrently held		Founder and CEO of Domo, Inc.		
Number of shares of the Company held		1,500 Shares		
Attendance of the meetings of the Board of Directors		89% (8 out of the 9 meetings)		

No.6	Name (Date of birth)	Takashi Mitachi (January 21,1957) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nomination of candidate for Director		Appointment is requested in anticipation of his advice to the management of the Company based on his expertise as a management consultant along with his extensive experience in corporate management. He is the incumbent Outside Director of the Company and will have served for that position for one year at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Apr.	1979	Joined Japan Airlines Co., Ltd.
		Jun.	1992	Received MBA from Harvard Business School
		Oct.	1993	Joined The Boston Consulting Group
		Jan.	1999	Vice President of The Boston Consulting Group
		Jan.	2005	Japan Co-chair of The Boston Consulting Group
		Apr.	2011	Board Member of Japan Association for the World Food Programme (current position)
		Apr.	2013	Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)
		Jan.	2016	Senior Partner & Managing Director of The Boston Consulting Group (current position)
		Mar.	2016	Director of the Company (current position)
Significant office(s) concurrently held		Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) Senior Partner & Managing Director of The Boston Consulting Group		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		100% (9 out of the 9 meetings)		

No.7	Name (Date of birth)	Jun Murai (March 29, 1955) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nomination of candidate for Director		Appointment is requested in anticipation of his advice on the management of the Company based on his academic expertise in the Internet technology along with his extensive experience. He is the incumbent Outside Director of the Company and will have served for that position for five years at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Aug.	1984	Assistant at Information Processing Center of Tokyo Institute of Technology
		Mar.	1987	Received Ph. D in Engineering from Keio University
		Apr.	1987	Assistant at Large-scale Computer Center, the University of Tokyo
		Apr.	1990	Associate Professor of Faculty of Environment and Information Studies of Keio University
		Apr.	1997	Professor of Faculty of Environment and Information Studies of Keio University (current position)
		May	2005	Vice-President of Keio Gijuku Educational Corporation
		Oct.	2009	Dean of Faculty of Environment and Information Studies of Keio University (current position)
		Sep.	2011	Outside Director of BroadBand Tower, Inc. (current position)
		Mar.	2012	Director of the Company (current position)
Significant office(s) concurrently held		Dean and Professor of Faculty of Environment and Information Studies of Keio University. Outside Director of BroadBand Tower, Inc.		
Number of shares of the Company held		1,500 shares		
Attendance of the meetings of the Board of Directors		75% (9 out of the 12 meetings)		

No.8	Name (Date of birth)	Youngme Moon (April 24, 1964) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nomination of candidate for Director		Appointment is requested in anticipation of her advice to the management of the Company based on her academic expertise in business administration along with her extensive experience. Although she has not participated in company management other than Outside Director or Outside Company Auditor to date, the Company believes that she will be able to perform Outside Director's responsibilities for the above reasons. She is the incumbent Outside Director of the Company and will have served for that position for two years at the conclusion of the meeting.		
Career summary, Positions and responsibilities		Jun.	1996	Received Ph. D from Stanford University
		Jul.	1997	Assistant Professor of Massachusetts Institute of Technology (MIT)
		Jul.	1998	Assistant Professor of Harvard Business School
		Jul.	2003	Associate Professor of Harvard Business School
		Sep.	2005	Director of Avid Technology, Inc. (current position)
		Jul.	2007	Donald K. David Professor of Business Administration of Harvard Business School (current position)
		Jul.	2010	Senior Associate Dean and Chair of the MBA Program of Harvard Business School
		Jul.	2014	Senior Associate Dean of Strategy and Innovation of Harvard Business School
		Mar.	2015	Director of the Company (current position)
		Apr.	2016	Director of Unilever N.V./Unilever PLC (current position)
Significant office(s) concurrently held		Director of Avid Technology, Inc. Senior Associate Dean of Strategy and Innovation, Donald K. David Professor of Harvard Business School Director of Unilever N.V./Unilever PLC		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		83% (10 out of the 12 meetings)		

- (Notes) 1. Candidate for Director Hiroshi Mikitani is Chairman of Tokyo Philharmonic Orchestra and Representative Director of Japan Association of New Economy, and the Company makes financial contributions and pays membership fees to both organizations. The ratio of such payments in fiscal 2016 was less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses of the Company for the year.
2. Candidate for Director Ken Kutaragi is a senior technology advisor of Sony Corporation, which has a business relationship including sales of goods to the Company. The ratio of the amount of transactions between Sony Corporation and the Company in fiscal 2016 was less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses of the Company for the year.
3. Candidate for Director Joshua G. James is Founder and CEO of Domo, Inc., which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Domo, Inc. and the Company in fiscal 2016 was less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses of the Company for the year.

4. Candidate for Director Takashi Mitachi is Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives), to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2016 was less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses of the Company for the year.
5. Candidate for Director Jun Murai is Dean and Professor of the Faculty of Environment and Information Studies of Keio University; the university helps operating an international standardization body to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2016 was less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses of the Company for the year. He is also an Outside Director of BroadBand Tower, Inc., which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between BroadBand Tower, Inc. and the Company in fiscal 2016 was less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses of the Company for the year.
6. No material interest exists between the Company and the other candidates for Director.
7. Candidates for Director Ken Kutaragi, Joshua G. James, Takashi Mitachi, Jun Murai and Youngme Moon are candidates for Outside Director and the summary of details of the liability limitation agreement with Outside Directors is as follows.

In order for Outside Directors to fulfill their expected roles, the Company stipulates under its current Articles of Incorporation that it can conclude with each Outside Director a liability limitation agreement, which restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into such a liability limitation agreement with the five incumbent Outside Directors of the Company Ken Kutaragi, Joshua G. James, Takashi Mitachi, Jun Murai and Youngme Moon. The liability limitation agreement will be renewed with the five incumbent Outside Directors subject to the approval of their reappointment.
8. If the reappointment of four candidates for Director Ken Kutaragi, Takashi Mitachi, Jun Murai and Youngme Moon is approved, they will be appointed to the position of Independent Director specified by the regulations of the Tokyo Stock Exchange.

Proposal No. 3: Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies

It is hereby proposed that the Company be authorized to issue the following Share Options as stock options to Directors (excluding Outside Directors), Executive Officers and employees of the Company and its subsidiaries and affiliates (hereinafter the executives and employees of the Group), 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.

Along with the above, this proposal also requests the approval of delivery of Share Options as additional compensation for the Company's Directors (excluding Outside Directors) pursuant to Article 361 of the Companies Act, separately from the amount of compensation for Directors approved at the 18th Annual General Shareholders' Meeting held on March 27, 2015.

Given the approval of Proposal No. 2 as submitted, the Company shall have three Directors (excluding Outside Directors).

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 executives and employees of the Group to share the gains of shareholders when stock prices rise and feel shareholders' losses when stock prices fall, thus enhancing their motivation to achieve higher performance and higher stock prices.

In addition, the exercise period of a portion of the Share Options will 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, will 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 this 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. This 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 executives and employees of the Group in order to continuously enhance the Group's corporate and shareholder value by recruiting and retaining talented staff and by raising the motivation of executives and employees of the Group towards higher performance.

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

In determination of the total amount of compensation, including the granting of Share Options, several factors are taken into account, 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.

As a general rule, the Group has designed its compensation system so that as an individual's rank and their role played increases, the portion of their total compensation comprised of performance-based bonuses (based on individual, Group Company, business unit or department performance) and stock options (that are linked to stock prices) also increases. 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 low ranks and small roles up to Directors. This reflects the Group's belief that making the majority of its executives and employees potential shareholders will further raise the awareness of each executive and employee towards enhancing corporate and shareholder values. Additionally, this is expected to reinforce the sense of unity among Group members, which is thought to be an indispensable element in expanding and fostering the Rakuten Ecosystem 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 and Company Auditors of the Company's subsidiaries and affiliates shall be eligible for the allotment of 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 will be common stock of the Company, and the number of shares to be issued will not exceed 19,000,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

In addition, if the Company carries out a merger, a company split, share exchange,

share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar action.

(3) Total number of Share Options to be issued

Share Options to be issued will not exceed 190,000 units.

One hundred shares will 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 will be adjusted accordingly.

(4) Cash payment for Share Options

No cash payment is required for Share Options.

(5) Value of the assets to be contributed upon exercise of Share Options

The Price for one Share Options will be one yen.

