Next 20 Years

Annual Report

Fiscal Year Ended December 31, 2015

Rakuten

To Our Shareholders

Empowering People and Society

Rakuten will celebrate its 20th anniversary in 2017. As we prepare for this, I am proud to report that in 2015 Rakuten achieved record consolidated revenue of ¥714 billion, rising 19.2% year on year, along with strong non-GAAP operating income of ¥152 billion, growing 28.8% year on year. We also developed our new mid-term strategy, Vision 2020, to map out a path to achieving our aim of becoming the world's leading Internet services company. Unveiled in early 2016, the vision lays out the key principles for sustainable growth, "Strong," "Smart," and "Speed," to steer us through the next five years, which I expect will bring greater change in the e-commerce industry than we have seen in the past two decades.

In 2015 we saw steady growth in Rakuten Ichiba and the FinTech businesses, promising developments in the e-book business and rapid expansion of Rakuten Mobile. The number of members, which is the base of the Rakuten Ecosystem, has grown dramatically to 900 million worldwide. Moreover, by taking advantage of various synergies that go beyond national borders or business categories, we increased Rakuten's global gross transaction value to over ¥9 trillion.

Strong results in our core domestic e-commerce business were achieved by strengthening synergy between services within the Rakuten Ecosystem, enhancing support for smart devices, expanding use of big data in marketing, boosting services for overseas consumers and implementing measures to improve user satisfaction and service quality. Rakuten continued to invest in new technologies and innovative business models, from FinTech to e-commerce to digital content.

In anticipation of growth in the employee base and to maximize effective collaboration between businesses, we relocated our headquarters to Futako-Tamagawa in Setagaya-ku, Tokyo, bringing many of our Group companies under one roof.

In 2016, we will build on the successes of 2015 by driving an increase in gross transaction value and revenue and providing members and business partners with services of higher quality than ever before. We will stay true to our entrepreneurial spirit, empowering people and society as we strive to improve corporate and shareholder value.

Hiroshi Mikitani

Hiroshi Mikitani
Chairman and CEO

New Mid-Term Strategy Vision 2020

We envisage our business as a marathon, rather than a sprint, and therefore, we pursue sustainable, long-lasting, long-term results. Nevertheless, a medium-term perspective provides insights to improve our long-term performance. The core objective of this new plan is to optimize growth by assessing each business unit against three growth principles characterized by the keywords: strong, smart, and speed.

Under Vision 2020 we plan to increase revenues from ¥714 billion in 2015 to ¥1.7 trillion in 2020 and Non-GAAP operating income from ¥152 billion to ¥300 billion.

Vision 2020

Our Key Strategies

Strong Businesses

Formidable competitive positions, growth of 10-30%

Smart Businesses

Niche/ unique, meaningful share, sustainable profit, growth of 25-75%

Speed Businesses

Entrepreneurial, disruptive, targeting very high growth of 70%+

Domestic E-Commerce:
Operating income is targeted to rise from ¥96 billion in 2015 to ¥160 billion in 2020, GMS from ¥2.7 trillion to ¥5.2 trillion

FinTech:
Operating income is targeted to rise from ¥64 billion in 2015 to ¥120 billion in 2020

Overseas E-Commerce:
Ebates GMS is targeted to rise from US$4.9 billion in 2015 to US$15 billion in 2020, operating income from ¥3.5 billion to ¥20 billion

Rakuten Marketing:
Operating income is targeted to rise from ¥4.6 billion in 2015 to ¥10 billion in 2020

Other Internet services:
Contribution of income from Rakuten Kobo+OverDrive, operating income is targeted to turn from ¥18 billion loss in 2015 to ¥20 billion profit in 2020

Viber:
Planning rapid expansion to 2 billion unique IDs in 2020

Rakuten Mobile:
Rapid growth as an MVNO

Other Segment:
Operating income is targeted to be positive in 2020

Domestic E-Commerce

Rakuten maintains leading positions in the domestic e-commerce market. Rakuten continues to be a market leader in terms of GMS. Rakuten Points holds a consistently high reputation among customers.

