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(Securities Code 4755)  
March 11, 2016

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 19TH ANNUAL GENERAL SHAREHOLDERS' MEETING**

Dear Shareholders:

You are cordially invited to attend the 19th 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 Tuesday, March 29, 2016.

- 1. Date and Time:** Wednesday, March 30, 2016 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 19th Fiscal Year (January 1, 2015 - December 31, 2015)
  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 :** Election of Two Company Auditors  
**Proposal No.4 :** Issuance of Share Options as Stock Options to Directors, Executive Officers and Employees of the Rakuten Group Companies  
**Proposal No.5 :** Issuance of Share Options as Stock Options to Outside Directors of the Rakuten Group Companies  
**Proposal No.6 :** Issuance of Share Options as Stock Options to Company Auditors of the Rakuten Group Companies  
**Proposal No.7 :** Adoption of Appendix Concerning Share Options as Stock Options to be Issued to Residents of the State of California, U.S.A.

## 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 Tuesday, March 29, 2016.

### ■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 Tuesday, March 29, 2016.

## 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 Tuesday, March 29, 2016. 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, Stock Transfer Agency Services Center

(Telephone) 0120-782-031 (Hours) 9:00 - 17:00 (excluding Saturdays, Sundays, and 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. Particulars of the proposed amendment

The particulars of the proposed amendment are as follows:

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
(Purpose) Article 2 The purposes of the Company shall be to engage in the following business activities: 1.-31. (Omission of the provisions) (Newly established)  <u>32.</u> Any and all businesses relative to each of the foregoing items.	(Purpose) Article 2 The purposes of the Company shall be to engage in the following business activities: 1.-31. (Unchanged) <u>32. Supply/retail business of energy including electricity and gas</u> <u>33.</u> (Unchanged)

## **Proposal No. 2: Election of Eight Directors**

### **1. Reasons for the proposal**

The terms of office of all fifteen incumbent Directors will expire at the conclusion of the meeting. Accordingly, election of eight Directors (including two new Directors) is proposed.

The company aims to reinforce the Board's responsibilities of management supervision and of decision-making regarding the Company's basic management policy, and so we have decided to revise the structure.

Aiming to maximize shareholder value, the Board retains the responsibility for management decision-making and supervision, while Executive Officers are responsible for the executive functions. It is proposed to reduce the number of internal Directors by seven to three, and to elect a total of five Outside Directors including two Outside Directors, who will be newly appointed. If this item is approved as proposed, four of the Outside Directors will be appointed Independent Directors, as specified by the regulations of the Tokyo Stock Exchange, Inc., thereby raising the percentage of Independent Directors of the Company to 50%.

### **2. Approach towards the Board of Directors**

(Measures to Enhance the Effectiveness of Corporate Governance)

The Group, aiming to maximize corporate value, has been implementing various measures by making rigorous corporate governance its highest priority.

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.

In an effort to prompt further constructive and animated discussions on management strategies, the Company plans to revise the items to be discussed, the actual discussions and the frequency of the Board of Directors' meetings starting from April 2016.

(Selection of Candidates for Directors)

The Company, based on its corporate philosophy, selects candidates for Directors who embody such corporate philosophy at a high level and who are expected to contribute to further development of the Group. Additionally, by making the term of office of each Director one year, the Company upholds the basic policy of seeking the judgment 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 this item on the election of Directors is approved as proposed by the 19th 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. To this end it has appointed 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 a high level of transparency and strong management supervision, thereby increasing the corporate value, the Company, in selecting its Independent Directors and Independent Company Auditors, determines persons who, in principle, do not fall under any of the following criteria to be independent.

- a. Executive of the parent company or a fellow subsidiary of the Company (\*1)
- b. A 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 (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
Responsibilities at the Company		Chief Executive Officer Executive Director of Rakuten Ichiba Business, Ebates Business, Slice Business, Internal Audit Department	
1	Hiroshi Mikitani (March 11, 1965) <u>Reappointment</u>	<p>April 1988      Joined The Industrial Bank of Japan, Limited</p> <p>May 1993      Received MBA from Harvard Business School</p> <p>February 1996      President and Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)</p> <p>February 1997      Founder and President and Representative Director of the Company</p> <p>February 2001      Chairman and President and Representative Director of the Company (current position)</p> <p>March 2004      Chief Executive Officer of the Company (current position)</p> <p>April 2006      Chairman and Representative Director of Crimson Football Club, Inc. (current position)</p> <p>January 2008      Chairman and Representative Director of Rakuten Baseball, Inc.</p> <p>February 2010      Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)</p> <p>October 2011      Chairman of Tokyo Philharmonic Orchestra (current position)</p> <p>January 2012      Director of Kobo Inc. (currently Rakuten Kobo Inc.)</p> <p>August 2012      Chairman and Representative Director and team owner of Rakuten Baseball, Inc. (current position)</p> <p>January 2014      Director (Chairman) of Kobo Inc. (currently Rakuten Kobo Inc.)</p> <p>March 2015      Director of Lyft, Inc. (current position)</p>	176,155,800 shares
Attendance of the meetings of the Board of Directors 100% (20 out of the 20 meetings)		Significant office(s) concurrently held Representative Partner of Crimson Group, LLC. Chairman and Representative Director of Crimson 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. Director of Lyft, Inc.	

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
Responsibilities at the Company		Executive Vice President Executive Director of Rakuten Card Business, Banking Business, Securities Business, Insurance Agency Business, Life Insurance Business, Edy Business, Smart pay Business, Point Partner Business and Finance Business Operations Office	
2	Masayuki Hosaka (July 31, 1954) <u>Reappointment</u>	<p>April 1980      Joined ORIX Credit Corporation</p> <p>December 2003      General Manager of Personal Finance Department of the Company</p> <p>May 2005      Executive Officer of the Company</p> <p>February 2006      President and Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.)</p> <p>March 2007      Vice Chairman and Director of Rakuten Credit, Inc.</p> <p>April 2009      President and Representative Director of Rakuten Credit, Inc. (current position)</p> <p>April 2012      Executive Director of Rakuten Card Business of the Company (current position)</p> <p>February 2013      Managing Executive Officer of the Company</p> <p>January 2014      Executive Vice President of the Company (current position)</p> <p>March 2014      Representative Director of the Company (current position)</p>	116,600 shares
Attendance of the meetings of the Board of Directors 95% (19 out of the 20 meetings)		Significant office(s) concurrently held President and Representative Director of Rakuten Card Co., Ltd.	

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
Responsibilities at the Company		Although Mr. Baxter has no responsibilities at the Company, he is extremely knowledgeable about the Internet industry and corporate management, and as Manager of RAKUTEN MARKETING LLC, he has been promoting the Group's US business.	
3	Charles B. Baxter (April 19, 1965) <u>Reappointment</u>	<p>October 1998    CEO of eTranslate, Inc.</p> <p>March 2001    Director of the Company</p> <p>March 2003    Retired as Director of the Company</p> <p>July 2004    Chairman of Wineshipping.com LLC (current position)</p> <p>September 2005    Manager of LinkShare Corporation (currently RAKUTEN MARKETING LLC) (current position)</p> <p>March 2011    Director of the Company (current position)</p> <p>January 2015    Chairman of Reynolds Holdco, Inc. (current position)</p>	0 shares
Attendance of the meetings of the Board of Directors 90% (18 out of the 20 meetings)		Significant office(s) concurrently held Chairman of Wineshipping.com LLC Manager of RAKUTEN MARKETING LLC Chairman of Reynolds Holdco, Inc.	