(6) Exercise period of Share Options

The exercise period will be from the date on which one year has passed from the issuance of the Share Options (hereinafter "date of issuance") to the date on which ten years have passed from the date of issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions etc. for exercise of Share Options

- (i) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") will remain Directors (excluding Outside 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 may 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 may 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 may not be exercised prior to the date on which one year has passed from the date of issuance.
 - ii) 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously

exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).

- iv)) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
- (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. will be able to levy tax from Holders of Share Options by the methods listed below.
- i) Receipt by cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company
- (8) 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 will 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 will be rounded up.
 - (ii) Amount of increase in capital reserve by issuing shares upon exercise of Share Options will be the upper limit of capital stock increase as described in (i) above minus the amount of increase in capital stock set out therein.
- (9) Reasons and conditions for the acquisition of Share Options
- (i) In the 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 the case that Holders of Share Options cease 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.

- (10) Restriction on the acquisition of Share Options by transfer
 - Any acquisition of Share Options by transfer will 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") will 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 will 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 will 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 will 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

the 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 will 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 a 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 will be discarded.

(13) Other details of Share Options

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

3. Matters concerning remuneration for Directors

The reason that the Company delivers aforementioned stock options to its Directors (excluding Outside Directors; hereinafter the same will apply) as the compensation etc. is as stated in 1 above.

Out of the 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, will 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 will be based on the fair unit price valuation calculated applying variables including share price on the day when the Share Options are allotted and the conditions of Share Options, etc. using an equity option pricing model such as the Black-Scholes model.

Proposal No. 4: Issuance of Share Options as Stock Options to Outside Directors of the Rakuten Group Companies

It is hereby proposed that the Company be authorized to issue the following Share Options as stock options to Outside Directors 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.

Along with the above, this proposal also requests the approval of delivery of Share Options as additional compensation for the Company's Outside Directors pursuant to Article 361 of the Companies Act, separately from the amount of compensation for Outside Directors approved at the 18th Annual General Shareholders' Meeting held on March 27, 2015.

Given the approval of Proposal No. 2 as submitted, the Company will have five Outside Directors.

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 value 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 value.

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 will be common stock of the Company, and the number of shares to be issued will not exceed 50,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options will be adjusted according to the following formula;

provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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

(3) Total number of Share Options to be issued

Share Options to be issued will not exceed 500 units.

One hundred shares will 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 will 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 Options will be one yen.

(6) Exercise period of Share Options

Exercise period of Share Options will be from March 31, 2021 to March 29, 2027. 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") will 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 may 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 may 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. will 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 will 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 will be rounded up.
 - (ii) Amount of increase in capital reserve by issuing shares upon exercise of Share Options will be the upper limit of capital stock increase as described in (i) above minus the amount of increase in capital stock set out therein.
- (9) Reasons and conditions for the acquisition of Share Options
- (i) In the 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 the case that Holders of Share Options cease 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 will 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 will 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 will deliver Share Options, the number of which will 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 the 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 will 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 a 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 will be discarded.
- (13) Other details of Share Options
Other details of Share Options will be determined by the meeting of the Board of Directors to determine the conditions of the offer of Share Options.

3. Matters concerning remuneration for Directors

The reason that the Company delivers the aforementioned stock options to its

Outside Directors as compensation, etc. is as stated in 1 above.

Out of the aforementioned Share Options as stock options, the Company will deliver a maximum of 500 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 will 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 will be based on the fair unit price valuation calculated applying variables including the share price on the day when the Share Options are allotted and the conditions of Share Options using an equity option pricing model such as the Black-Scholes model.

Proposal No. 5: Issuance of Share Options as Stock Options to Company Auditors of the Rakuten Group Companies

It is hereby proposed that the Company be authorized to issue the following Share Options as stock options to Company Auditors 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.

Along with the above, this proposal also requests the approval of delivery of Share Options as additional compensation for the Company's Company Auditors pursuant to Article 387 of the Companies Act, separately from the amount of compensation for Company Auditors approved at the 10th Annual General Shareholders' Meeting held on March 29, 2007.

In addition, the Company has four Company Auditors.

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 reflect the enhancement of the Company's corporate and shareholder values in the medium to long term 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 will be common stock of the Company, and the number of shares to be issued will not exceed 50,000.

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

uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction will 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 will 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 will not exceed 500 units.
One hundred shares will 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 will 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 Options will be one yen.
- (6) Exercise period of Share Options
Exercise period of Share Options shall be from March 31, 2021 to March 29, 2027. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.
- (7) Conditions etc. for exercise of Share Options
 - (i) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") will 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 may 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 may 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 will 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 will 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 minus the amount of increase in capital stock set out therein.
- (9) Reasons and conditions for the acquisition of Share Options
- (i) In the 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 the case that Holders of Share Options cease 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 will 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") will 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 will deliver Share Options, the number of which will 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 the 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 will 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 a 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 will 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 the 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 compensation, etc. is as stated in 1 above.

Out of the aforementioned Share Options as stock options, the Company delivers a maximum of 500 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, will 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 will not be in excess of 50 million yen. Fair value of each Share Options will be based on the fair unit price valuation calculated applying variables including share price on the day when the Share Options are allotted and the conditions of Share Options, etc. using an equity option pricing model such as the Black-Scholes model.

(Appendix)

Corporate Mission

Contribute to Society by Creating Value through Innovation and Entrepreneurship

Our corporate mission since founding is based on the empowerment of individuals and society through innovation and entrepreneurship. We contribute to social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. Through these activities, we aim to maximize the corporate value and shareholder value of the Group and continue to be a Global Innovation Company.

Message from CEO

This year marks Rakuten's 20th anniversary since our founding. We started our business with the launch of the internet shopping mall Rakuten Ichiba, and expanded through a wide range of services including e-commerce, financial services (FinTech), digital contents, and communications. With a membership-based business model using a single ID, we have created a unique "Rakuten Ecosystem" found nowhere else. In addition to creating new frameworks for business model innovations and productivity improvement, we have consistently improved our organizational structure and operations. Rakuten was founded in 1997 with only 6 employees, but that number has reached nearly 14,000 employees now. It has grown into a group entity that provides innovative services to more than 1 billion users globally and generates global gross merchandise sales of over ¥10 trillion.

The internet has become a fundamental part of our social infrastructure and we are experiencing a massive transformation of people's behaviors and even the definition of nations and national borders. Last year, with the intention to continue to take on new challenges unconstrained by accepted norms, we announced our vision for Rakuten as the "Global Innovation Company". We are leveraging big data and AI (artificial intelligence) to transform our service functions and improve quality. Furthermore, we are going beyond Internet services to expand our business domain into new fields such as MVNO (mobile

network operator), mobile payment services in the real world, and delivery services using drones. In order to further promote the Rakuten brand on a global scale, we will become the Main Global Partner and Global Innovation & Entertainment Partner of Spain's esteemed soccer club, FC Barcelona, from the 2017-2018 season.

In order to continue to make great leaps forward based on our philosophy of "empowering individuals and society through innovation and entrepreneurship", the Rakuten Group will provide unique new value only Rakuten is capable of, and work to improve corporate and shareholder value through sustainable growth.

We ask for the ongoing understanding and support of our shareholders in these endeavors.

Hiroshi Mikitani
Chairman, President, and Representative Director

A handwritten signature in black ink that reads "Hiroshi Mikitani". The signature is written in a cursive, flowing style with a large initial 'H'.

Business Report

(From January 1, 2016 to December 31, 2016)

Part 1 Current Condition of the Rakuten Group

1. Business Progress and Results

Revenue	Non-GAAP operating income	IFRS operating income	Net income attributable to owners of the parent company
¥781.9 billion	¥119.1 billion	¥78.0 billion	¥38.0 billion
(9.6% increase YoY)	(21.7% decrease YoY)	(17.6% decrease YoY)	(14.5% decrease YoY)

Application of International Financial Reporting Standards : Starting from the fiscal year ended December 31, 2013, the Rakuten Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

The Rakuten Group is disclosing consolidated business results in terms of both its internal measures which management relies upon in making decisions (hereinafter the “Non-GAAP financial measures”) and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting unusual items and other adjustments prescribed by the Rakuten Group. The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that Rakuten believes shall be excluded for the purpose of preparing future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expense and amortization of acquisition-related intangible assets.

(Note) For disclosure of Non-GAAP financial measures, the Rakuten Group refers to the rule specified by the U.S. Securities and Exchange Commission but does not fully comply with such rule.

■ Business Results for the Fiscal Year Ended December 31, 2016 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2016, continued to stay on a gradual recovery track, although attention must be paid to factors including the normalization of U.S. monetary policy. The Japanese economy also saw a gradual recovery trend amid continuing improvement in the wage and employment environment. Under such an environment, the Rakuten Group has implemented strategic actions in line with its medium-term strategy “Vision 2020” announced in February 2016. In domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is making every effort towards further revenue growth by implementing various measures.

