

January 18, 2019

Company name Rakuten, Inc.

Representative Hiroshi Mikitani

Chairman and CEO

(Stock Code: 4755

Tokyo Stock Exchange First Section)

## Issuance of Stock Options

### to Executive Officers and Employees of Rakuten, Inc and Directors, Executive Officers and Employees of the Company'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 Executive Officers and Employees of Rakuten, Inc. and Directors, Executive Officers of the Company's subsidiaries on February 1, 2019, pursuant to "Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies", approved at the 21st Annual General Shareholders' Meeting held on March 29, 2018.

#### **1. Reason for Issuing Share Options on Especially Favorable Conditions**

Since the value of the Share Options is related to the Company's stock price, delivering the Share Options as part of a performance-related compensation package to the executives and employees of the Group will allow them to share both the gains and losses of the shareholders, thus enhancing their motivation to achieve higher performance and contribute to a higher stock price.

In addition, the exercise period of a portion of the Share Options will commence on the first anniversary 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 4<sup>th</sup> anniversary from the issuance, with the rest of the Share Options becoming exercisable thereafter. In this way, it will be possible to exercise the Share Options on the 1<sup>st</sup> anniversary of their issuance. This will offer an attractive compensation package to prospective recruits to the Group, especially in countries and regions where the competition for talent is intense. On the other hand, by making a portion of the Share Options exercisable gradually in stages until the date prior to the 4<sup>th</sup> anniversary of their 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 members.

The Company intends to implement stock option plans for the executives and employees of the Group in order to continuously enhance the Group's corporate and shareholder values by recruiting and retaining talented members and by raising the motivation of the executives and employees of the Group towards higher performance.

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

In determination of the total compensation amount, including granting of Share Options, several factors are taken into consideration 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 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 the Group members, which is thought to be an indispensable element in expanding and fostering the Rakuten Eco-System both in Japan and abroad.

## **2. Outline of the Issuance of the Share Options**

### **(1) Total number of units and persons to whom Share Options will be allotted**

Directors of the subsidiaries:

3 in total                      46 units in total

Executive Officers and Employees of the company and subsidiaries:

8,414 in total                51,248 units in total

### **(2) Class and number of shares to be issued upon exercise of Share Options**

Common stock of the Company: 5,129,400 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 will be adjusted according to the following formula; provided that such adjustment will be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, 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:                      51,294 units**

One hundred shares shall be issued for each Share Options; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the Share Options shall be adjusted 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 Option shall 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 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 (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 shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

(iii) Share Options shall not be offered for pledge or disposed of in any other way.

(iv) Share Options may be exercised by the Holder of Share Options, in whole or in part, according to the following categories.

i) The entire allotment of Share Options 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 shall be discarded).

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

iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction shall be discarded).

v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.

vi) 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 shall 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 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 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 shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

- (iii) Number of shares of the Restructured Company to be issued upon the exercise of Share Options  
To be decided according to (2) and (3) above after taking into consideration the conditions, etc. of the Organizational Restructuring.

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

The value of the assets to be contributed upon the exercise of each Share Options 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 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) Date of issuance of Share Options  
February 1, 2019

**【Notes】**

- (1) Date of Board of Directors resolution for submitting the Proposal to the General Shareholders Meeting: February 19, 2018
- (2) Date of General Shareholders Meeting resolution: March 29, 2018