

February 28, 2020
Company name Rakuten, Inc.
Representative Hiroshi Mikitani
Chairman and CEO
(Stock Code: 4755
Tokyo Stock Exchange First Section)

Share Options as Stock Options

Rakuten, Inc. (hereinafter the “Company”) announces that the Board of Directors today resolved to propose that at the 23rd Annual General Shareholders’ Meeting to be held on March 27, 2020, the Company will be authorized to issue the following Share Options as stock options to Company’s Directors (excluding Outside Directors) separately from the amount of compensation for Directors approved at the 18th Annual General Shareholders’ Meeting held on March 27, 2015.

The Company plans to issue the following two types of share options: (i) share options exercisable while holders of the share options remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates; and (ii) share options as retirement compensation stock options, or share options exercisable for ten days from the date following the date on which holders of the share options retire from the Company, and its subsidiaries and affiliates. The details of these share options are as described below.

1. The reason for justifying the grant of Share Options as stock options to Directors and the basis for calculation

[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 Company’s Directors will allow them 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. The Company intends to implement stock option plans (share options exercisable while in service and share options as retirement compensation stock options) for the Company’s Directors in order to continuously enhance the Group’s corporate and shareholder value by increasing the motivation of the Company’s Directors.

[Basis for Calculation]

The amount of Share Options to be delivered as part of the remuneration for the Company’s Directors will be calculated by multiplying fair value of each Share Options calculated on the day when such rights are allotted, by the number of Share Options allotted to the Company’s Directors. 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.

2. Outline of the issuance of the Share Options

1. Details of Share Options to be issued as stock options exercisable while in service

- (1) Persons to whom Share Options will be allotted

Directors 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 in each fiscal year will not exceed 1,000,000.

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.

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

In addition, if the Company carries out a merger, 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 actions.

(3) Total number of Share Options to be issued

Share Options to be issued in each fiscal year will not exceed 10,000 units.

One hundred shares will be issued for each Share Option; 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. Stock acquisition rights are fairly issued and granted as the consideration for execution of duties and do not fall under issuance with advantageous terms and conditions.

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

The price for one Share Option 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 for exercising the Share Options

- (i) Those who received an allotment of the issue of Share Options (hereinafter "Holders of Share Options") will remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members 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 and in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).
- (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 in all applicable jurisdictions) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are 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) Restriction on the acquisition of Share Options by transfer
Any acquisition of Share Options by transfer will require approval via a resolution of the Board of Directors of the Company.

- (9) 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.

II. Details of Share Options to be issued retirement compensation stock options

- (1) Persons to whom Share Options will be allotted
Directors of the Company who serve concurrently as Executive Officers 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 in each fiscal year will not exceed 1,000,000.

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.

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

In addition, if the Company carries out a merger, 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 actions.

- (3) Total number of Share Options to be issued
Share Options to be issued in each fiscal year will not exceed 10,000 units.
One hundred shares will be issued for each Share Option; 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. Stock acquisition rights are fairly issued and granted as the consideration for execution of duties and do not fall under issuance with advantageous terms and conditions.

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

The Price for one Share Option will be one yen.

Stock acquisition rights are fairly issued and granted as the consideration for execution of duties and do not fall under issuance with advantageous terms and conditions.

(6) Exercise period of Share Options

The exercise period will be from the date on which Share Options are issued (hereinafter "Date of Issuance") until the date on which 40 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 for exercise of Share Options

- (i) Those who received an allotment of the issue of Share Options (hereinafter "Holders of Share Options"), shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and its subsidiaries and affiliates.
- (ii) Share Options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors of the company 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 in all applicable jurisdictions) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are 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) Restriction on the acquisition of Share Options by transfer

Any acquisition of Share Options by transfer will require approval via a resolution of the Board of Directors of the Company.

(9) Other details of Share Options

Other details of Share Options will be decided at the meeting of the Board of Directors of the Company to determine the conditions of the offer of Share Options.

Regarding the above matter, it is on the proviso that the Proposals of "Revision of Remuneration for Directors (Delivery of Stock Options)" be approved at our 23rd Annual General Shareholders' Meeting scheduled to be held on March 27, 2020.