As presented in Vision 2020, domestic e-commerce aims to achieve further growth through our key e-commerce strategies:
1. Improve quality, 2. Maximize customer satisfaction, 3. Move faster than competitors

Strong Position

Action to improve quality for safety and secure shopping

- Quality Control Committee
- Guarantee program for all buyers
- Policing pirate brand imitations

Maximization of customer satisfaction

- Enhanced point program (Super Point Up 7)
- New services to expand Ecosystem (Rakuma, Rakuten SmartPay, Checkout)

Anticipation of trends and proactively responding to competition

- Genre strategy/ food, healthcare, home goods
- Trust with merchants/ consultants, seminars, awards
- Data strategy

Leading Innovation

FinTech

Since Q3 2015, the Internet Finance segment has been renamed as “FinTech,” which is a new term to define the fusion of finance and Internet technology that our Group has pursued since 2003. In Vision 2020, we aim to achieve the top market share by increasing Rakuten Card’s transaction volume to ¥7 or ¥8 trillion from ¥4.2 trillion in 2015, and aim for 20 million cardholders, up from 12 million as of the end of 2015. Operating income is targeted at ¥50 billion in 2020 from ¥24 billion in 2015.

Rakuten Bank also aims to increase operating income from ¥15 billion in 2015 to ¥30 billion in 2020 from its core activities and raise the number of accounts from 5 million to 10 million.

The Securities business is diversifying its income structure by expanding non- Japanese equity business such as investment trust business and foreign exchange from 45% in 2015 to 60% in 2020, and targets operating income from ¥22 billion to ¥30 billion.

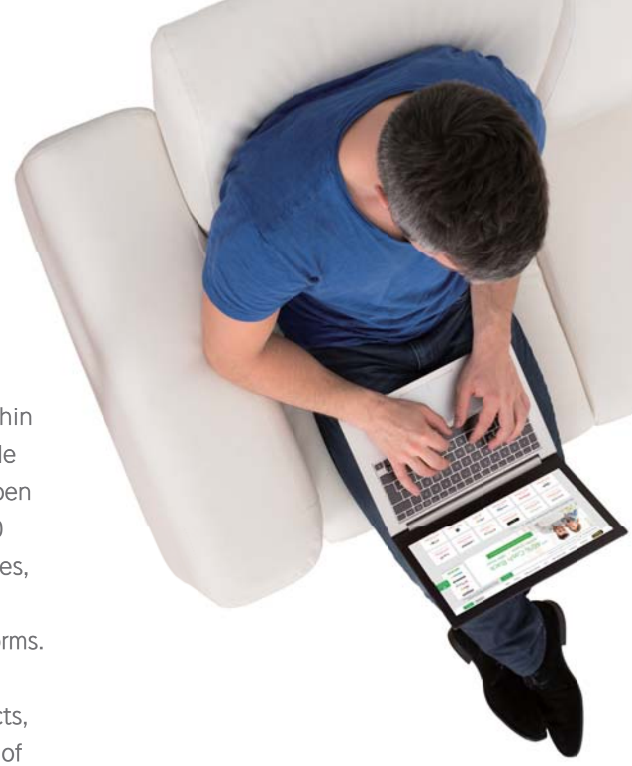
Rakuten launched the $100 million global venture FinTech Fund to expand its FinTech investments, including Currency Cloud and WePay. Going forward, we will continue to create further synergies through the use of big data and to increase lifetime value of our customers.