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
	Reasons for nomination of candidate for Outside Director	Appointment is requested in anticipation of his advice and comments on 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 an incumbent Outside Director of the Company and will have served in that position for six years at the conclusion of the meeting.	
4	Ken Kutaragi (August 2, 1950) Reappointment Candidate for Outside Director Candidate for Independent Director	<p>April 1975      Joined Sony Corporation</p> <p>November 1993      Director of Sony Computer Entertainment Inc.</p> <p>April 1999      President and Representative Director of Sony Computer Entertainment Inc.</p> <p>June 2000      Director of Sony Corporation</p> <p>November 2003      Director, Executive Vice President and COO of Sony Corporation</p> <p>December 2006      Representative Director, Chairman and Group CEO of Sony Computer Entertainment Inc.</p> <p>June 2007      Honorary Chairman of Sony Computer Entertainment Inc.</p> <p>Senior technology advisor of Sony Corporation (current position)</p> <p>October 2009      Representative Director and CEO of Cyber AI Entertainment Inc. (current position)</p> <p>March 2010      Director of the Company (current position)</p> <p>June 2011      Outside Director of Nojima Corporation (current position)</p> <p>June 2013      Outside Director of MarvelousAQL Inc. (currently Marvelous Inc.) (current position)</p>	10,000 shares
Attendance of the meetings of the Board of Directors 95% (19 out of the 20 meetings)		<p>Significant office(s) concurrently held</p> <p>Senior technology advisor of Sony Corporation</p> <p>Representative Director and CEO of Cyber AI Entertainment Inc.</p> <p>Outside Director of Nojima Corporation</p> <p>Outside Director of Marvelous Inc.</p>	

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
	Reasons for nomination of candidate for Outside Director	Appointment is requested in anticipation of his advice and comments on the management of the Company based on his expertise as an academic expert of Internet technology along with his extensive experience. He is an incumbent Outside Director of the Company and will have served in that position for four years at the conclusion of the meeting.	
5	Jun Murai (March 29, 1955) Reappointment Candidate for Outside Director Candidate for Independent Director	<p>August 1984     Assistant at Information Processing Center of Tokyo Institute of Technology</p> <p>March 1987     Received Ph. D in Engineering from Keio University</p> <p>April 1987     Assistant at Large-scale Computer Center, the University of Tokyo</p> <p>April 1990     Associate Professor of Faculty of Environment and Information Studies of Keio University</p> <p>April 1997     Professor of Faculty of Environment and Information Studies of Keio University (current position)</p> <p>May 2005     Vice-President of Keio Gijuku Educational Corporation</p> <p>October 2009   Dean of Faculty of Environment and Information Studies of Keio University (current position)</p> <p>September 2011 Outside Director of BroadBand Tower, Inc. (current position)</p> <p>March 2012     Director of the Company (current position)</p>	0 shares
Attendance of the meetings of the Board of Directors 80% (16 out of the 20 meetings)		<p>Significant office(s) concurrently held</p> <p>Professor of Faculty of Environment and Information Studies of Keio University</p> <p>Dean of Faculty of Environment and Information Studies of Keio University</p> <p>Outside Director of BroadBand Tower, Inc.</p>	

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
	Reasons for nomination of candidate for Outside Director	<p>Appointment is requested in anticipation of her advice and comments on the management of the Company based on her expertise as an academic expert in business administration. Although she has not directly assumed a position of company management other than Outside Director or Outside Company Auditor to date, the Company judges that she will be able to perform Outside Director's duties for the above reasons.</p> <p>She is an incumbent Outside Director of the Company and will have served in that position for one year at the conclusion of the meeting.</p>	
6	<p>Youngme Moon (April 24, 1964)</p> <p><u>Reappointment</u></p> <p><u>Candidate for Outside Director</u></p> <p><u>Candidate for Independent Director</u></p>	<p>June 1996 Received Ph. D from Stanford University</p> <p>July 1997 Assistant Professor of Massachusetts Institute of Technology (MIT)</p> <p>July 1998 Assistant Professor of Harvard Business School</p> <p>July 2003 Associate Professor of Harvard Business School</p> <p>September 2005 Director of Avid Technology, Inc. (current position)</p> <p>July 2007 Donald K. David Professor of Business Administration of Harvard Business School</p> <p>July 2010 Senior Associate Dean for and Chair of the MBA Program and Donald K. David Professor of Harvard Business School</p> <p>July 2014 Senior Associate Dean of Strategy and Innovation and Donald K. David Professor of Harvard Business School (current position)</p> <p>March 2015 Director of the Company (current position)</p>	0 shares
Attendance of the meetings of the Board of Directors 87% (13 out of the 15 meetings)		<p>Significant office(s) concurrently held</p> <p>Director of Avid Technology, Inc.</p> <p>Senior Associate Dean of Strategy and Innovation and Donald K. David Professor of Harvard Business School</p>	

No.	Name (Date of birth)	Career summary, Positions and responsibilities		Number of shares of the Company held
	Reasons for nomination of candidate for Outside Director	Appointment is requested in anticipation of his advice and comments on the management of the Company based on his specialized knowledge of Internet services and his wealth of experience in the management of Internet service businesses in North America. He has served as the Company's Outside Director in the past.		
7	Joshua G. James (June 28, 1973) <u>New appointment</u> <u>Candidate for Outside Director</u>	October 1996 October 2009 October 2010 March 2011 March 2012 March 2015	Founder and CEO of Omniture, Inc. Senior Vice President and General Manager of Omniture Business Unit of Adobe Systems Inc. Founder and CEO of Domo, Inc. (current position) Director of the Company Member of World Economic Forum of Young Global Leaders (current position) Retired as Director of the Company	0 shares
	Attendance of the meetings of the Board of Directors	Significant office(s) concurrently held Founder and CEO of Domo, Inc. Member of World Economic Forum of Young Global Leaders		

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
	Reasons for nomination of candidate for Outside Director	Appointment is requested in anticipation of his advice and comments on the management of the Company based on his expertise as a management consultant along with his extensive experience in corporate management.	
8	Takashi Mitachi (January 21, 1957) New appointment Candidate for Outside Director Candidate for Independent Director	<p>April 1979      Joined Japan Airlines Co., Ltd.</p> <p>June 1992      Received MBA from Harvard Business School</p> <p>October 1993    Joined The Boston Consulting Group</p> <p>January 1999    Vice President of The Boston Consulting Group</p> <p>January 2005    Japan Co-chair of The Boston Consulting Group</p> <p>April 2011      Board Member of Japan Association for the World Food Programme (current position)</p> <p>April 2013      Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)</p> <p>January 2016    Senior Partner &amp; Managing Director of The Boston Consulting Group (current position)</p>	0 shares
	Attendance of the meetings of the Board of Directors	<p>Significant office(s) concurrently held</p> <p>Board Member of Japan Association for the World Food Programme</p> <p>Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives)</p> <p>Senior Partner &amp; Managing Director of The Boston Consulting Group</p>	

- (Notes)
1. Candidate for Director Ken Kutaragi is Representative Director of Archer Holdings Ltd. with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Archer Holdings Ltd. and the Company in fiscal 2015, 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 Youngme Moon is Director of Lola Travel Company, Inc. with which the Company is in competition in the travel business in the United States.
  3. Candidate for Director Joshua G. James is Founder and CEO of Domo, Inc. with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Domo, Inc. and the Company in fiscal 2015, 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. No material interest exists between the Company and the other candidates for Director.
  5. Candidates for Director Ken Kutaragi, Jun Murai, Youngme Moon, Joshua G. James and Takashi Mitachi are candidates for Outside Director and the summary of details of the liability limitation agreement with Outside Directors is as follows.  
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 three incumbent Outside Directors of the Company Ken Kutaragi, Jun Murai and Youngme Moon.  
The liability limitation agreement will be renewed with the three incumbent Outside Directors subject to the approval of their reappointment. Likewise, the Company will enter into the same agreement with Joshua G. James and Takashi Mitachi should they be approved as Outside Directors.
  6. If the reappointment of candidates for Director Ken Kutaragi, Jun Murai and Youngme Moon and the appointment of Takashi Mitachi are approved, they will be appointed to the position of Independent Director specified by the regulations of the Tokyo Stock Exchange.

### Proposal No. 3: Election of Two Company Auditors

The term of office of Company Auditor Katsuyuki Yamaguchi will expire at the conclusion of the meeting. Accordingly, election of two Company Auditors including one newly appointed Company Auditor is proposed.

The Board of Company Auditors has previously given its approval to this proposal.

The candidates for Company Auditor are as follows:

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
Reasons for nomination of candidate for Outside Company Auditor		Appointment of Mr. Katsuyuki Yamaguchi as Outside Company Auditor is requested in anticipation of his initiative in applying his expertise as a legal attorney on corporate legal affairs and his extensive knowledge and experience to the Company's audit system. He is an incumbent Outside Company Auditor of the Company and will have served in that position for fifteen years at the conclusion of the meeting.	
1	Katsuyuki Yamaguchi (September 22, 1966) <u>Reappointment</u> <u>Candidate for Outside Company Auditor</u>	<p>April 1991 Registered with Dai-ichi Tokyo Bar Association Joined Nishimura &amp; Partners</p> <p>May 1997 Graduated from Columbia Law School (LL.M.)</p> <p>September 1997 Served Debevoise &amp; Plimpton LLP in New York</p> <p>January 1998 Admitted as Attorney-at-law in New York, USA</p> <p>May 1998 Served Debevoise &amp; Plimpton LLP in Paris</p> <p>February 1999 Served Simeon &amp; Associates in Paris</p> <p>July 1999 Reinstated at Nishimura &amp; Partners</p> <p>August 2000 Attorney and Partner of Nishimura &amp; Partners (current Nishimura &amp; Asahi) (current position)</p> <p>March 2001 Company Auditor of the Company (current position)</p> <p>July 2007 Outside Company Auditor of FreeBit Co., Ltd. (current position)</p> <p>September 2013 Outside Company Auditor of BrainPad Inc. (current position)</p> <p>June 2015 Audit &amp; Supervisory Board Member (Outside) of HAKUHODO DY HOLDINGS INCORPORATED (current position)</p>	65,500 shares
Attendance of the meetings of the Board of Directors 95% (19 out of the 20 meetings) Attendance of the meetings of the Board of Company Auditors 100% (9 out of the 9 meetings)		Significant office(s) concurrently held 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	