These include programs with the aim of improving customer satisfaction, aggressive sales activities and strategies to enhance services for smart devices (smartphones and tablet devices) and to open up the Rakuten Ecosystem. Results are on track for improvement in overseas internet services, due to contributions from the steady growth in U.S. subsidiary Ebates Inc. (“Ebates”) and other factors. In the FinTech segment, further expansion of the membership base for the Rakuten Card brought in more commission income, while there was also solid growth in banking services. These contributed to a solid increase in both revenue and profit, even as the securities services suffered from a slump in the stock market.

As a result, the Rakuten Group achieved revenue of ¥781,916 million, up 9.6% year-on-year, for the fiscal year ended December 31, 2016. However, mainly affected by increased expenses due to aggressive sales activities, the absence of unrealized gains on stocks recorded during the previous fiscal year, and a slump in the stock market, Non-GAAP operating income fell by 21.7% year-on-year to ¥119,080 million.

■ Reconciliation of IFRS Operating Income to Non-GAAP Operating Income

For the fiscal year ended December 31, 2016, amortization of intangible assets of ¥7,789 million and stock-based compensation expense of ¥7,344 million were excluded from Non-GAAP operating income. Impairment of goodwill, intangible assets and others of ¥25,970 million was recognized as a one-off item. One-off items of ¥43,054 million in the previous fiscal year include the impairment of goodwill and intangible assets and others.

■ Operating Results for the Fiscal Year Ended December 31, 2016 (IFRS basis)

The Rakuten Group recorded revenue of ¥781,916 million, up 9.6% year-on-year, operating income of ¥77,977 million, down 17.6% year-on-year, and net income attributable to owners of the parent company of ¥37,995 million, down 14.5% year-on-year, for the fiscal year ended December 31, 2016.

(Millions of yen)

	Fiscal year ended December 31, 2015 (19th)	Fiscal year ended December 31, 2016 (20th)	Amount Change YoY	% Change YoY
Revenue	713,555	781,916	68,361	9.6%
Non-GAAP operating income	152,153	119,080	(33,073)	(21.7)%
Amortization of intangible assets	(8,322)	(7,789)	533	(6.4)%
Stock-based compensation expenses	(6,088)	(7,344)	(1,256)	20.6%
One-off items	(43,054)	(25,970)	17,084	(39.7)%
IFRS operating income	94,689	77,977	(16,712)	(17.6)%
Net income attributable to owners of the parent company	44,436	37,995	(6,441)	(14.5)%

■ Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss is presented on a Non-GAAP operating income basis. From the three months ended September 30, 2016, the Rakuten Group reviewed its internal reporting control framework following the introduction of an internal Company System. Accordingly, businesses that had previously comprised the “Others” segment were integrated into the businesses that comprise the “Internet Services” segment. As a result, the previous three reporting segments were changed to two reporting segments: “Internet Services” and “FinTech.” Segment information for the previous fiscal year has been prepared based on the classification method after the change.

Internet Services Segment

Sales composition ratio (excluding adjustments): 65.4%

Main businesses: Domestic e-commerce (Rakuten Ichiba, Rakuten Travel, etc.), Overseas e-commerce (Ebates, PriceMinister, etc.), E-book services (Rakuten Kobo, OverDrive, etc.), communication and messaging services (Rakuten Mobile, Viber, etc.), professional sports (Rakuten Eagles, Vissel Kobe)

(Billions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Segment Revenue	492.8	560.6
Segment Profit	90.9	55.6

In the Internet Services segment for the fiscal year ended December 31, 2016, the Rakuten Group actively worked on various initiatives. It has conducted aggressive sales activities with the aim of winning new users and developing a long-term, loyal customer base, initiatives targeting greater customer satisfaction, strengthening services for smart devices and opening up the Rakuten Ecosystem. Results are on track for improvement in overseas internet services, thanks in part to the steady growth of Ebates. Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, substantially increased revenue thanks to its full-scale aggressive sales activities commenced during the three months ended June 30, 2015.

As a result, revenue for the Internet Services segment rose to ¥560,555 million, a 13.7% year-on-year increase. However, mainly affected by increased expenses due to aggressive sales activities and the absence of unrealized gains on stocks recorded during the previous fiscal year, segment profit stood at ¥55,568 million, a 38.9% decrease year-on-year.

FinTech Segment

Sales composition ratio (excluding adjustments): 34.6%

Main businesses: Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Life Insurance

(Billions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Segment Revenue	275.1	296.1
Segment Profit	63.9	65.6

In the FinTech segment for the fiscal year ended December 31, 2016, shopping transaction value and revolving balances in credit card related services increased due to growth in Rakuten Card membership, resulting in a steady rise in revenue and profits. In banking services, profits continued to grow despite the backdrop of a negative interest rate policy due to an increase in interest income from loans, with expanding loan balances and improvements in cost efficiency. In securities services, the negative impact of volatile market conditions markedly weighed down its revenue and profits from their levels in the previous fiscal year.

As a result, the FinTech segment recorded ¥296,066 million in revenue, a 7.6% year-on-year increase, while segment profit stood at ¥65,587 million, a 2.6% increase year-on-year.

2. Operating Results and Financial Status

Classification		17th (From January 1, 2013 to December 31, 2013)	18th (From January 1, 2014 to December 31, 2014)	19th (From January 1, 2015 to December 31, 2015)	20th (From January 1, 2016 to December 31, 2016)
Revenue	(Millions of yen)	518,568	598,565	713,555	781,916
Operating income	(Millions of yen)	90,244	106,397	94,689	77,977
Non-GAAP operating income	(Millions of yen)	-	118,092	152,153	119,080
Income before income tax	(Millions of yen)	88,610	104,245	91,987	73,923
Net income	(Millions of yen)	43,481	71,103	44,280	38,001
Comprehensive income	(Millions of yen)	67,881	123,822	51,116	22,030
Basic earnings per share	(Yen)	32.60	53.47	32.33	26.65
Diluted earnings per share	(Yen)	32.41	53.15	32.09	26.44
Total assets	(Millions of yen)	3,209,808	3,680,695	4,269,953	4,604,672
Total equity attributable to owners of the Company	(Millions of yen)	300,063	421,562	662,044	680,247
Equity per share attributable to owners of the Company	(Yen)	227.70	318.74	464.80	476.89
Cash flows from operating activities	(Millions of yen)	1,485	111,860	78,245	30,700
Cash flows used in investing activities	(Millions of yen)	30,584	(261,085)	(224,078)	(26,841)
Cash flows from financing activities	(Millions of yen)	75,252	189,512	221,831	45,200
ROE	(%)	16.0	19.6	8.2	5.7
Dividend per share	(Yen)	4.0	4.5	4.5	4.5

(Note) Non-GAAP operating income is operating income under IFRS (hereinafter "IFRS operating income") after deducting unusual items and other adjustments prescribed by the Rakuten Group. The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook.

3. Capital Investment

The total amount of capital investment for the fiscal year was ¥53,934 million, primarily on the development and acquisition of software programs.

4. Capital Procurement

The Company procured ¥40,000 million in June 2016 by issuing unsecured bonds.

5. Business Reorganization

- (1) In January 2016, the Company completed the tender offering of common stock and stock acquisition rights of the Company's consolidated subsidiary Kenko.com, Inc., and made Kenko.com, Inc. a wholly owned subsidiary of the Company.
- (2) In December 2016, the Company acquired all shares issued of Soukai Drug Co., Ltd. and made Soukai Drug Co., Ltd. a wholly owned subsidiary of the Company.

6. Challenges

As a company group that empowers individuals and society through innovation, our challenges are to respond flexibly to changes in our business environment, and build a framework for continuous growth. Additionally, through long-term continuous growth, we aim to maximize the corporate and shareholders' value of the Rakuten Group and continue to be a Global Innovation Company.

(1) Management structure

The Rakuten Group positions thorough corporate governance as our top challenge, and we are developing a number of initiatives to ensure good corporate governance.

The Company has supervised management through a Board of Company Auditors comprised exclusively of Outside Company Auditors. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System by which the Board has retained the responsibility for management decision-making and supervision, while Executive Officers have been made responsible for the executive functions.

The Company's Board of Directors, which includes the Outside Directors and Outside Company Auditors who are highly independent experts of a variety of fields, supervises the execution of duties from an objective perspective and enhances the effectiveness of corporate governance by engaging in frank and multilateral discussions on management.

