

July 28, 2017

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

## Issuance of Share Options as Stock Options to Auditors of Rakuten, Inc.'s subsidiaries

Rakuten, Inc. (the "Company") announces that at the meeting of the Board of Directors held today, it resolved to issue the following Share Options as stock options to Auditors of the Company's subsidiaries, on August 1, 2017, pursuant to "Issuance of Share Options as Stock Options", approved at the 20th Annual General Shareholders' Meeting held on March 30, 2017.

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 Auditors of the Company's subsidiaries will make the enhancement of the Company's corporate and shareholder values in the medium to long term be reflected in their compensation and allow shareholders and the Auditors of the Company's subsidiaries to share equal benefits and disbenefits. This is expected to lead to a greater awareness on the part of the Auditors of the Company's subsidiaries 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 Auditors of the Company's subsidiaries 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) Total number of units and persons to whom Share Options will be allotted

Auditors of the Company:	2 in total	9 units in total
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(2) Class and number of shares to be issued upon exercise of Share Options

Common stock of the Company: 900 shares

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

be discarded.

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

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

(3) Total number of Share Options: 9 units

One hundred shares shall be issued for each Subscription Right to Shares, provided however that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the Subscription Right to Shares shall be adjusted likewise.

(4) Cash payment for 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 Subscription Right to Shares shall 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 shall be the working day immediately preceding the final day.

(7) Conditions etc. for exercise of Share Options

- (i) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
- (ii) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
- (iii) Share Options shall not be offered for pledge or disposed of in any other way.
- (iv) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
  - i) Receipt by cash
  - ii) Appropriation of shares owned by the Holders of Share Options
  - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
  - iv) Other methods specified by the Company

(8) Matters concerning increase in capital stock and capital reserve by issuing of shares (including transferred treasury stock in lieu of issuance of shares; hereinafter the same shall be applied) upon exercise of Share Options

- (i) Amount of increase in capital stock by issuing shares upon exercise of Share Options shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
- (ii) Amount of increase in capital reserve by issuing shares upon exercise of Share Options shall be the upper limit of capital stock increase as described in (i) above less the amount of increase in capital stock set out therein.

(9) Reasons and conditions for the acquisition of Share Options

- (i) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly-owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
- (ii) In case that a holder of Share Options ceases to accommodate the conditions of (7) (i) above before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

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

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

(11) Treatment of Share Options in case of organizational restructuring of the Company

In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "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 each those who received the allotment of issue of Share Options remaining unexercised (hereinafter "Remaining Share Options") at the time when Organizational Restructuring takes effect. In this case, the Remaining Share Options will lapse and the Restructured Company will issue new Share Options. However, the foregoing shall apply only to cases in which the delivery of Share Options of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

(i) Number of Share Options of the Restructured Company to be delivered

The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

(ii) Class of shares of the Restructured Company to be issued upon the exercise of Share Options

Shares of common stock of the Restructured Company

(iii) Number of shares of the Restructured Company to be issued upon the exercise of Share Options

To be decided according to (2) and (3) above after taking into consideration the conditions etc. of the Organizational Restructuring.

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

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

(v) Exercise period of Share Options

Starting from the later of either the first date of the exercise period of Share Options as stipulated in (6) above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Options as stipulated in (6) above.

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

To be determined in accordance with (8) above.

(vii) Restriction on acquisition of Share Options by transfer

Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of directors if such company is not a company with board of directors).

(viii) Reason and conditions for acquisition of Share Options

To be determined in accordance with (9) above.

(12) Rules pertaining to fractions of less than one share arising from the exercise of Share Options

Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

(13) Date of issuance of Share Options as stock options

August 1, 2017

**【Notes】**

(1) Date of Board of Directors resolution for submitting the Proposal to the General Shareholders Meeting: February 20, 2017

(2) Date of General Shareholders Meeting resolution: March 30, 2017