No.	Name (Date of birth)	Career summary, Positions and responsibilities	Number of shares of the Company held
Reasons for nomination of candidate for Outside Company Auditor		Appointment is requested in anticipation of his initiative in applying his extensive knowledge and experience mainly in the fields of finance and business management for the purpose of further developing the Company's audit system.	
2	Takahide Uchida (October 21, 1954) <u>New appointment</u> <u>Candidate for Outside Company Auditor</u>	<p>April 1977      Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>May 1983      Received a master's degree from The Wharton School of the University of Pennsylvania</p> <p>April 2001      Sumitomo Mitsui Banking Corporation (Otsuka Corporate Sales Manager)</p> <p>June 2003      Director of Training Institute of Human Resource Department of Sumitomo Mitsui Banking Corporation</p> <p>April 2006      Managing Director of Daiwa SB Investments Ltd.</p> <p>April 2010      Senior Managing Director of Daiwa SB Investments Ltd.</p>	0 shares
Attendance of the meetings of the Board of Directors - Attendance of the meetings of the Board of Company Auditors -		Significant office(s) concurrently held -	

(Notes) 1. Candidate for Company Auditor Katsuyuki Yamaguchi is an attorney and partner of Nishimura & Asahi, a law firm with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Nishimura & Asahi and the Company in fiscal 2015, 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. No material interest exists between the Company and the other candidate for Company Auditor.
3. Candidates for Company Auditor Katsuyuki Yamaguchi and Takahide Uchida are candidates for Outside Company Auditor. Summary of details of the liability limitation agreement with Outside Company Auditors is as follows.

The Company stipulates under its Articles of Incorporation that it can conclude with each Outside Company Auditor 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 incumbent Outside Company Auditor of the Company Katsuyuki Yamaguchi.

The Company is scheduled to renew the liability limitation agreement with Mr. Yamaguchi, subject to the approval of his reappointment. Likewise, the Company will enter into a similar agreement with Mr. Takahide Uchida upon the approval of his appointment.

#### **Proposal No. 4: 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 Eco-System" 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 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 15,500,000.

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, 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 155,000 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, 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. 5: 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 100,000.

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 1,000 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 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, 2020 to March 29, 2026. 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 1,000 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. 6: 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.

Given the approval of Proposal No. 3 as submitted, the Company will have 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 300,000.

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.

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

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 3,000 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 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, 2020 to March 29, 2026. 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 3,000 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.

**Proposal No. 7: Adoption of Appendix Concerning Share Options as Stock Options to be Issued to Residents of the State of California, U.S.A.**

Since the directors, executive officers, employees, outside directors and company auditors of the Company and its subsidiaries and affiliates include not only residents of Japan but also overseas residents, any securities legislation, and other laws and regulations, of the country of their residency would also be applied if any Share Options under the laws of Japan are issued to them as stock options. However, in the event that Share Options are issued to residents of the State of California, U.S.A., they may be exempted from U.S. securities legislation by having the following special provision (hereinafter “California Appendix”) apply pursuant to approval at this general shareholders’ meeting. This California Appendix to the One-Yen Stock Option Program (hereinafter the “Program”) of Rakuten, Inc. (hereinafter “Rakuten”) shall have application only to holders of Share Options who are residents of the State of California.

It is proposed that the effect of approval given under this Proposal should extend to the Share Options that have been issued pursuant to approval given with respect to Proposal No. 6 through to Proposal No. 8 for the 18th Annual General Shareholders’ Meeting held on March 27, 2015, any Share Options to be issued pursuant to such approval that would be given if Proposal No. 4 through to Proposal No. 6 for this General Shareholders’ Meeting are approved and any Share Options to be issued pursuant to such approval that would be given in the event that the issuance of Share Options as stock options is proposed and approved at any General Shareholders’ Meeting held on or before July 17, 2025 (hereinafter collectively, “Exempted Stock Options”).

Notwithstanding any other provision of the Program to the contrary and to the extent required by applicable law, the following terms and conditions will apply to all Exempted Stock Options granted to residents of the State of California, until such time as the common stock of Rakuten becomes a “listed security” under the U.S. Securities Act of 1933, as amended (hereinafter the “Securities Act”):

1. Exempted Stock Options exercise period will have a term of not more than ten years from the grant date.
2. Exempted Stock Options shall be nontransferable other than by will or the laws of descent and distribution. Notwithstanding the foregoing, Rakuten, in its discretion, may permit transfer of an Exempted Stock Option to a revocable trust or as otherwise permitted by Rule 701 (Federal exemption from registration for compensatory equity awards, 17 Code of Federal Regulations. 230.701) of the Securities Act.
3. Unless employment or services are terminated for cause as defined by applicable law, the right to exercise an Exempted Stock Option in the event of termination of employment or separation from service, to the extent that the holders of Share Options are otherwise entitled to exercise an Exempted Stock Option on the date of termination of employment or separation from service, will continue until the earlier of the Exempted Stock Option expiration date or:
  - (1) six months from the date of termination of employment or separation from service of a holder of Share Options if caused by death or disability; or
  - (2) 30 days from the date of termination of employment or separation from service of a holder of Share Options if caused by other than death or disability;

4. No Exempted Stock Option may be granted to a resident of California more than ten years after the earlier of the date of adoption of this California Appendix and the date this California Appendix is approved by the shareholders.
5. Shareholders of Rakuten must approve this California Appendix by the later of (1) within 12 months before or after this California Appendix is adopted by the Board and (2) prior to or within 12 months of the grant of an Exempted Stock Option under the Program to a resident of the State of California.  
Any Exempted Stock Option exercised by a California resident shall be rescinded if shareholder approval is not obtained in the foregoing manner. Shares subject to such Options will not be counted in determining whether such approval is obtained.
6. To the extent required by applicable law, Rakuten will provide annual financial statements of Rakuten to each California resident holding an outstanding Exempted Stock Option under the Program. Such financial statements need not be audited and need not be issued to key persons whose duties in connection with Rakuten assure them access to equivalent information.

(Appendix)

## Message from CEO

### **Aiming to be a Corporate Group that Empowers People and Society**

Rakuten was founded in 1997 and in 2016 it entered the 20th year since establishment.

Rakuten Ichiba, which opened with the establishment of the Company, is Japan's largest Internet shopping mall, made up of shops from various regions that form a virtual shopping mall on the Internet. Guided by the concept "Shopping is Entertainment," Rakuten Ichiba offers a shopping venue that emphasizes both scale and quality.

Rakuten has built the Rakuten Eco-System, which provides Rakuten members with a range of services through a single ID, from Rakuten Ichiba, to Rakuten Travel and other Internet services, and financial (FinTech) services including Rakuten Card, Rakuten Bank, and Rakuten Securities. Furthermore, we are constantly striving to offer innovative Internet services through additions to the Group such as Rakuten Kobo in the digital contents field, the free calling and messaging app Viber, and the cash-back website Ebates.

As a result of these efforts, the number of users, which is the base of the Rakuten Eco-System, has grown dramatically to 900 million worldwide. Moreover, by taking advantage of various synergies that go beyond national borders or business categories, we have increased Rakuten's global gross merchandise sales (transaction value) to over ¥9 trillion. In 2015, with the aim of expanding the business and creating a stable foundation for further growth, we worked to strengthen our financial base by carrying out the public offering after approximately nine years since our last public offering. In addition, we relocated our head office to Futako-Tamagawa in Setagaya-ku, Tokyo. This move was made in anticipation of an increase in employees accompanying future business expansion, as well as to further streamline operations by bringing together Group companies. The new head office, Rakuten Crimson House, abounds with details reflecting the care for the working environment that has been an important element at Rakuten since our founding. With a complete line of facilities including a cafeteria that offers breakfast, lunch, and dinner each day at no charge, a daycare for children that features diversity-oriented education, and a video conference system that lets employees around the world talk to each other as if they were side by side, Rakuten Crimson House embodies a cutting-edge work environment.

Under our medium- to long-term Vision 2020, we are aiming for further profit growth with Non-GAAP operating income of ¥300 billion in 2020 set as the target for the Rakuten Group. With regard to domestic e-commerce gross merchandise sales, we are targeting an increase from the current ¥2.7 trillion to ¥5.2 trillion. For Rakuten Card, our goal is to increase the

number of members from the current 12 million to 20 million, and to have the top transaction value in the industry within a few years. In 2016, we will work to expand gross merchandise sales and revenue by providing users and business partner companies with services of higher quality than ever before. I believe that these efforts will lead to sustainable profit growth for the Rakuten Group and will help us maximize Rakuten's corporate value and shareholder value.