Since April 2016, we have been holding intensive quarterly meetings, consisting primarily of Directors and Company Auditors, where we discuss Rakuten Group management strategy and other matters, separately from the Board of Directors meetings. These meetings allow for discussions with a medium to long-term perspective that is not dominated by near-term challenges or the Board of Directors agenda items. We have also introduced an internal Company system to ensure agile business execution and clear accountability. In August 2016, we completely revised the Board of Directors deliberation agenda and valuation standards.

In addition, Rakuten Shugi (Rakuten principles) defines the corporate philosophy of the Rakuten Group together with its values and code of conduct. We make sure that these principles are assimilated by executives and employees in Japan and overseas as we enhance our business speed and quality.

Through such efforts, the Rakuten Group will continue to build a management structure with highly effective governance functions that enables swift management decisions.

(2) Business strategy

The Rakuten Group's basic management strategy is to build a Rakuten Eco-System, which provides services to users in Japan and globally, especially Rakuten members. With this Rakuten Eco-

System, we have created an environment in which members worldwide can continuously surf between multiple services, including e-commerce transactions, digital contents, and financial services. Our goal is to achieve synergistic benefits that include the maximization of the lifetime value of each member and minimization of customer acquisition cost.

In order to achieve this, we will proactively improve customer satisfaction for our existing lineup of services, run marketing programs to improve loyalty using Rakuten Super Points and big data, enhance our services for smart devices (smartphones and tablet devices), and aggressively implement a strategy to open up the Rakuten Ecosystem.

Additionally, in order to increase the Rakuten brand on a global scale, we will become the Global Main Partner and Global Innovation & Entertainment Partner of the top-class Spanish soccer team FC Barcelona.

① Internet services

In Internet Services, particularly e-commerce and travel, we will aim to create new markets together with our business partners, through various measures for improving customer satisfaction, strategies to open up the Rakuten Eco-System, and enhancing services for smart devices (smartphones and tablet devices), in addition to the utilization of big data. In telecommunications services including the messaging application developed by Viber as well as MVNO (Mobile Virtual Network Operator), we aim to expand the Rakuten Eco-System membership base while further improving user friendliness. Furthermore, we seek to provide greater value to users through digital contents services such as e-book and video streaming services.

② FinTech

We are pursuing even greater growth of financial services in such areas as credit cards, banking and securities through group synergies. In addition, we seek to offer users new value through the further integration of finance (Fin) and Internet technology (Tech).

(3) Development of technology

We will aim to further strengthen the Rakuten Eco-System and offer innovative services by promoting research and development related to analysis and application of data sets including big data owned by the Rakuten Group, and technologies such as AI. We will also strengthen our development organization, including overseas development centers, with the aim of building a reputation for Rakuten as a company with unique, world-class technology.

I would like to ask you, the shareholders, for your understanding of the Group's business management. I sincerely hope we can rely on your continued support and confidence in us.

7. Principal Businesses

The Group Companies are hinged on two reportable segments: “Internet Services” and “FinTech.”

Each of these segments has available financial information, which is separate from the Group Companies’ business units and is individually subject to review by the Board of Directors on a regular basis, for adequate allocation of management resources and evaluation of business results.

The “Internet Services” segment comprises businesses running various E-commerce (electronic commerce) sites including an Internet shopping mall Rakuten Ichiba, online cashback sites, travel booking sites, portal sites and digital contents sites, along with businesses for sales of advertising on these sites, and businesses involving provision of messaging and communication services and management of professional sports teams.

The “FinTech” segment engages in businesses providing services over the Internet related to banking and securities, credit cards, life insurance and electronic money.

8. Information on Principal Parent Company and Principal Subsidiaries
Information on Principal Subsidiaries

Company name	Capital	Ratio of voting rights	Main business
Rakuten Bank, Ltd.	¥25,954 million	100.00%	Internet banking service
Rakuten Card Co., Ltd.	¥19,324 million	100.00%	Issuance of credit card, Rakuten Card, and related services
Rakuten Securities, Inc.	¥7,496 million	100.00%	Online securities trading services
Ebates Inc.	0.1 U.S. dollar	100.00% (100.00%)	EBATES, an online cash-back site
Rakuten Life Insurance Co., Ltd.	¥2,500 million	100.00%	Life insurance business
OverDrive Holdings, Inc.	1 U.S. dollar	100.00% (100.00%)	E-book distribution services for libraries
Rakuten Communications Corp.	¥2,026 million	100.00%	IP telephone, cloud and other services
Kenko.com, Inc.	¥100 million	100.00%	Online sales of health-related products
RAKUTEN MARKETING LLC	1 U.S. dollar	100.00% (100.00%)	Performance marketing services
Rakuten Kobo Inc.	858 million Canadian dollars	100.00%	E-book services
VIBER MEDIA LTD.	71 thousand U.S. dollar	100.00% (100.00%)	Mobile messaging and VoIP services
Rakuten Baseball, Inc.	¥100 million	100.00%	Management of a professional baseball team "Tohoku Rakuten Golden Eagles"

(Notes) 1. Figures in the brackets under Ratio of voting rights represent percentage of voting rights held indirectly.

2. There is no subsidiary that corresponds to the specified subsidiaries.

9. Principal Offices

(1) The Company

Name	Location	Name	Location
Rakuten Crimson House	Setagaya-ku, Tokyo	Nagoya Branch	Nagoya-shi, Aichi
Sapporo Branch	Sapporo-shi, Hokkaido	Osaka Branch	Osaka-shi, Osaka
Sendai Branch	Sendai-shi, Miyagi	Hiroshima Branch	Hiroshima-shi, Hiroshima
Saitama Branch	Saitama-shi, Saitama	Fukuoka Branch	Fukuoka-shi, Fukuoka

(2) Subsidiaries

Name	Location
Rakuten Bank, Ltd.	Setagaya-ku, Tokyo
Rakuten Card Co., Ltd.	Setagaya-ku, Tokyo
Rakuten Securities, Inc.	Setagaya-ku, Tokyo
Ebates Inc.	U.S.
Rakuten Life Insurance Co., Ltd.	Setagaya-ku, Tokyo
OverDrive Holdings, Inc.	U.S.
Rakuten Communications Corp.	Setagaya-ku, Tokyo
Kenko.com, Inc.	Fukuoka-shi, Fukuoka
RAKUTEN MARKETING LLC	U.S.
Rakuten Kobo Inc.	Canada
VIBER MEDIA LTD.	Luxembourg
Rakuten Baseball, Inc.	Sendai-shi, Miyagi

10. Employees

Classification	Number of employees	Year-on-year change
Total	14,134	Increased by 1,153

(Note) Number of employees excludes those serving concurrently as employees and Directors, temporary staff and part-time employees.

Name of business segments	Number of employees
Internet Services	9,893
FinTech	2,751
Company-wide (common)	1,490
Total	14,134

(Note) Company-wide (common) figure represents the number of employees of the development and management divisions that cannot be classified in a specific segment.

11. Principal Borrowings

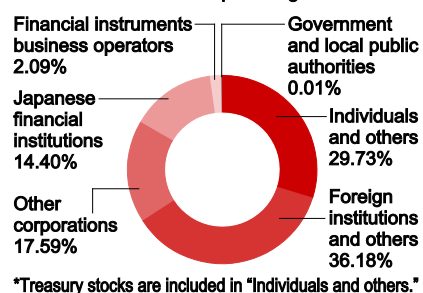
(Millions of yen)

Creditor	Outstanding balance
Mizuho Bank, Ltd.	165,895
Sumitomo Mitsui Banking Corporation	75,260
Sumitomo Mitsui Trust Bank, Limited	52,401

Part 2 Matters Concerning Shares of the Company

1. Total Number of Shares Issued:
 1,432,422,600 shares
 (including 6,008,888 shares of treasury stocks)
 (Note) During the current fiscal year, the number of shares increased by 2,048,700 shares by exercising Share Options.

Distribution of ownership among shareholders



2. Number of Shareholders: 127,455

3. Major Shareholders (Top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Crimson Group, LLC.	226,419,000	15.87
Hiroshi Mikitani	176,155,800	12.35
Haruko Mikitani	132,625,000	9.30
JP MORGAN CHASE BANK 380055	54,539,905	3.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,012,100	3.30
Japan Trustee Services Bank, Ltd. (Trust account)	42,480,300	2.98
THE BANK OF NEW YORK MELLON 140044	25,547,926	1.79
Culture Convenience Club Co., Ltd.	20,662,000	1.45
STATE STREET BANK AND TRUST COMPANY 505103	17,742,876	1.24
JP MORGAN CHASE BANK 385164	17,699,000	1.24

(Note) Percentage of shares held is calculated excluding treasury stocks (6,008,888 shares).