- **Rakuten Card No. 1 in customer satisfaction for the 7th straight year-JCSi**

Japanese Customer Satisfaction Index JCSi

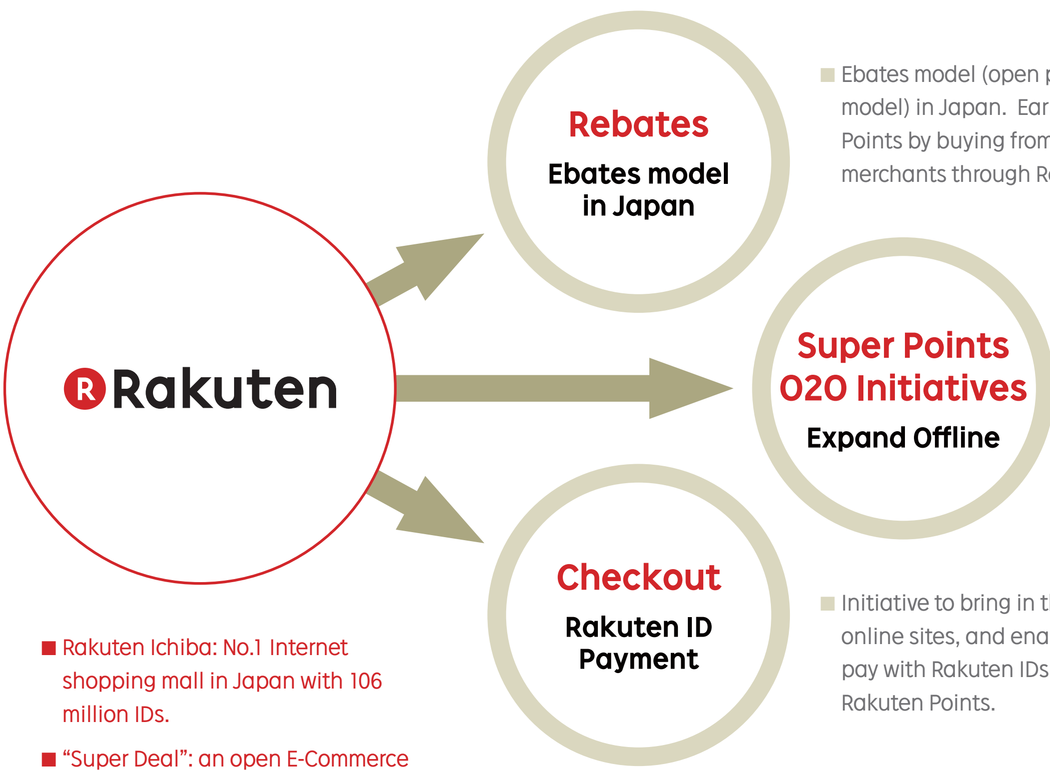
BEST DIGITAL BANK AWARD • 2015 GLOBAL FINANCE

- **Rakuten Bank No.1 in domestic category for global finance-Best Digital Bank Awards**



Open E-commerce Strategy

A typically closed e-commerce platform tends to confine the consumers within itself. Conversely, an open e-commerce platform links consumers with a wide network of associated e-commerce sites. Ebates is a good example of an open e-commerce platform, on which consumers can purchase from almost 3,000 partner sites, including most of the top e-commerce sites in the United States, as well as leading specialty sites and online travel agencies. Rakuten is beginning to realize the vast underlying potential of combining both platforms. "Open E-Commerce" expands our Ecosystem and reinforces member loyalty, while allowing us to serve them with a far wider selection, including products, services, and Rakuten Points offers from the "real" economy. Here are some of the initiatives and benefits for users.



- Ebates model (open platform model) in Japan. Earn Rakuten Points by buying from non-Rakuten merchants through Rebates site.
- Rakuten Point Card is designed for earning and usage of Rakuten Points at offline stores, and is quickly expanding.
- Initiative to bring in third parties' online sites, and enable users to pay with Rakuten IDs and earn Rakuten Points.

- Rakuten Ichiba: No.1 Internet shopping mall in Japan with 106 million IDs.
- "Super Deal": an open E-Commerce initiative offering limited-time points back from third parties within Rakuten Ichiba.
- Introduction of Super Point Up 7

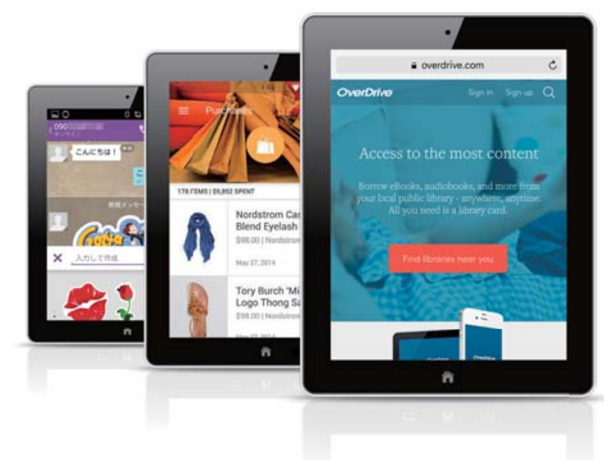
Smart and Open E-Commerce

Smart Business: Ebates, Rakuten Kobo + OverDrive

Since its acquisition, Ebates has accelerated its growth through its unique Open E-Commerce business model, and its GMS should continue to grow up to US$15 billion in 2020, from US$4.9 billion in 2015.