As a corporate group that empowers people and society, we will challenge ourselves with an enterprising spirit as we work to improve corporate and shareholder value by achieving sustainable growth. We ask for the ongoing understanding and support of our shareholders in those endeavors.

Hiroshi Mikitani

Chairman, President, and Representative Director

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

# Business Report

(From January 1, 2015 to December 31, 2015)

## **Part 1 Current Condition of the Rakuten Group**

### **1. Business Progress and Results**

<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.

Starting from the fiscal year ended December 31, 2015, the Rakuten Group discloses consolidated business results in terms of both its internal measures the 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, 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.

Revenue	Non-GAAP operating income	IFRS operating income	Net income attributable to owners of the parent company
¥713.6 billion	¥152.2 billion	¥94.7 billion	¥44.4 billion
(19.2% increase YoY)	(28.8% increase YoY)	(11.0% decrease YoY)	(37.1% decrease YoY)

### **■ Business Results for the Fiscal Year Ended December 31, 2015 (Non-GAAP basis)**

The world economy during the fiscal year ended December 31, 2015, continued to stay on a gradual recovery track, although attention must be paid to factors including normalization of U.S. monetary policy, uncertainty over the future outlook of Chinese economy, and the impact of the falling crude oil prices. The Japanese economy continued its gradual recovery with the effects of various policies amid continuing

improvement in the wage and employment environment.

Under such an environment, the Rakuten Group has further promoted its growth strategy. In domestic e-commerce services, the mainstay of Internet Services, the Group maintained stable results through various measures to improve customer satisfaction, strategies to open up the Rakuten Eco-System and enhanced services for smart devices (smartphones and tablet devices). For contents services, the Group decided to acquire OverDrive Holdings, Inc. (U.S.), (hereinafter "OverDrive Holdings") a full-service digital distributor of eBooks, audio books and other content to libraries and educational institutions, and made it a wholly owned subsidiary in April 2015. The Rakuten Group is also expediting investments in businesses with new technologies and innovative business models, and unrealized gains on stocks have been recorded. In FinTech (Note), the further expansion of the membership base for Rakuten Card brought in more commission income, and the smoothly growing services of Rakuten Securities and Rakuten Bank contributed to an increase in profit as well.

As a result of these efforts, the Rakuten Group for the fiscal year ended December 31, 2015 achieved revenue of ¥713,555 million, up 19.2% year-on-year, and Non-GAAP operating income of ¥152,153 million, up 28.8% year-on-year.

(Note) From the fiscal year ended December 31, 2015, the Rakuten Group changed the segment name "Internet Finance" to "FinTech." This is to reflect the global spread of the term FinTech, a fusion of finance and (Internet) technology, which the Group has been working on since 2003.

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

For the fiscal year ended December 31, 2015 amortization of intangible assets of ¥8,322 million, up 31.5% year-on-year, and stock-based compensation expense of ¥6,088 million, up 163.0% year-on-year, were deducted for Non-GAAP operating income. Head office relocation-related expense of ¥4,171 million and impairment of goodwill and intangible assets of ¥38,883 million was recognized as a one-off item. One-off items of ¥3,053 million recognized for the same period of the previous fiscal year include provision related to overseas subsidiaries, impairment of goodwill and intangible assets, and reversal of provision accompanying revisions to tax acts and others.

■ Business Results for the Fiscal Year Ended December 31, 2015 (IFRS basis)

The Rakuten Group recorded revenue of ¥713,555 million, up 19.2% year-on-year, operating income of ¥94,689 million, down 11.0% year-on-year as adversely affected by one-off items, and net income attributable to owners of the parent company of ¥44,436 million, down 37.1% year-on-year, for the fiscal year ended December 31, 2015.

(Millions of yen)

	Fiscal year ended December 31, 2014 (18th)	Fiscal year ended December 31, 2015 (19th)	Amount Change YoY	% Change YoY
Revenue	598,565	713,555	114,990	19.2%
Non-GAAP operating income	118,092	152,153	34,061	28.8%
Amortization of intangible assets	(6,327)	(8,322)	(1,995)	31.5%
Stock-based compensation expenses	(2,315)	(6,088)	(3,773)	163.0%
One-off items	(3,053)	(43,054)	(40,001)	1,310.2%
IFRS operating income	106,397	94,689	(11,708)	(11.0)%
Net income attributable to owners of the parent company	70,614	44,436	(26,178)	(37.1)%

#### ■ Segment Information

Business results for each segment are as follows.

##### Internet Services

Sales composition ratio (excluding adjustments): 57.4%

Businesses: Rakuten Ichiba, Rakuten Travel, Overseas e-commerce, E-book services, other domestic and overseas Internet services

(Billions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	% Change YoY
Segment Revenue	362.8	440.7	21.5%
Segment Profit	68.4	99.5	45.4%

In the Internet Services segment for the fiscal year ended December 31, 2015, the Rakuten Group actively worked on strategies to open up the Rakuten Eco-System, enhanced services for smart devices, promoting marketing which utilizes big data, implementing measures to improve user satisfaction, and enhancing services for overseas consumers among other initiatives in its core domestic e-commerce services. As a result of these initiatives, domestic e-commerce services revenue was robust with 7.8% year-on-year increase. In travel reservation services, strong demand was seen in domestic travels, car rental, and inbound services (services for reservations directed from foreign language websites). In overseas e-commerce, Ebates Inc., which became a subsidiary in October 2014, contributed significantly to the growth of performance. For contents services, strict cost controls and contribution by OverDrive Holdings in addition to continued strategic investments for future profit growth led to improvement in performance. The Rakuten Group is also expediting investments in businesses with new technologies and innovative business models, and unrealized gains on stocks have been recorded.

As a result, revenue for the segment rose to ¥440,744 million, a 21.5% year-on-year

increase. While advance investments are continued to be made in future growth fields, profit from existing businesses grew steadily, resulting in segment profit of ¥99,508 million, a 45.4% year-on-year increase.

#### FinTech

Sales composition ratio (excluding adjustments): 35.8%

Businesses: Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Life Insurance etc.

(Billions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	% Change YoY
Segment Revenue	236.5	275.1	16.3%
Segment Profit	49.5	63.9	29.1%

In the FinTech segment for the fiscal year ended December 31, 2015, shopping transaction value grew by 20.2% year-on-year in credit card and related services due to a growth in Rakuten Card membership. Moreover, solid growth in revolving balances resulted in a rise in income including commission income. A significant profit increase was achieved as a result of the application of IFRS 15 in addition to steady revenue growth. In banking services, profits continued to grow due to an increase in interest income from loans with expanding loan balances and the effect of improvement in cost efficiency. In securities services, despite the impact of changing market conditions, domestic stock trading value was solid, and profits continued to grow steadily with an increase in foreign exchange margin transaction volume resulting from volatile foreign exchange market.

As a result of the above, the FinTech segment recorded ¥275,136 million in revenue, 16.3% year-on-year increase, while segment profit was ¥63,899 million, a 29.1% year-on-year increase.

#### Others

Sales composition ratio (excluding adjustments): 6.8%

Businesses: Messaging and communication services, professional sports business etc.

(Billions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	% Change YoY
Segment Revenue	42.4	52.1	22.7%
Segment Profit	0.2	(8.6)	-%

In the Others segment for the fiscal year ended December 31, 2015, the Group conducted aggressive sales activities such as TV advertising and sales campaigns at the storefront with the aim of increasing the number of new subscribers of the MVNO (Mobile Virtual Network Operator) services, Rakuten Mobile. The success of these measures contributed to a significant increase in revenue. In VIBER MEDIA LTD., a messaging and VoIP services provider which became a consolidated subsidiary in March 2014, strategic investments

were continued for its future growth and a consistent growth was seen in the number of user IDs. In professional sports division, profits from the transfer associated with the transfer of a key player was absent for the previous fiscal year.

As a result, revenue for the segment was ¥52,092 million, a 22.7% year-on-year increase, while segment loss was ¥8,599 million (compared with segment profit of ¥191 million for the same period of the previous fiscal year).