4. Other Important Matters Concerning Shares
 Not applicable.

Part 3 Matters Concerning Share Options

1. Status of the Share Options as of the End of Fiscal Year

(1) Summary of Contents of Share Options Held by Officers of the Company

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 8th Share Options (January 17, 2009)	13,026	Common stock 1,302,600	Free of charge	559	From March 28, 2012 to March 26, 2018
The 9th Share Options (February 12, 2010)	6,163	Common stock 616,300	Free of charge	701	From March 28, 2013 to March 26, 2019
The 17th Share Options (February 20, 2013)	3,231	Common stock 323,100	Free of charge	0.01	From March 30, 2016 to March 28, 2022
The 22nd Share Options (February 20, 2014)	3,876	Common stock 387,600	Free of charge	0.01	From March 29, 2017 to March 27, 2023
The 36th Share Options (February 20, 2015)	6,771	Common stock 677,100	Free of charge	0.01	From March 29, 2018 to March 27, 2024
The 46th Share Options (February 18, 2016)	8,484	Common stock 848,400	Free of charge	0.01	From March 1, 2017 to February 27, 2026
The 47th Share Options (February 18, 2016)	75	Common stock 7,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 48th Share Options (February 18, 2016)	45	Common stock 4,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 50th Share Options (July 22, 2016)	29,171	Common stock 2,917,100	Free of charge	0.01	From August 1, 2017 to August 1, 2026

(Notes) 1. The number of Share Options, the number of shares subject to Share Options and Exercise Price (per share) described above represent figures after the share split (1 : 100) conducted on July 1, 2012.

2. The Exercise Price (per share) of Share Options described above represents figures after the public offering conducted on June 30, 2015.

3. Conditions for exercise of the 8th and 9th Share Options are as follows:

Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Rakuten Group 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.

Other conditions for the exercise shall be subject to the provisions of the agreement on the allotment of Share Options to be concluded between the Company and the holders of Share Options, based on resolution at the Board of Directors on the issuance of Share Options.

4. Conditions for exercise of the 17th, 22nd, 36th, 46th, 47th, 48th and 50th Share Options are as follows:

Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group 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.

Other conditions for the exercise shall be subject to the provisions of the agreement on the allotment of Share Options to be concluded between the Company and the holders of Share Options, based on resolution at the Board of Directors on the issuance of Share Options.

(2) Status by Classification of the Share Options Held by Officers of the Company

Classification	Name	Number of Share Options	Number of owners
Directors	The 8th Share Options	837	2
	The 9th Share Options	330	2
	The 17th Share Options	630	3
	The 22nd Share Options	461	3
	The 36th Share Options	203	2
	The 46th Share Options	881	3
	The 50th Share Options	323	1
Outside Directors	The 17th Share Options	45	3
	The 22nd Share Options	39	3
	The 36th Share Options	36	3
	The 47th Share Options	45	3
Company Auditors	The 8th Share Options	70	1
	The 9th Share Options	30	1
	The 17th Share Options	45	3
	The 22nd Share Options	39	3
	The 36th Share Options	36	3
	The 48th Share Options	45	3

(Notes) 1. As for the number of shares subject to Share Options above has been set to 100 shares per one Share Option.

2. "Directors" in the above table do not include Outside Directors.

2. Status of the Share Options Issued During the Fiscal Year

(1) Summary of Contents of Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 44th Share Options (January 23, 2016)	19,993	Common stock 1,999,300	Free of charge	1	From February 1, 2017 to January 30, 2026
The 45th Share Options (January 23, 2016)	16	Common stock 1,600	Free of charge	1	From March 28, 2019 to March 26, 2025
The 46th Share Options (February 18, 2016)	8,484	Common stock 848,400	Free of charge	1	From March 1, 2017 to February 27, 2026
The 49th Share Options (April 28, 2016)	10,297	Common stock 1,029,700	Free of charge	1	From May 1, 2017 to May 1, 2026
The 50th Share Options (July 22, 2016)	29,171	Common stock 2,917,100	Free of charge	1	From August 1, 2017 to August 1, 2026
The 51st Share Options (August 4, 2016)	18	Common stock 1,800	Free of charge	1	From March 31, 2020 to March 29, 2026
The 52nd Share Options (October 28, 2016)	7,170	Common stock 717,000	Free of charge	1	From November 1, 2017 to November 1, 2026
The 53rd Share Options (October 28, 2016)	1,102	Common stock 110,200	Free of charge	1	From November 1, 2017 to November 1, 2026

(Notes) 1. Conditions for exercise of the 44th, 46th, 49th, 50th, 52nd and 53rd Share Options are as follows:

- a) Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
- b) Stock Options may not be inherited, unless the Board of Directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
- c) Stock Options may not be pawned or disposed of in any other manner.
- d) Share Options may be exercised by the Holder, 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 share 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 share 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 share 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.
 - e) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) 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
2. Conditions for exercise of the 45th and 51st Share Options are as follows:
- a) Those who received the allotment of issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Rakuten Group at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - b) Stock Options may not be inherited, unless the board of directors of Rakuten, Inc. grants approval as a special case in consideration of all the circumstances.
 - c) Stock Options may not be pawned or disposed of in any other manner.
 - d) 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

(2) Status by Classification of the Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Classification	Name	Number of Share Options	Number of shares	Number of owners
Employees of the Company (Excluding Officers)	The 44th Share Options	10,934	1,093,400	4,311
	The 46th Share Options	4,663	466,300	57
	The 50th Share Options	11,158	1,115,800	4,379
Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)	The 44th Share Options	9,059	905,900	2,369
	The 45th Share Options	16	1,600	3
Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)	The 46th Share Options	142	14,200	38
	The 49th Share Options	10,297	1,029,700	272
	The 50th Share Options	17,690	1,769,000	2,593
	The 51st Share Options	18	1,800	3
	The 52nd Share Options	7,170	717,000	361
	The 53rd Share Options	1,102	110,200	29

Part 4 Matters Concerning Officers of the Company

1. Name of Directors and Company Auditors

(As of December 31, 2016)

Title	Name	Responsibility within the Company and significant concurrent positions
Chairman, President, and Representative Director	Hiroshi Mikitani	Chief Executive Officer President of E-Commerce Company, President of Open EC, AD, Affiliate Company, and Group President of Group Company Division, Chairman and Representative Director and team owner of Rakuten Baseball, Inc. Representative Partner of Crimson Group, LLC. Chairman and Representative Director of Crimson Football Club, Inc. Chairman of Tokyo Philharmonic Orchestra Representative Director of Japan Association of New Economy Chairman and Director of Aspyrian Therapeutics, Inc.
Vice Chairman and Representative Director	Masayuki Hosaka	Executive Vice Chairman President of Card & Payments Company President and Representative Director of Rakuten Card Co., Ltd.
Director	Charles B. Baxter	Chairman and Director of Rakuten USA, Inc.
Director	Ken Kutaragi	Senior technology advisor of Sony Corporation Representative Director and CEO of Cyber AI Entertainment Inc. Outside Director of Nojima Corporation
Director	Joshua G. James	Founder and CEO of Domo, Inc.
Director	Takashi Mitachi	Senior Partner & Managing Director of The Boston Consulting Group Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives)
Director	Jun Murai	Dean and Professor of Faculty of Environment and Information Studies of Keio University, Outside Director of BroadBand Tower, Inc.
Director	Youngme Moon	Director of Avid Technology, Inc., Senior Associate Dean of Strategy and Innovation, Donald K. David Professor of Harvard Business School, Director of Unilever N.V./Unilever PLC
Company Auditor (Full-time)	Takahide Uchida	—
Company Auditor	Yoshiaki Senoo	—
Company Auditor	Takeo Hirata	Professor of Waseda University Graduate School of Sport Sciences, Chairman of Japan Society of Sports Industry, Special Advisor to the Cabinet
Company Auditor	Katsuyuki Yamaguchi	Attorney and Partner of Nishimura & Asahi, Outside Company Auditor of FreeBit Co., Ltd., Outside Company Auditor of BrainPad Inc., Audit & Supervisory Board Member (Outside) of HAKUHODO DY HOLDINGS INCORPORATED

- (Notes)
1. Joshua G. James and Takashi Mitachi were newly elected as and assumed the office of Directors at the 19th Annual General Shareholders' Meeting held on March 30, 2016.
 2. Takahide Uchida was newly elected as and assumed the office of Company Auditor at the 19th Annual General Shareholders' Meeting held on March 30, 2016.
 3. Three Representative Directors, Toru Shimada, Yasufumi Hirai and Yoshihisa Yamada and six Directors, Masatada Kobayashi, Akio Sugihara, Kazunori Takeda, Kentaro Hyakuno, Koichi Kusano and Hiroshi Fukino retired from their respective positions at the conclusion of the 19th Annual General Shareholders' Meeting held on March 30, 2016.
 4. Representative Director Hiroshi Mikitani retired from the office of Executive Director of Rakuten Ichiba Business, Energy Business, Ebates Business, Slice Business, Internal Audit Department and Chief Executive Innovation Office as of July 1, 2016, and assumed the office of President of E-Commerce Company, President of Open EC, AD, Affiliate Company, and Group President

of Group Company Division established in line with organizational change as of the said date. Crimson Football Club, Inc. changed its name to Rakuten Football Club, Inc. as of January 1, 2017.