Rakuten Marketing, ranked best CPS affiliate network company in the U.S. by mThink Blue Book Survey in 2016, has an important role in connecting Ebates to over 3,000 brand-retailers in North America. It is expected to expand its operating income (non-GAAP basis) from ¥4.6 billion in 2015 to ¥10 billion in 2020.

OverDrive, a full-service digital distributor of e-books, audio books and other content to more than 30,000 libraries and educational institutions in 40+ countries, joined Rakuten Group in 2015. Adding OverDrive with Rakuten Kobo, operating income of global e-book business is expected to approach breakeven in 2016. Their goal is to deliver consistent growth by 2020.



Disruptive Growth Speed

Speed Business: Viber

Viber is a typical "Speed Business," with fast growth, and should become a solid platform for other businesses. When Rakuten acquired Viber in 2014, it had 305 million unique IDs, and in 2015, it reached 711 million as it aims to reach 2 billion by 2020.

Equity Offering

In June 2015, a public equity offering of ¥180 billion was placed in Japan and overseas to strengthen the financial structure and long-term growth. Proceeds from the equity offering were channeled to repayment of debt and capital expenditures, which we consider as a solid preparation for next-decade growth. Our strategy is focusing on "connecting the dots" with big data, or in other words, utilizing the latest big data technologies to recognize and leverage synergies among our various operations and member trends to enhance the shopping experience of Rakuten services.

We took advantage of our sound financial position to develop our business activities and to increase shareholder value in the long term.