## 2. Operating Results and Financial Status

Classification		16th (From January 1, 2012 to December 31, 2012)	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)
Revenue	(Millions of yen)	400,444	518,568	598,565	713,555
Operating income	(Millions of yen)	50,055	90,244	106,397	94,689
Non-GAAP operating income	(Millions of yen)	-	-	118,092	152,153
Income before income tax	(Millions of yen)	49,106	88,610	104,245	91,987
Net income	(Millions of yen)	21,136	43,481	71,103	44,280
Comprehensive income	(Millions of yen)	31,574	67,881	123,822	51,116
Basic earnings per share	(Yen)	15.59	32.60	53.47	32.33
Diluted earnings per share	(Yen)	15.56	32.41	53.15	32.09
Total assets	(Millions of yen)	2,287,634	3,209,808	3,680,695	4,269,953
Total equity attributable to owners of the Company	(Millions of yen)	235,942	300,063	421,562	662,044
Equity per share attributable to owners of the Company	(Yen)	179.48	227.70	318.74	464.80
Cash flows from operating activities	(Millions of yen)	104,687	1,485	111,860	78,245
Cash flows used in investing activities	(Millions of yen)	67,440	30,584	(261,085)	(224,078)
Cash flows from financing activities	(Millions of yen)	(56,820)	75,252	189,512	221,831
ROE	(%)	9.2	16.0	19.6	8.2
Dividend per share	(Yen)	3.0	4.0	4.5	4.5

(Notes) 1. Starting from the 17th fiscal year, consolidated financial statements are prepared in accordance with IFRS. The amounts for the 16th fiscal year are also stated in accordance with IFRS.

2. The Company conducted a 100 for one share split on July 1, 2012. Basic earnings per share, diluted earnings per share, equity per share attributable to owners of the Company, and dividend per share are calculated under the assumption that the Company had conducted such share split

at the beginning of the 16th fiscal year.

3. 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 ¥54,662 million, primarily on the development and acquisition of software programs.

### 4. Capital Procurement

The Company procured a total of ¥181,973 million in capital in June 2015 by issuing a total of 99,606,500 new shares at market price (amount to be paid in per share ¥1,826.92) through domestic and international public offerings.

### 5. Business Reorganization

- (1) In November 2015, the Company decided to acquire all of the common stock and stock acquisition rights of the Company's consolidated subsidiary Kenko.com, Inc. through a tender offer. The tender offering was completed on January 18, 2016, and the Company ultimately plans to make Kenko.com, Inc. a wholly owned subsidiary of the Company.
- (2) In April 2015, Rakuten USA, Inc., a wholly owned subsidiary of the Company, made OverDrive Holdings, Inc. its wholly owned subsidiary by merging OverDrive Holdings, Inc. with another wholly owned subsidiary that had been established in preparation for the merger.

### 6. Challenges

The Internet sector is expected to undergo continued rapid expansion. The challenge for the Rakuten Group is to build structures capable of supporting sustainable long-term growth in that environment, reacting according to changes of business environment. Through the growth of our own businesses, we also aim to contribute to the development of the Internet industry, as well as to the economic growth.

#### (1) Management structure

Rakuten Shugi (Rakuten principles) defines the corporate philosophy of the Rakuten Group together with its values and code of conduct. We will make sure that these principles are assimilated by executives and employees in Japan and overseas as we enhance our business speed and quality. Furthermore, we will strengthen governance through expanding the functions of our regional headquarters in accordance with globalization of our businesses, strengthening of our risk management system and business management structure, and developing human resources. Through these initiatives, we will strive to build a corporate brand that will be trusted by our stakeholders.

#### (2) Business strategy

At the heart of the basic management strategy of the Rakuten Group is a business model known as the “Rakuten Eco-System,” which is based on the provision of a wide range of Internet services to users, especially Rakuten members, both domestically

and internationally. 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. Furthermore, taking into account factors such as the characteristics of our businesses and the market environment, and from the viewpoint of business portfolio, we will concentrate management resources on fields where medium- to long-term growth is expected.

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 ecosystem, and enhancing services for smart devices (smart phones and tablet devices), in addition to the utilization of big data. Also, together with Ebates Inc. which we acquired, we aim to drive the global e-Commerce market by building a next generation e-Commerce platform, both domestically and globally.

2) FinTech

By offering financial services in such areas as credit cards, net banking and online securities, we aim to create a more robust Rakuten Eco-System business model in which Rakuten members can enjoy one-stop access to a multitude of services, thereby growing these services even more through group synergies. In addition, we seek to offer users new value through the further integration of finance (Fin) and Internet technology (Tech)

3) Digital contents services

We will aim to provide greater value to our users through new digital contents services including our e-book services and video streaming services.

4) Telecommunications services

Through a messaging application developed by Viber the Group acquired and telecommunications services such as mobile virtual network operator (MVNO) services, we will pursue the expansion of membership base of the Rakuten Eco-System as well as further improvement in user friendliness.

(3) Development of technology

In order to ensure stable and efficient operations, we will aim to build a globally unified platform. Moreover, we will promote research and development related to foundation of analysis and methodology for data sets including big data and build a system that easy to use for our users. We will 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

As a comprehensive Internet service provider engaged in two main activities--Internet Services and FinTech--the Group Companies embrace three reportable segments: "Internet Services," "FinTech" and "Others."

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 adequately 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 business for sales of advertising on these sites.

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

The "Others" segment comprises businesses involving provision of messaging and communication services and management of a professional baseball team.

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

Company name	Capital	Ratio of voting rights	Main business
Rakuten Card Co., Ltd.	¥19,324 million	100.00%	Issuance of credit card, Rakuten Card, and related services
Rakuten Bank, Ltd.	¥25,954 million	100.00%	Internet banking service
Rakuten Securities, Inc.	¥7,496 million	100.00%	Online securities trading service
Ebates Inc.	0.1 U.S. dollar	100.00% (100.00%)	EBATES, an EC site based primarily in the U.S.
Rakuten Life Insurance Co., Ltd.	¥2,500 million	100.00%	Life insurance business
Rakuten Communications Corp.	¥2,026 million	100.00%	Relay telephone, IP subscription telephone services, etc.
Rakuten Kobo Inc.	858 million Canadian dollars	100.00%	E-book services
RAKUTEN MARKETING LLC	1 U.S. dollar	100.00% (100.00%)	Performance marketing services
OverDrive Holdings, Inc.	1 U.S. dollar	100.00% (100.00%)	E-book distribution services for libraries
VIBER MEDIA LTD.	71 thousand U.S. dollars	100.00% (100.00%)	Mobile messaging and VoIP services

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

2. Rakuten Communications Corp. changed its name from Fusion Communications Corp. as of December 1, 2015.

3. 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	Osaka Branch	Osaka-shi, Osaka
Sendai Branch	Sendai-shi, Miyagi	Fukuoka Branch	Fukuoka-shi, Fukuoka
Nagoya Branch	Nagoya-shi, Aichi	Saitama Branch	Saitama-shi, Saitama
Sapporo Branch	Sapporo-shi, Hokkaido	Hiroshima Branch	Hiroshima-shi, Hiroshima

### (2) Subsidiaries

Name	Location
Rakuten Card Co., Ltd.	Setagaya-ku, Tokyo
Rakuten Bank, Ltd.	Setagaya-ku, Tokyo
Rakuten Securities, Inc.	Setagaya-ku, Tokyo
Ebates Inc.	U.S.
Rakuten Life Insurance Co., Ltd.	Setagaya-ku, Tokyo
Rakuten Communications Corp.	Setagaya-ku, Tokyo
Rakuten Kobo Inc.	Canada
RAKUTEN MARKETING LLC	U.S.
OverDrive Holdings, Inc.	U.S.
VIBER MEDIA LTD.	Cyprus

## 10. Employees

Classification	Number of employees	Year-on-year change
Total	12,981	Increased by 1,258

(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	7,317
FinTech	2,276
Others	653
Company-wide (common)	2,735
Total	12,981

(Note) Company-wide (common) figure represents the number of employees of mainly the development and management divisions.

## 11. Principal Borrowings

(Millions of yen)

Creditor	Outstanding balance
Mizuho Bank, Ltd.	179,423
Sumitomo Mitsui Banking Corporation	87,742
Sumitomo Mitsui Trust Bank, Limited	52,613

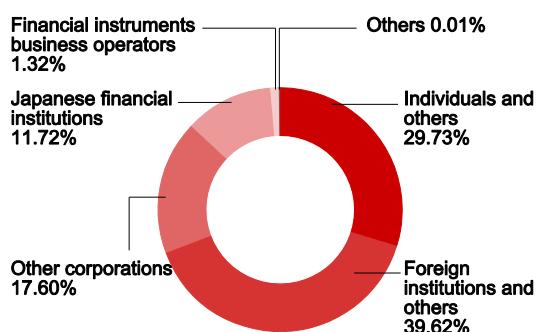
## Part 2 Matters Concerning Shares of the Company

### 1. Total Number of Shares Issued:

1,430,373,900 shares  
(including 6,008,788 shares of treasury stocks)

- (Notes)
1. The number of shares increased by 99,606,500 shares through the public offering conducted on June 30, 2015.
  2. During the current fiscal year, the number of shares increased by 2,164,000 shares by exercising Share Options.

### Distribution of ownership among shareholders



\*Treasury stocks are included in "Individuals and others."