5. Representative Director Masayuki Hosaka retired from the office of Executive Director of Point Partner Business, Securities Business, Rakuten Card Business, Edy Business, Smart Pay Business, Banking Business, Insurance Agency Business, Life Insurance Business, FinTech Business Strategy Office and FinTech Investment Strategy Office as of July 1, 2016, and assumed the office of President of Card & Payments Company established in line with organizational change as of the said date.
6. Five Directors Ken Kutaragi, Joshua G. James, Takashi Mitachi, Jun Murai and Youngme Moon are Outside Directors.
7. Four Company Auditors Takahide Uchida, Yoshiaki Senoo, Takeo Hirata and Katsuyuki Yamaguchi are Outside Company Auditors.
8. Director Ken Kutaragi is a senior technology advisor of Sony Corporation, which has a business relationship including sales of goods with the Company. The ratio of the amount of transactions between Sony Corporation and the Company in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
9. Director Joshua G. James is Founder and CEO of Domo, Inc., which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Domo, Inc. and the Company in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
10. Director Takashi Mitachi is Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives), to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
11. Director Jun Murai is Dean and Professor of the Faculty of Environment and Information Studies of Keio University, which shares a role in operating an international standardization body to which Company pays membership fees. The ratio of the amount of fees in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year. He is also an Outside Director of BroadBand Tower, Inc., which has a business relationship involving provision of services with the Company. The ratio of the amount of transactions between BroadBand Tower, Inc. and the Company in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
12. Company Auditor Takeo Hirata is Chairman of Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
13. Company Auditor Katsuyuki Yamaguchi is an Attorney and Partner of Nishimura & Asahi and an Outside Company Auditor of BrainPad Inc., with which the Company has transactions including provision of services. The ratio of the amounts of transactions between Nishimura & Asahi and BrainPad Inc. and the Company in fiscal 2016 is less than 1% of the combined total amount of Cost of sales and Selling, general and administrative expenses at the Company for the year.
14. The Company has appointed Ken Kutaragi, Takashi Mitachi, Jun Murai, Youngme Moon and Takeo Hirata as Independent Directors based on the stipulations of the Tokyo Stock Exchange, Inc. and reported the appointments to the Tokyo Stock Exchange.

2. Summary of the Liability Limitation Agreement

In order for all Outside Directors and Outside Company Auditors to fulfill their expected roles, the Company stipulates under its current Articles of Incorporation that it can conclude limited liability agreements with each of them. These restrict their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into such liability limitation agreements with the Outside Directors and Outside Company Auditors of the Company.

3. Compensation of Directors and Company Auditors

Classification	Number of recipients	Amount of compensation
Directors	18	¥366 million
Company Auditors	4	¥56 million

- (Notes)
1. The above table includes 1 Director who resigned on January 10, 2016 and 9 Directors who resigned at the conclusion of the 19th Annual General Shareholders' Meeting held on March 30, 2016.
 2. The amounts in the above table do not include amounts related to employees' salaries and bonuses to Directors serving concurrently as employees.
 3. The amounts in the above table include compensation of total ¥131 million for Outside Officers (7 Directors and 4 Company Auditors).
 4. In addition to the amounts shown above, the amount recorded as expenses during the current fiscal year for Share Options granted as stock options is ¥139 million paid to 16 Directors and ¥6 million paid to 3 Company Auditors. Of these, the amount recorded as expenses for Outside Officers (5 Directors and 3 Company Auditors) accounts for ¥18 million.

4. Matters Concerning Outside Officers

(1) Relationship between Significant Office(s) Concurrently Held and the Company

The relationship between significant office(s) concurrently held and the Company is described in note 1. There is no material business relationship with other significant offices concurrently held.

(2) Major Activities during the Current Fiscal Year

Classification	Name	Major Activities
Outside Directors	Ken Kutaragi	He attended all 12 meetings of the Board of Directors that were held in fiscal 2016, where he made necessary statements (questions, opinions, etc.) based on his expert knowledge of the entertainment business and technology, as well as his wide-ranging experience in business management.
	Joshua G. James	He attended 8 out of the 9 meetings of the Board of Directors that were held in fiscal 2016 after his appointment, where he made necessary statements (questions, opinions, etc.) based on his expert knowledge related to Internet services and abundant management experience at Internet service companies in North America.
	Takashi Mitachi	He attended all 9 meetings of the Board of Directors that were held in fiscal 2016 after his appointment, where he made necessary statements (questions, opinions, etc.) based on his expert knowledge and experience as a management consultant.
	Jun Murai	He attended 9 out of the 12 meetings of the Board of Directors that were held in fiscal 2016, where he made necessary statements (questions, opinions, etc.) based on his knowledge and experience as an academic expert in Internet technology.
	Youngme Moon	She attended 10 out of the 12 meetings of the Board of Directors that were held in fiscal 2016, where she made necessary statements (questions, opinions, etc.) based on her knowledge and experience as an academic expert in business administration.
Outside Company Auditors	Takahide Uchida	He attended all 9 meetings of the Board of Directors and all 6 meetings of the Board of Company Auditors that were held in fiscal 2016 after his appointment, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Yoshiaki Senoo	He attended all 12 meetings of the Board of Directors, and all 8 meetings of the Board of Company Auditors that were held in fiscal 2016, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance, business Management and compliance.
	Takeo Hirata	He attended 11 out of the 12 meetings of the Board of Directors and 7 out of the 8 meetings of Board of Company Auditors that were held in fiscal 2016, where he made necessary statements (questions, opinions, etc.) based on his wide-ranging expert knowledge and experience related to sports and education.
	Katsuyuki Yamaguchi	He attended all 12 meetings of the Board of Directors and all 8 meetings of the Board of Company Auditors that were held in fiscal 2016, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience, especially as an attorney, and from his perspective as an expert on corporate law.

Part 5 Independent Auditor

1. Name of the Independent Auditor

Ernst & Young ShinNihon LLC

2. Amount of Compensation to the Independent Auditor for the Fiscal Year

(1) Amount of compensation for services set forth in Article 2,
Paragraph 1 of Certified Public Accountants Act ¥107 million

(2) Total amount of cash and other financial benefits payable to
the Independent Auditor by the Company and its subsidiaries ¥256 million

- (Notes)
1. The audit engagement entered into by the Company and the Independent Auditor does not clearly distinguish the amount of compensation for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act, and practically it cannot be distinguished. Therefore, (1) above shows the total amount of such compensation.
 2. The Board of Company Auditors agreed to the amount of compensation to the Independent Auditor, following the examination of the relevant factors including the number of days spent for audit work, staffing, etc., as part of the accounting audit plan for the fiscal year presented by the Independent Auditor, as well as the verification and assessment of the audit work performed in the previous fiscal year, adequacy of progress in audit work by the independent Auditor, and the basis of calculation for the cost estimation presented as prerequisite to the amount of compensation.
 3. With regard to the Company's principal subsidiaries that are overseas subsidiaries, an audit (limited to those based on the provisions of the Companies Act or the Financial Instruments and Exchange Act (including equivalent laws and regulations of foreign countries)) has been received from a certified public accountant or audit firm (including persons holding equivalent qualifications in foreign countries) other than the Company's Independent Auditor.

3. Non-Audit Services

The Company commissions the Independent Auditor mainly to provide advisory and instruction services on internal control over financial reporting, which is outside the scope of services set forth in Article 2, Paragraph 1 of Certified Public Accountant Act, and pays consideration thereof.

4. Policy on Dismissal or Non-reappointment of Independent Auditor

In the case where the Independent Auditor is believed to be applicable to any item of Article 340, Paragraph 1 of the Companies Act, the Board of Company Auditors shall consider the dismissal thereof and carry out such dismissal if such action is found adequate subject to the unanimous consent of all Company Auditors.