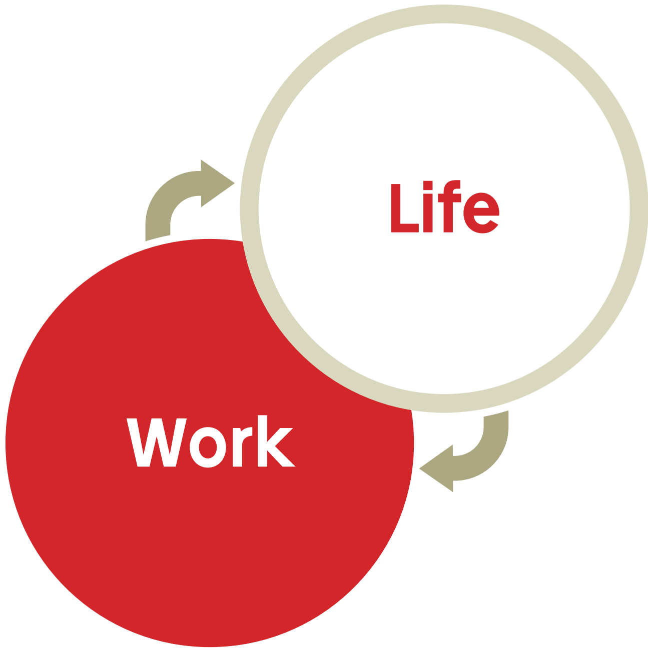
Foundation

for next-decade growth

New Share Issue

Total

¥180.8 billion



Open Workplace

Change WORK × LIFE and change the world

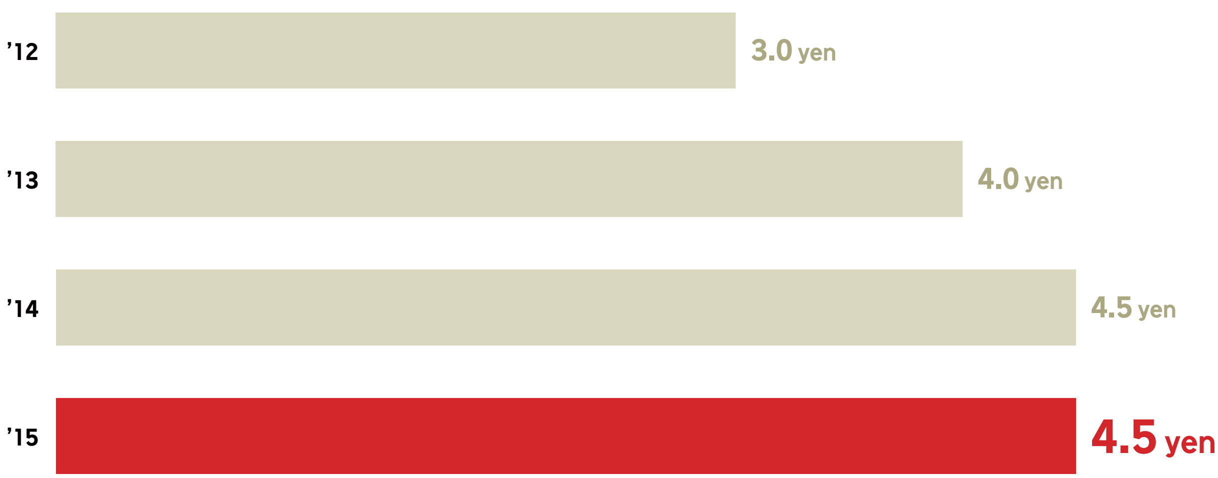
Crimson House

Rakuten Crimson House, opened in 2015, features a unique design combining both simplicity and comfort in an open workplace where people and ideas can thrive. It provides an environment which is true to the core of Rakuten Shugi (corporate philosophy). To empower spontaneous collaboration, it features desks without dividers, open meeting spaces dotted across every floor, a state-of-the-art video conference system that enables colleagues to hold meetings with overseas offices as seamlessly as if they are in the same room.

Rakuten Crimson House also enriches the daily lives of employees. Healthy meals are served for free at breakfast, lunch and dinner at the cafeterias. It also houses a gym to work-out and refresh, a daycare center promoting diversity education, and science experiments for kids. Our goal is a workplace that supports the daily life and wellbeing of every Rakuten employee as we collaborate on our global expansion.

Building
Shareholder Returns

Cash Dividends per Share



Dividend Policy

Guided by the Vision 2020, we will continue our efforts to optimize efficiency and maximize the Rakuten Group's shareholder and corporate value. We have consistently paid dividends in line with our basic policy of balancing shareholder returns against the need to expand internal reserves. We aim to maximize our corporate value, maintain a sound financial structure, and provide resources for strategic business development in the future. In line with this basic policy, we decided to pay a dividend of ¥4.5 per share, the same level as in fiscal 2014.

Financial Highlights (IFRS)

	Millions of yen 2013	2014	2015	Thousands of U.S. dollars (Note 1) 2015
Income and Loss				
Revenue	¥ 518,568	¥ 598,565	¥ 713,555	$ 5,895,691
Operating income (Non-GAAP) (Note 2)	103,344	118,092	152,153	1,257,151
Operating income (IFRS)	90,244	106,397	94,689	782,361
Net income	43,481	71,103	44,280	365,859
Cash Flows				
Net cash flows from operating activities	¥ 1,485	¥ 111,860	¥ 78,245	646,491
Net cash flows from used in investing activities	30,584	(261,085)	(224,078)	(1,851,428)
Net cash flows from financing activities	75,252	189,512	221,831	1,832,856
Assets and Liabilities				
Total assets	¥3,209,808	¥3,680,695	¥4,269,953	$35,280,117
Total liabilities	2,903,354	3,252,609	3,605,940	29,793,763
Total net assets	306,454	428,086	664,013	5,486,353
		Yen		U.S. dollars
Earnings per Share Attributable to Owners of the Company				
Net income (basic)	¥ 32.60	¥ 53.47	¥ 32.33	$ 0.27
Net income (diluted)	32.41	53.15	32.09	0.27
Dividend per Share	¥ 4.0	¥ 4.5	¥ 4.5	$ 0.04

Note 1: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥121.03 to US$ 1, the approximate rate of exchange at December 31, 2015.
2: Non-GAAP operating income excludes amortization of intangible assets, stock-based compensation expense and other items such as gains and losses from impairments, acquisitions and change in accounting treatment. Please see the reconciliation sheet on P11.

Overview

Business Results for Fiscal Year 2015 (Non-GAAP basis)

Rakuten Group delivered strong results in its core domestic e-commerce business by strengthening synergy between services within the Rakuten Ecosystem, enhancing support for smart devices, expanding use of big data in marketing, boosting services for overseas consumers, and implementing measures to improve user satisfaction and service quality. In content services, Rakuten Group made strategic investments for future profit growth, including acquisition of OverDrive Holdings, Inc. (U.S.), which offers an e-book platform to public libraries, as well as implementing strict cost control measures to put results on track for improvement. As a result, revenue from the Internet services segment rose to ¥440,744 million, a 21.5% year-on-year increase.