### 2. Number of Shareholders: 121,382

### 3. Major Shareholders (Top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Crimson Group, LLC.	226,419,000	15.90
Hiroshi Mikitani	176,155,800	12.37
Haruko Mikitani	132,625,000	9.31
JP MORGAN CHASE BANK 380055	52,865,384	3.71
Japan Trustee Services Bank, Ltd. (Trust account)	42,103,100	2.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,517,300	2.14
MELLONBANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	21,077,071	1.48
Culture Convenience Club Co., Ltd.	20,662,000	1.45
JP MORGAN CHASE BANK 385164	19,991,600	1.40
STATE STREET BANK AND TRUST COMPANY 505103	19,625,675	1.38

(Note) Percentage of shares held is calculated excluding treasury stocks (6,008,788 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 6th Share Options (April 20, 2006)	19,347	Common stock 1,934,700	Free of charge	1,002	From March 31, 2010 to March 29, 2016
The 7th Share Options (December 14, 2006)	3,597	Common stock 359,700	Free of charge	555	From March 31, 2010 to March 29, 2016
The 8th Share Options (January 17, 2009)	14,076	Common stock 1,407,600	Free of charge	559	From March 28, 2012 to March 26, 2018
The 9th Share Options (February 12, 2010)	6,714	Common stock 671,400	Free of charge	701	From March 28, 2013 to March 26, 2019
The 17th Share Options (February 20, 2013)	5,049	Common stock 504,900	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

(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 6th, 7th, 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 and 36th 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 6th Share Options	536	3
	The 7th Share Options	502	3
	The 8th Share Options	1,612	4
	The 9th Share Options	530	4
	The 17th Share Options	1,858	10
	The 22nd Share Options	1,222	10
	The 36th Share Options	1,704	9
Outside Directors	The 6th Share Options	200	1
	The 7th Share Options	50	1
	The 8th Share Options	140	2
	The 9th Share Options	60	2
	The 17th Share Options	75	5
	The 22nd Share Options	65	5
	The 36th Share Options	60	5
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

(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 Held by 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 33rd Share Options (January 24, 2015)	8,731	Common stock 873,100	Free of charge	1	From March 29, 2018 to March 27, 2024
The 34th Share Options (February 20, 2015)	1,656	Common stock 165,600	Free of charge	1	From March 29, 2018 to March 27, 2024
The 35th Share Options (February 20, 2015)	497	Common stock 49,700	Free of charge	1	From March 29, 2018 to March 27, 2024
The 36th Share Options (February 20, 2015)	6,771	Common stock 677,100	Free of charge	1	From March 29, 2018 to March 27, 2024
The 37th Share Options (May 21, 2015)	3,458	Common stock 345,800	Free of charge	1	From June 1, 2016 to May 30, 2025
The 38th Share Options (June 24, 2015)	1,022	Common stock 102,200	Free of charge	1	From July 1, 2016 to July 1, 2025
The 39th Share Options (July 18, 2015)	16,380	Common stock 1,638,000	Free of charge	1	From August 1, 2016 to August 1, 2025
The 40th Share Options (July 18, 2015)	8	Common stock 800	Free of charge	1	From March 28, 2019 to March 26, 2025
The 41st Share Options (August 20, 2015)	718	Common stock 71,800	Free of charge	1	From October 1, 2016 to October 1, 2025
The 42nd Share Options (October 17, 2015)	6,781	Common stock 678,100	Free of charge	1	From November 1, 2016 to October 31, 2025
The 43rd Share Options (October 17, 2015)	1,020	Common stock 102,000	Free of charge	1	From November 1, 2016 to October 31, 2025

(Notes) 1. The Exercise Price (per share) of Share Options described above represents figures after the public offering conducted on June 30, 2015.

2. Conditions for exercise of the 33rd, 34th, 35th, 36th and 40th 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
3. Conditions for exercise of the 37th, 38th, 39th, 41st, 42nd and 43rd 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) Status by Classification of the Share Options Held by 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 33rd Share Options	6,309	630,900	3,916
	The 34th Share Options	0	0	0
	The 35th Share Options	0	0	0
	The 36th Share Options	3,607	360,700	50
	The 37th Share Options	0	0	0
	The 38th Share Options	0	0	0
	The 39th Share Options	6,501	650,100	4,050
	The 40th Share Options	0	0	0
	The 41st Share Options	0	0	0
	The 42nd Share Options	0	0	0
	The 43rd Share Options	0	0	0
Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)	The 33rd Share Options	2,422	242,200	1,308
	The 34th Share Options	1,656	165,600	1
	The 35th Share Options	497	49,700	1
	The 36th Share Options	88	8,800	3
	The 37th Share Options	3,458	345,800	7
	The 38th Share Options	1,022	102,200	17
	The 39th Share Options	9,879	987,900	1,953
	The 40th Share Options	8	800	2
	The 41st Share Options	718	71,800	2
	The 42nd Share Options	6,781	678,100	352
	The 43rd Share Options	1,020	102,000	32

## Part 4 Matters Concerning Officers of the Company

### 1. Name of Directors and Company Auditors

(As of December 31, 2015)

Title	Name	Responsibility within the Company and significant concurrent positions
Chairman, President, and Representative Director	Hiroshi Mikitani	Chief Executive Officer Executive Director of Rakuten Ichiba Business, Ebates Business, and Slice Business, 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
Executive Vice President and Representative Director	Toru Shimada	Executive Vice President Executive Director of Global Digital Contents and Communication Business Office, Books Business, Showtime Business, Tickets Business, Global Marketing Department, Group Marketing Department, Corporate Communications Department and Creative & Web Design Department
Executive Vice President and Representative Director	Yasufumi Hirai	Executive Vice President Chief Information Officer, Executive Director of DU, Corporate IT Department, Unit Officer of Rakuten Mobile Business, Executive Director of phone Business and Enterprise Performance Management Department Representative Director and Chairman, CEO of Rakuten Communications Corp.
Executive Vice President and Representative Director	Masayuki Hosaka	Executive Vice President Executive Director of Rakuten Card Business, Banking Business, Securities Business, Insurance Agency Business, Life Insurance Business, Edy Business, Smart Pay Business, Point Partner Business and Finance Business Operations Office President and Representative Director of Rakuten Card Co., Ltd.
Executive Vice President and Representative Director	Yoshihisa Yamada	Executive Vice President Chief Financial Officer, Executive Director of Finance Department, Accounting Department, Business Development Department and Business Directorate Department
Director	Masatada Kobayashi	Managing Executive Officer Executive Director of Asia RHQ
Director	Akio Sugihara	Managing Executive Officer Executive Director of Global Human Resources Department, General Affairs and Facilities Management Department, CSR Department, Governance, Risk and Compliance Department, Legal Department and Corporate Division Coordination Department
Director	Kazunori Takeda	Managing Executive Officer Executive Director of Travel Business, Golf Business, and DREAM Business
Director	Kentaro Hyakuno	Managing Executive Officer Chief Strategy Officer, Executive Director of General Planning Department, Public Policy Office, Kenko.com Business, Rakuten 24 Business, and Rakuten Mart Business
Director	Hiroaki Yasutake	Managing Executive Officer
Director	Charles B. Baxter	Manager of RAKUTEN MARKETING, LLC