Also, the Board of Company Auditors shall decide the detail of the proposal on dismissal or non-reappointment of the Independent Auditor to be presented to General Shareholders' Meeting, if such action is deemed necessary for reasons such as the circumstance in which the Independent Auditor is found to have difficulty in adequately executing its duty.

5. Business Suspension Order Imposed on the Independent Auditor for the Previous Two Years

Outline of the penalty announced on December 22, 2015 by the Financial Services Agency

(1) The party on which the order has been imposed

Ernst & Young ShinNihon LLC

(2) Description of the penalty

- Order to partially suspend business for three months (suspension of conclusion of all new engagement contracts)
(From January 1, 2016 to March 31, 2016)
- Business improvement administrative order (for improvement of the operation management system)

(3) Reason for the penalty

- Because of the firm's failure to exercise due care in the audit of financial documents of another company, thereby certifying financial documents with material misstatements as free of such misstatements.
- Because the firm's operation was found to be significantly inappropriate.

The Company's Structure and Policy

1. Structure to Ensure Execution of Duties

The Board of Directors of the Company has made the following resolutions concerning systems to ensure the performance of business operations of Directors comply with laws, regulations and the Articles of Incorporation, and that business operations are conducted in an appropriate manner.

(1) System for Ensuring Directors and Employees Comply with Laws, Regulations and the "Articles of Incorporation"

Rakuten, Inc. has stipulated the "Rakuten Group Code of Ethics" and it as well as the companies which are its subsidiaries ("Rakuten Group"), shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President); initiatives promoting Group-wide compliance under the leadership of the Chief Compliance Officer (CCO), who oversees the integration of Group-wide compliance management, and Company CCOs appointed according to Rakuten, Inc.'s internal Company System structure; and by reporting the status of compliance initiatives to the Group Compliance Committee.

Moreover, Outside Directors and Outside Company Auditors shall also thoroughly supervise and audit the execution of duties by Directors and employees. To technically and objectively verify compliance with laws, regulations and the "Articles of Incorporation", lawyers shall be appointed for those positions.

Additionally, compliance education about the knowledge and sense of ethics needed as a member of Rakuten Group shall be carried out for all the executives and employees of Rakuten Group. Rakuten Group shall appropriately create a system for internal reporting that prevents retribution against those who report and consult through establishing a point of contact for executives and employees of Rakuten Group to consult and report about legal violations and other compliance issues. Rakuten Group will also create a system to collect information widely from outside the company.

(2) System for Managing and Protecting Information Related to the Execution of Duties by Directors

Any information, including written documents and digital records, regarding the execution of duties by Directors of Rakuten, Inc. shall be legally and properly preserved and managed in accordance with the Rakuten Group Regulations and other internal regulations. Additionally, Directors and Company Auditors shall have full-time access to all information relevant to this matter.

(3) System for Risk Management

The various risks that arise during the course of business operations shall be properly dealt with by the appropriate organizational units-in-charge based on each Group Companies' internal regulations, detailed regulations, and operational manuals.

Regarding risk related to information management, the IT Governance Department of Rakuten, Inc. shall play a major role in thoroughly conducting risk management for the Group as a whole in order to minimize exposure to that risk. Moreover, the primary businesses of Rakuten Group possess the accreditation of the Information Security Management System (ISMS).

Regarding risk related to business activities, in order to manage risk appropriately that may arise from Directors performing their duties in each business, Rakuten Group requires that all investment proposals are discussed in the Rakuten, Inc. Investment Committee and obtain the approval from the Rakuten, Inc. Board of Directors if they exceed a certain amount. Additionally, Rakuten Group aims to gather group-wide risk

information through strengthening its emergency response system, risk assessments as well as thoroughly managing business risk.

(4) System Allowing Directors to Efficiently Carry Out their Duties

An appropriate and efficient decision making system to allow Directors of Rakuten Group to execute their duties shall be formulated based on the Rakuten Group Regulations, and other internal regulations. Moreover, transparency and speed in decision making shall be sought by promoting online internal procedures.

Prompt and flexible decision-making and execution of duties shall be promoted by having Executive Officers, who were appointed by Board of Directors, perform duties under the control of Directors.

(5) System to Report Financial Information Appropriately

A system to ensure appropriate operations shall be established to guarantee proper financial reporting related to the disclosure of management information, financial information, etc. Appropriate accounting practices shall be used and disclosure will be timely. Further, the effectiveness of internal control over all related functions shall be assessed for compliance with the “Standard for the Management Assessment and Auditing of Internal Control Over Financial Reporting” which is based on the “Financial Instruments and Exchange Act”.

(6) System for Rakuten Group to Only Engage in Appropriate Business Practices

In order to realize unified Group management, Rakuten, Inc. will stipulate Rakuten Group Regulations and other internal regulations dealing with company ideals, group governance, company management, risk management, compliance, etc. Regarding the execution of the subsidiary’s significant duty, Rakuten Group shall create a system for approval and reporting to Rakuten, Inc based on the Rakuten Group Authority Table and Rakuten Group Guidelines. The RGR will protect the independence of the subsidiaries while also creating the needed framework for business operations which will be followed by the entire Rakuten Group.

In addition, the Internal Audit Department, which is an independent organization under the Representative Director and President, shall ensure the appropriateness of operations by having a strong relationship with the organizational unit-in-charge of internal audit of each subsidiary and by conducting internal audits on Rakuten Group as a whole.

(7) Requests from Auditors for Employees' Assistance and Employees' Independence from Directors

To assist the duties of Company Auditors, the Company Auditors Office shall be established under the Board of Company Auditors, and the Company Auditors may give orders to the employees belonging to the Company Auditors Office as the need arises. Additionally, when the employees assist Company Auditors, the effectiveness of the orders from Company Auditors shall be ensured by not receiving orders from Directors and the approval from the Company Auditors for transfer and assessment of the employee's performance shall be obtained.

(8) System for Directors and Employees to Report to Company Auditors and for Company Auditors to Carry Out Effective Audits

Directors and employees of Rakuten Group shall give all legally required reports to Company Auditors and provide additional necessary reports and information if the Company Auditor requests it. Rakuten, Inc. will ensure the effectiveness of audits through prohibiting the retribution for reporting against those who report to the company auditors. Additionally, if Rakuten, Inc. receive a request for prepayment of expenses or repayment from Company Auditors, it shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Company Auditor's duty.

2. Summary of the Status of Application of Structure to Ensure Execution of Duties

In the fiscal year under review, basic policies for internal controls have been applied based on the aforementioned "Structure to Ensure Execution of Duties," under which the following initiatives have been implemented.

(1) System for compliance

- i) From January to August 2016, Rakuten, Inc. held 3 meetings of the Group Compliance Committee comprising a total of 7 members including all Executive Vice Presidents and officers in charge of major departments. At these meetings, the Group Compliance Committee received reports from various departments on significant factors that require regular assessment, including the progress of compliance training and pledge at each department, the status of compliance with laws, regulations and internal regulations, and the number of whistle blowing reports. The Group Compliance Committee also discussed responses to compliance violations and implementation of preventative measures.
- ii) In addition, in July 2016, Rakuten, Inc. established Chief Compliance Officer ("CCO") to oversee group-wide compliance and Company CCO based on an internal Company System. Rakuten, Inc. promoted strengthening of compliance across the Group by establishing a reporting system between Group CCO and Company CCO. In November 2016, the Group Compliance Committee was held with a total of 14 members of Group CCO and Company CCO. In addition to the above report and deliberation, they exchanged opinions on future efforts to strengthen compliance. In May 2006, the "Rakuten Group Code of Ethics" was established. Education activities for employees are conducted on an ongoing basis to ensure employees are well-informed about its spirit. Rakuten Group has carried out training for overseas employees, training for new recruits, morning meetings focused on business ethics involving all employees of the Group, e-learning-based education and public statements for all employees of the Group on business ethics and key internal rules, and compliance pledges for employees, as well as arranging

for senior management to make public statements on compliance and adherence to internal regulations.

- iii) The Company has set out Rakuten, Inc. Detailed Regulations for Workplace Integrity based on the Whistleblower Protection Act. The same regulations are also applicable to the subsidiaries in Japan.

For overseas, the Company is steadily introducing a contact office based on regulations including Rakuten Group Regulations, which are the unified rules of the Rakuten Group.

The status of internal whistleblower reports at the Company and its subsidiaries is reported to the Group Compliance Committee and Company Auditors.