Rakuten Group also recorded unrealized gains on stocks and is expediting investments in new technologies and innovative business models. In the FinTech segment*, the expansion of the Rakuten Card membership base raised commission income, while the growth of Rakuten Securities and Rakuten Bank services also added to profits.

As a result of these efforts, the Rakuten Group 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.

* Please see Segment Change on P.111.

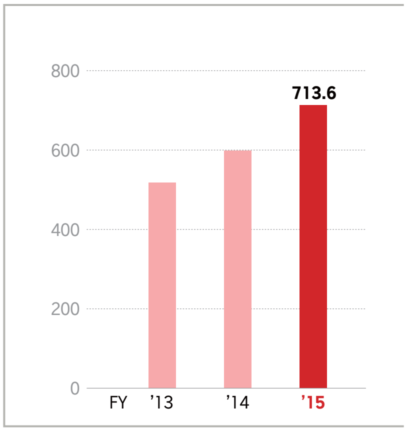
Business Results (IFRS basis)

The Rakuten Group recorded revenue of ¥713,555 million, up 19.2% year-on-year. IFRS Operating income of ¥94,689 million was down 11.0% year-on-year, adversely affected by one-off items of ¥43,054 million, specifically as impairment loss and relocation costs.

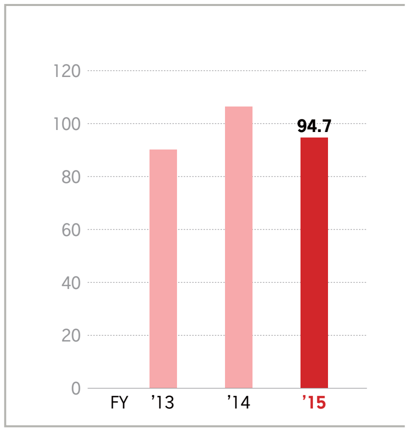
For details, please see the Reconciliation table on P11. Net income attributable to owners of the parent company was ¥44,436 million, down 37.1% year-on-year. For further analysis, please see Summary of Results on P. 34 and Analyses of Consolidated Business Results, Financial Position and Cash Flows on P.55.

Financial Highlights

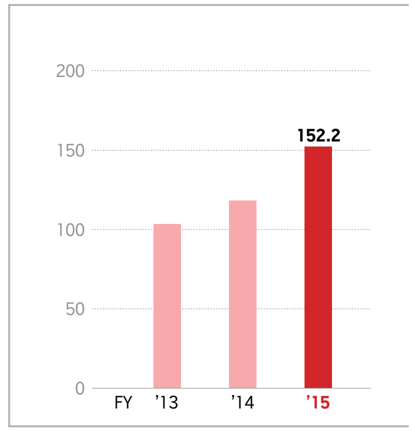
Revenue
(Billions of yen)



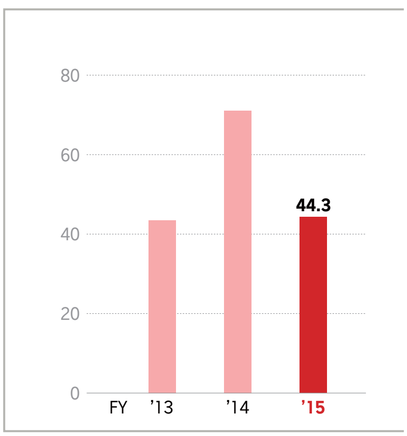
Operating Income (IFRS)
(Billions of yen)



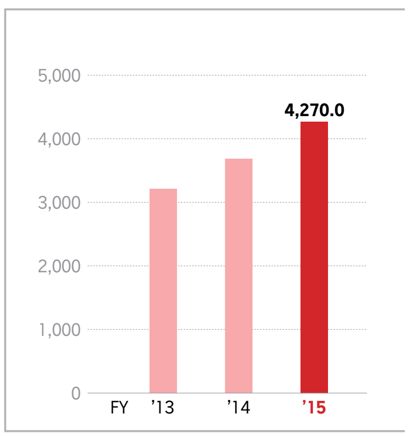
Operating Income (Non-GAAP)
(Billions of yen)