Title	Name	Responsibility within the Company and significant concurrent positions
Director	Koichi Kusano	Attorney and Senior Partner of Nishimura & Asahi, Outside Company Auditor of KOITO MANUFACTURING CO., LTD., Professor of Keio University Law School
Director	Ken Kutaragi	Outside Director of Nojima Corporation, Outside Director of Marvelous Inc.
Director	Hiroshi Fukino	President and Representative Director of Fukino Consulting Inc.
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
Company Auditor (Full-time)	Yoshiaki Senoo	Outside Company Auditor of Rakuten Bank, Ltd., Outside Company Auditor of Rakuten Auction, Inc.
Company Auditor	Takeo Hirata	Professor of Waseda University Graduate School of Sport Sciences, President 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. Yasufumi Hirai and Youngme Moon were newly elected as and assumed the office of Directors at the 18th Annual General Shareholders' Meeting held on March 27, 2015.
  2. Director Joshua G. James retired as Director of the Company as at the 18th Annual General Shareholders' Meeting held on March 27, 2015.
  3. Representative Director Hiroshi Mikitani retired from the office of Executive Director of Americas RHQ, and Executive Director of Sports & Culture Business on March 1 and May 1, 2015, respectively, while he resigned from the office of Director (Chairman) of Rakuten Kobo Inc. on June 5, 2015.
  4. Representative Director Toru Shimada assumed the office of Executive Director in charge of Books Business, Showtime Business, Ticket Business, Global Marketing Department, Group Marketing Department, Corporate Communications Department, and Creative & Web Design Department on February 1, 2015, while retiring on March 1, 2015 from the offices of Executive Director of Rakuten Marketing Business as well as Rakuten Marketing Japan Business, and then on December 1, 2015 from the office of Executive Director of Rakuten Research Business.
  5. Representative Director Yasufumi Hirai assumed the office of Executive Vice President of the Company on February 1, 2015 before assuming the office of Director of the Company, while assuming the Unit Officer of Rakuten Mobile Business Development Office, on February 1, 2015, and Executive Director of Telephony Business on March 1, 2015. He assumed the office of Executive Vice President and Representative Director of the Company on March 27, 2015, of Corporate Information Technology Department on April 1, 2015, and of DU as well as Enterprise Performance Management Department on October 15, 2015. Rakuten Mobile Business Development Office was renamed as Rakuten Mobile Business on April 1, 2015, while Corporate Information Technology Department and Enterprise Performance Management Department were integrated into DU by organizational restructuring on January 1, 2016. Mr. Hirai also assumed the office of Representative Director and Chairman, CEO at FUSION COMMUNICATIONS CORPORATION (now Rakuten Communications Corp.) on June 30, 2015.
  6. Director Akio Sugihara assumed the office as Executive Director of General Affairs Department as of September 1, 2015.
  7. Director Kentaro Hyakuno assumed the office as Executive Director of Kenko.com Business, Rakuten 24 Business and Rakuten Mart Business as of April 1, 2015.
  8. Five Directors Koichi Kusano, Ken Kutaragi, Joshua G. James, Hiroshi Fukino and Jun Murai are Outside Directors.
  9. Three Company Auditors Yoshiaki Senoo, Takeo Hirata and Katsuyuki Yamaguchi are Outside Company Auditors.
  10. Director Koichi Kusano is an attorney and senior partner of Nishimura & Asahi, and Company Auditor Katsuyuki Yamaguchi is an attorney and partner of Nishimura & Asahi, a law firm with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Nishimura & Asahi and the Company in fiscal 2015 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 Koichi Kusano is a Professor of Keio University Law School and Director Jun Murai is a Dean and Professor of Faculty of Environment and Information Studies of Keio University, with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Keio University and the Company in fiscal 2015 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. Director Jun Murai is an Outside Director of BroadBand Tower, Inc., with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between BroadBand Tower, Inc. and the Company in fiscal 2015 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 Yoshiaki Senoo is an Outside Company Auditor of Rakuten Bank, Ltd., which is a wholly owned subsidiary of the Company, and the Company has a business relationship involving provision of services. He is also an Outside Company Auditor of Rakuten Auction, Inc., whose 60% of shares are held by the Company, and the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Rakuten Bank, Ltd., Rakuten Auction, Inc. and the Company in fiscal 2015 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. Company Auditor Takeo Hirata is a President of Japan Society of Sports Industry, with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between Japan Society of Sports Industry and the Company in fiscal 2015 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.
15. Company Auditor Katsuyuki Yamaguchi is an Outside Company Auditor of BrainPad Inc. with which the Company has a business relationship involving provision of services. The ratio of the amount of transactions between BrainPad Inc. and the Company in fiscal 2015 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.
16. The Company has appointed Ken Kutaragi, Hiroshi Fukino and Jun Murai as Independent Directors based on the stipulations of the Tokyo Stock Exchange, Inc. and reported the appointments to the Tokyo Stock Exchange..
17. Director Hiroaki Yasutake resigned as Director as of January 10, 2016. Prior to the aforementioned resignation, he resigned from his office as Executive Director of DU on July 1, 2015.

## 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	17	¥604 million
Company Auditors	3	¥45 million

- (Notes) 1. The above table includes 1 Director who resigned at the conclusion of the 18th Annual General Shareholders' Meeting held on March 27, 2015.
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 ¥120 million for Outside Officers (6 Directors and 3 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 ¥205 million paid to 15 Directors and ¥5 million paid to 3 Company Auditors. Of these, the amount recorded as expenses for Outside Officers (5 Directors and 3 Company Auditors) accounts for ¥13 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	Koichi Kusano	He attended 18 out of the 20 meetings of the Board of Directors that were held in fiscal 2015, where he made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience as an attorney and from the standpoint of a specialist of corporate law.
	Ken Kutaragi	He attended 19 out of the 20 meetings of the Board of Directors that were held in fiscal 2015, 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.
	Hiroshi Fukino	He attended all 20 meetings of the Board of Directors that were held in fiscal 2015, where he made necessary statements (questions, opinions, etc.) based on his extensive experience in business management and expertise as a business consultant.
	Jun Murai	He attended 16 out of the 20 meetings of the Board of Directors that were held in fiscal 2015, 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 13 out of the 15 meetings of the Board of Directors that were held in fiscal 2015 after her appointment, where she made necessary statements (questions, opinions, etc.) based on her knowledge and experience as an academic expert in business administration.
Outside Company Auditors	Yoshiaki Senoo	He attended all 20 meetings of the Board of Directors and all 9 meetings of the Board of Company Auditors that were held in fiscal 2015, 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 16 out of the 20 meetings of the Board of Directors and all 9 meetings of Board of Company Auditors that were held in fiscal 2015, 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 19 out of the 20 meetings of the Board of Directors and all 9 meetings of the Board of Company Auditors that were held in fiscal 2015, 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 Accountant Act ¥98 million

(2) Total amount of cash and other financial benefits payable to  
the independent auditor by the Company and its subsidiaries ¥308 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 to prepare a comfort letter mainly associated with the issuance of new shares, 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-appointment 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 Currently Imposed on the Independent Auditor

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 a company other than the Company, thereby certifying its financial documents with material misstatements as free of such misstatements.
- Because the firm's operation was found to be significantly inappropriate.

## **Part 6 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, and a comprehensive approach to compliance maintained by 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 internal regulations including the "Group Regulation for Document Management" and the "Group Regulation for Application". 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 Governance, Risk and Compliance Department 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 “Regulation for Group Directors of Company”, the “Group Regulation for Organization” 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 (“RGR”) 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 Group Regulation for Governance. 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 operational 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) During the year, the Group held 5 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 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 status of whistleblowing reports. The Compliance Committee also discussed responses to compliance violations and implementation of preventative measures.
- ii) In May 2006, the Rakuten Group Code of Ethics was established. Education activities for employees are conducted on an ongoing basis to ensure employees abide by its spirit. Rakuten Group has carried out training for overseas employees, training for new recruits, Company-wide morning meetings focused on business ethics, e-learning-based education for employees 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 the "Group Regulation for Workplace Integrity" based on the Whistleblower Protection Act, which is applicable to the Company as well as its subsidiaries. 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) The Investment and Lending Committee meeting was held on a monthly basis 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 and Accounting Guidelines in accordance with IFRS, by which the Company conducts its accounting and prepares consolidated financial statements. With respect to timely disclosure of corporate information, relevant Group Regulations have been established, and thoroughly made known to all Group Companies to ensure prompt and adequate disclosure.
- 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 enhancing the framework for providing reports and information to Company Auditors, such as the establishment of Company Auditors Office as an organizational unit that assists Company Auditors in executing their duties.

**3. Policy Concerning Decisions on Dividends of Surplus**

With the aim of providing shareholders with returns in excess of capital cost, while targeting to maximize the shareholder value, the Group makes management decisions with attention paid to the medium- to long-term maintenance and enhancement of consolidated return on equity (ROE). The Company's basic policy for shareholder return is to return profits with due consideration to ensuring sufficient internal reserves for the purpose of stabilizing investment funds and financial base with a view to the medium- to long-term growth, and have been increasing or maintaining our dividend per share at a constant level. 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
- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Maintain the level of financial rating required for conducting financial business, while sustaining the level of shareholders equity in compliance with regulatory requirements

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.

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 12, 2016, 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.

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

	16th (From January 1, 2012 to December 31, 2012)	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)
Dividend per share (yen)	3.00	4.00	4.50	4.50

(Note) The Company conducted a 100 for one share split of its common stock on July 1, 2012.