(2) System for risk management

- i) A meeting of the Investment and Lending Committee, which consists of members including Outside Directors and external experts, was held on a monthly basis, in principle, at Rakuten, Inc. for the purpose of examining all new investment proposals within Rakuten Group. Additionally, proposals involving major investment in excess of certain thresholds were approved and resolved at the Board of Directors of Rakuten, Inc.

(3) System for financial reporting

- i) Independent Auditors conduct accounting audits based on the Companies Act and the Financial Instruments and Exchange Act, for the Company as well as its main subsidiaries.

The Company and Independent Auditors mutually exchange opinions and share information on a regular basis, while sharing internal audit results.

Meanwhile, the Company has prepared Group Accounting Policies in accordance with IFRS, by which the Company properly conducts its accounting and prepares consolidated financial statements.

With respect to timely disclosure of corporate information, the Company ensures prompt and adequate disclosure based on the timely disclosure guidelines specified by the Tokyo Stock Exchange, Inc. and the Rakuten Group Regulations as well as other internal regulations.

- ii) In an effort to enhance the reliability of our financial reporting, information including the annual assessment plan, status of progress of the assessment, results of the assessment of effectiveness of internal control over the financial reporting at the Company as well as the Group, is reported to the Board of Directors and each officer with relevant responsibilities, in accordance with the "Standard for the Management Assessment and Auditing of Internal Control Over Financial Reporting."

(4) System to ensure effectiveness of audit by Company Auditors

- i) The Company ensures the effective execution of audits by Company Auditors by streamlining the framework for providing reports and information to Company Auditors, such as the establishment of Company Auditors Office as a n organizational unit that assists Company Auditors in executing their duties.

3. Policy Concerning Decisions on Dividends of Surplus

As for the policy for shareholder return, the Company has been increasing or maintaining our dividend per share at a constant level, while taking into account the importance of making investments for medium-to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows.

- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Ensure sufficiency in comparison with risks associated with business activities and assets
- Maintain the level of financial rating required for conducting financial business, while sustaining the level of shareholders equity in compliance with regulatory requirements

For the current fiscal year, the Company decided to pay dividend of ¥4.5 per share (¥4.5 per share for the previous fiscal year) at the Meeting of the Board of Directors held on February 13, 2017, in accordance with the aforementioned basic policy.

As a general rule of the Company, distribution of dividends of surplus is decided by the Board of Directors, and payment in principle is made once a year in the form of a year-end dividend. Payment of dividends in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to flexible judgment allowing for management circumstances and other factors.

Purchase of treasury stock is being considered as an option of financial measures for the purpose of flexibly addressing the changes in the business environment and contributing to the enhancement of shareholder value.

(Reference) Trends in dividend per share (after adjustment for the share split)

	17th (From January 1, 2013 to December 31, 2013)	18th (From January 1, 2014 to December 31, 2014)	19th (From January 1, 2015 to December 31, 2015)	20th (From January 1, 2016 to December 31, 2016)
Dividend per share (yen)	4.00	4.50	4.50	4.50

Note: The figures have been rounded to the nearest million.

Consolidated Statement of Financial Position

(As of December 31, 2016)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Cash and cash equivalents	548,269	Accounts payable-trade	181,279
Accounts receivable-trade	117,088	Deposits for banking business	1,505,946
Financial assets for securities business	1,120,684	Financial liabilities for securities business	1,059,639
Loans for credit card business	1,014,708	Derivative liabilities	6,598
Investment securities for banking business	157,315	Bonds and borrowings	711,104
Loans for banking business	585,800	Other financial liabilities	297,489
Investment securities for insurance business	18,071	Income taxes payable	12,674
Derivative assets	21,813	Provisions	65,235
Investment securities	173,076	Policy reserves and others for insurance business	24,462
Other financial assets	137,678	Deferred tax liabilities	17,428
Investments in associates and joint ventures	41,130	Other liabilities	42,472
Property, plant and equipment	53,271	Total liabilities	3,924,326
Intangible assets	506,087	Equity	
Deferred tax assets	25,681	Equity attributable to owners of the Company	680,247
Other assets	81,001	Common stock	204,562
		Capital surplus	211,785
		Retained earnings	210,554
		Treasury stock	(3,627)
		Other components of equity	56,973
		Non-controlling interests	99
		Total equity	680,346
Total assets	4,604,672	Total liabilities and equity	4,604,672

Note: The figures have been rounded to the nearest million.

Consolidated Statement of Income

(Year ended
December 31, 2016)

(Millions of Yen)

Items	Amounts
Continuing operations	
Revenue	781,916
Operating expenses	677,598
Other income	5,323
Other expenses	6,305
Impairment loss	25,359
Operating income	77,977
Financial income	256
Financial expenses	3,501
Share of loss of associates and joint ventures	809
Income before income tax	73,923
Income tax expense	35,922
Net income	38,001
Net income attributable to:	
Owners of the Company	37,995
Non-controlling interests	6
Net income	38,001

Note: The figures have been rounded to the nearest million.

Balance Sheet (J-GAAP)

(As of December 31, 2016)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Current assets	191,572	Current liability	286,603
Cash and deposits	32,453	Accounts payable-trade	11,126
Accounts receivable-trade	81,095	Commercial papers	26,000
Merchandise	6,692	Short-term loans payable	36,565
Supplies	322	Current portion of bonds	30,000
Prepaid expenses	4,377	Accounts payable-other	36,862
Accounts receivable-other	31,784	Accrued expenses	21,585
Income taxes receivable	4,120	Advance received	7,194
Short-term loans receivable from subsidiaries and affiliates	9,516	Deposits received	55,031
Deferred tax assets	22,101	Provision for point card certificates	59,183
Other	4,587	Provision for bonuses	2,133
Allowance for doubtful accounts	(5,479)	Suspense receipt	593
Noncurrent assets	944,336	Other	328
Property, plant and equipment	16,444	Noncurrent liabilities	242,152
Buildings-net	7,327	Bonds	40,000
Machinery, equipment and vehicles	309	Long-term loans payable	199,000
Tools, furniture and fixture-net	7,712	Asset retirement obligations	2,732
Construction in progress	960	Other	420
Other	135		
Intangible assets	38,837		
Goodwill	4,388	Total liabilities	528,756
Patent right	2,166		
Trademark	125		
Software	26,337	Net assets	
Software in progress	5,786	Shareholders' equity	594,088
Other	31	Common stock	204,562
Investments and other assets	889,054	Capital surplus	213,370
Investment securities	5,153	Legal capital surplus	172,099
Stocks of subsidiaries and affiliates	862,512	Other capital surplus	41,271
Investments in capital of subsidiaries and affiliates	300	Retained earnings	179,781
Bonds of subsidiaries and affiliates	4,000	Other retained earnings	179,781
Long-term loans receivable from subsidiaries and affiliates	10,029	Retained earnings brought forward	179,781
Claims provable in bankruptcy, claims provable in rehabilitation, and other	2,542	Treasury stock	(3,627)
Long-term prepaid expenses	280	Valuation and translation adjustments	1,602
Lease and guarantee deposits	4,518	Unrealized gains or losses on available-for-sale securities	1,602
Deferred tax assets	3,359	Share options	11,461
Allowance for doubtful accounts	(2,407)		
Allowance for investment loss	(1,234)	Total net assets	607,152
Total assets	1,135,909	Total liabilities and net assets	1,135,909

Note: The figures have been rounded down to the nearest million.

Income Statement (J-GAAP)

(Year ended
December 31, 2016)

(Millions of Yen)

Items	Amounts	
Net sales		305,437
Cost of sales		64,212
Gross profit		241,225
Selling, general and administrative expenses		194,137
Operating profit		47,087
Non-operating income		
Interest income	126	
Dividends income	16,978	
Other	276	17,381
Non-operating expenses		
Interest expenses	1,895	
Foreign exchange loss	76	
Commission fee	541	
Other	165	2,679
Ordinary profit		61,789
Extraordinary gain		
Gain on extinguishment of tie-in shares	382	
Gain on sales of non-current assets	1,231	
Gain on sales of stocks of subsidiaries and affiliates	110	
Other	99	1,824
Extraordinary loss		
Loss on disposal of properties	809	
Impairment loss	3,503	
Loss on valuation of stocks of subsidiaries and affiliates	6,487	
Provision of allowance for doubtful accounts of subsidiaries and affiliates	931	
Provision of allowance for investment loss	1,234	
Other	1,372	14,340
Income before income taxes		49,273
Income taxes-current	12,512	
Income taxes-deferred	(2,078)	10,434
Net profit		38,839

Note: The figures have been rounded down to the nearest million.