## Consolidated Statement of Financial Position

(As of December 31, 2015)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Cash and cash equivalents	501,029	Accounts payable-trade	162,606
Accounts receivable-trade	104,011	Deposits for banking business	1,366,784
Financial assets for securities business	1,109,299	Financial liabilities for securities business	987,244
Loans for credit card business	833,820	Derivative liabilities	10,623
Investment securities for banking business	257,769	Bonds and borrowings	649,195
Loans for banking business	444,044	Other financial liabilities	268,448
Investment securities for insurance business	15,308	Income taxes payable	24,718
Derivative assets	21,312	Provisions	54,129
Investment securities	151,237	Policy reserves and others for insurance business	21,635
Other financial assets	161,640	Deferred tax liabilities	20,417
Investments in associates and joint ventures	16,912	Other liabilities	40,141
Property, plant and equipment	48,442	Total liabilities	3,605,940
Intangible assets	514,752	Equity	
Deferred tax assets	28,252	Equity attributable to owners of the Company	662,044
Other assets	62,126	Common stock	203,588
		Capital surplus	208,677
		Retained earnings	176,834
		Treasury stock	(3,627)
		Other components of equity	76,572
		Non-controlling interests	1,969
		Total equity	664,013
Total assets	4,269,953	Total liabilities and equity	4,269,953

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

# Consolidated Statement of Income

( Year ended  
December 31, 2015 )

(Millions of Yen)

Items	Amounts
Continuing operations	
Revenue	713,555
Operating expenses	601,001
Other income	26,991
Other expenses	6,721
Impairment loss	38,135
Operating income	94,689
Financial income	108
Financial expenses	3,796
Share of income of associates and joint ventures	986
Income before income tax	91,987
Income tax expense	47,707
Net income	44,280
Net income attributable to:	
Owners of the Company	44,436
Non-controlling interests	(156)
Net income	44,280

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

# Consolidated Statement of Changes in Equity

( Year ended  
December 31, 2015 )

(Millions of Yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock
As of January 1, 2015	111,602	118,528	124,796	(3,649)
Cumulative effects of changes in accounting policies	—	—	13,244	—
Adjusted balance	111,602	118,528	138,040	(3,649)
Comprehensive income				
Net income	—	—	44,436	—
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive income	—	—	44,436	—
Transactions with owners				
Contributions by and distributions to owners				
Issuance of common stock	91,986	91,986	—	—
Direct expenses related to issuance of common stock	—	(781)	—	—
Cash dividends paid	—	—	(5,952)	—
Reclassified from other components of equity to retained earnings	—	—	540	—
Others	—	3,900	(230)	22
Total contributions by and distributions to owners	91,986	95,105	(5,642)	22
Changes in ownership interests in subsidiaries				
Issuance of common stock	—	—	—	—
Acquisitions and disposals of non-controlling interests	—	(4,955)	—	—
Others	—	(1)	—	—
Total changes in ownership interests in subsidiaries	—	(4,956)	—	—
Total transactions with owners	91,986	90,149	(5,642)	22
As of December 31, 2015	203,588	208,677	176,834	(3,627)

	Other components of equity				Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity			
As of January 1, 2015	51,354	19,453	(522)	70,285	421,562	6,524	428,086
Cumulative effects of changes in accounting policies	—	—	—	—	13,244	103	13,347
Adjusted balance	51,354	19,453	(522)	70,285	434,806	6,627	441,433
Comprehensive income							
Net income	—	—	—	—	44,436	(156)	44,280
Other comprehensive income, net of tax	(10,877)	17,668	36	6,827	6,827	9	6,836
Total comprehensive income	(10,877)	17,668	36	6,827	51,263	(147)	51,116
Transactions with owners							
Contributions by and distributions to owners							
Issuance of common stock	—	—	—	—	183,972	—	183,972
Direct expenses related to issuance of common stock	—	—	—	—	(781)	—	(781)
Cash dividends paid	—	—	—	—	(5,952)	—	(5,952)
Reclassified from other components of equity to retained earnings	—	(540)	—	(540)	—	—	—
Others	—	—	—	—	3,692	—	3,692
Total contributions by and distributions to owners	—	(540)	—	(540)	180,931	—	180,931
Changes in ownership interests in subsidiaries							
Issuance of common stock	—	—	—	—	—	20	20
Acquisitions and disposals of non-controlling interests	—	—	—	—	(4,955)	(1,701)	(6,656)
Others	—	—	—	—	(1)	(2,830)	(2,831)
Total changes in ownership interests in subsidiaries	—	—	—	—	(4,956)	(4,511)	(9,467)
Total transactions with owners	—	(540)	—	(540)	175,975	(4,511)	171,464
As of December 31, 2015	40,477	36,581	(486)	76,572	662,044	1,969	664,013

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

## Balance Sheet (J-GAAP)

(As of December 31, 2015)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Current assets	201,264	Current liability	214,046
Cash and deposits	65,179	Accounts payable-trade	8,459
Accounts receivable-trade	70,369	Short-term loans payable	38,120
Merchandise	6,602	Accounts payable-other	36,322
Supplies	266	Accrued expenses	20,142
Prepaid expenses	3,110	Income taxes payable	13,465
Accounts receivable-other	27,050	Advance received	6,805
Short-term loans receivable from subsidiaries and affiliates	9,631	Deposits received	39,158
Deferred tax assets	20,668	Provision for point card certificates	48,696
Other	3,369	Provision for bonuses	2,017
Allowance for doubtful accounts	(4,983)	Provision for directors' bonuses	23
Noncurrent assets	849,270	Suspense receipt	490
Property, plant and equipment	16,624	Other	344
Buildings-net	7,649	Noncurrent liabilities	268,691
Machinery, equipment and vehicles	307	Bonds	30,000
Tools, furniture and fixture-net	7,364	Long-term loans payable	235,565
Construction in progress	1,113	Asset retirement obligations	2,842
Other	189	Other	283
Intangible assets	32,932	Total liabilities	482,737
Goodwill	3,391	Net assets	
Patent right	2,321	Shareholders' equity	559,709
Trademark	76	Common stock	203,587
Software	23,327	Capital surplus	212,396
Software in progress	3,698	Legal capital surplus	171,124
Other	116	Other capital surplus	41,271
Investments and other assets	799,712	Retained earnings	147,352
Investment securities	3,580	Other retained earnings	147,352
Stocks of subsidiaries and affiliates	776,803	Retained earnings brought forward	147,352
Investments in capital of subsidiaries and affiliates	581	Treasury stock	(3,627)
Bonds of subsidiaries and affiliates	4,000	Valuation and translation adjustments	934
Long-term loans receivable from subsidiaries and affiliates	6,883	Unrealized gains or losses on available-for-sale securities	934
Claims provable in bankruptcy, claims provable in rehabilitation, and other	2,121	Share options	7,153
Long-term prepaid expenses	407	Total net assets	567,796
Lease and guarantee deposits	4,330	Total liabilities and net assets	1,050,534
Deferred tax assets	2,710		
Allowance for doubtful accounts	(1,707)		
Total assets	1,050,534		

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

# Income Statement (J-GAAP)

( Year ended  
December 31, 2015 )

(Millions of Yen)

Items	Amounts	
Net sales		268,214
Cost of sales		43,820
Gross profit		224,394
Selling, general and administrative expenses		145,606
Operating profit		78,787
Non-operating income		
Interest income	122	
Dividends income	3,688	
Other	150	3,961
Non-operating expenses		
Interest expenses	2,342	
Foreign exchange loss	102	
Share issuance cost	1,212	
Commission fee	1,461	
Other	282	5,402
Ordinary profit		77,346
Extraordinary gain		
Gain on extinguishment of tie-in shares	42	
Gain on sales of non-current assets	8	
Gain on sales of investment securities	494	
Gain on sales of stocks of subsidiaries and affiliates	2,441	
Other	22	3,009
Extraordinary loss		
Loss on disposal of properties	660	
Impairment loss	1,763	
Loss on valuation of stocks of subsidiaries and affiliates	62,328	
Provision of allowance for doubtful accounts of subsidiaries and affiliates	1,277	
Office transfer expenses	1,162	
Restructuring loss	79	
Other	837	68,110
Income before income taxes		12,246
Income taxes-current	28,173	
Income taxes-deferred	(2,372)	25,800
Net loss		13,553

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

# Statement of Changes in Net Assets (J-GAAP)

Year ended  
( December 31, 2015 )

(Millions of Yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Shareholders' equity total
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Retained earnings total		
Balance at the beginning of current period	111,601	79,138	41,271	120,410	166,857	166,857	(3,625)	395,244
Changes of items during the period								
Issuance of common stock	91,985	91,985		91,985				183,971
Dividends paid					(5,951)	(5,951)		(5,951)
Net loss					(13,553)	(13,553)		(13,553)
Purchase of treasury stock							(1)	(1)
Net changes of items other than shareholders' equity								
Total changes	91,985	91,985	—	91,985	(19,505)	(19,505)	(1)	164,465
Balance at the end of current period	203,587	171,124	41,271	212,396	147,352	147,352	(3,627)	559,709

(Millions of Yen)

	Valuation and translation adjustments		Share options	Total net assets
	Unrealized gains or losses on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	83	83	3,299	398,626
Changes of items during the period				
Issuance of common stock				183,971
Dividends paid				(5,951)
Net loss				(13,553)
Purchase of treasury stock				(1)
Net changes of items other than shareholders' equity	851	851	3,854	4,705
Total changes	851	851	3,854	169,170
Balance at the end of current period	934	934	7,153	567,796

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