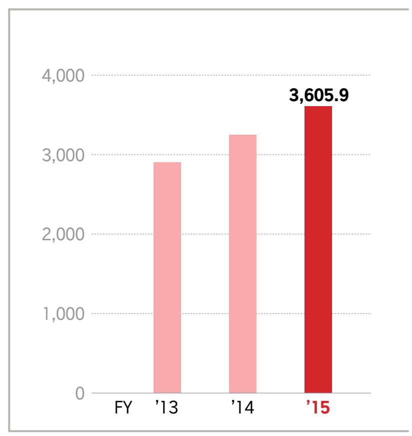
Net Income
(Billions of yen)



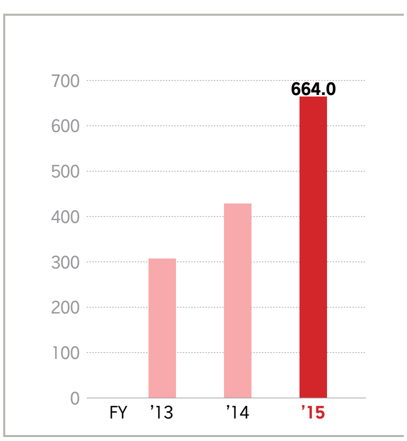
Total Assets
(Billions of yen)



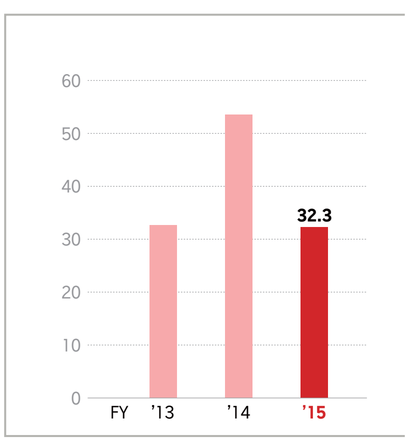
Total Liabilities
(Billions of yen)



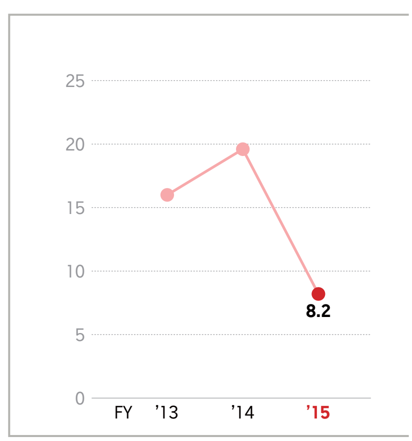
Total Net Assets
(Billions of yen)



Earnings per Share (basic)
(Yen)



Return on Equity
(%)



Notes for Financial Highlights

1. Segment Change

From the third quarter ended September 30, 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.

2. Definition of Non-GAAP Operating Income

Non-GAAP operating income excludes amortization of intangible assets, stock based compensation expense and other items such as gains and losses from impairments, acquisitions and change in accounting treatment.

3. Reconciliation from IFRS Operating Income to Non-GAAP Operating Income

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Amount Change YoY	% Change YoY
Non-GAAP operating income	118,092	152,153	34,061	28.8%
Amountization of intangible assets (PPA)	(6,327)	(8,322)	(1,995)	—
Stock based compensation	(2,315)	(6,088)	(3,773)	—
One-off items*	(3,053)	(43,054)	(40,001)	—
Operating Income	106,397	94,689	(11,708)	(11.0%)

***Breakdown of One-off Items**

A head office relocation-related expense of ¥4,171 million was recorded during FY2015.
An impairment of goodwill and intangible assets loss of ¥38,883 million was recorded in Q4/15.
The major impairment loss of ¥17,247 million was from PriceMinister, ¥13,080 million was from Kobo.
Others are mainly overseas subsidiary-related impairment loss recorded in Q4/15.

4. Policy Concerning Decisions on Dividends of Surplus and Dividend Forecast

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
- Ensure sufficiency in comparison with risks associated with business activities and assets
- Maintain the level of financial rating required for conducting financial business, while sustaining the level of shareholders equity in compliance with regulatory requirements

Share repurchase 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.

Our Vision

"Empowerment"— Empower Japan. Empower the World.

http://global.rakuten.com/corp/sustainability/

Corporate Philosophy

"Empowerment" of Individuals and Society through the Internet

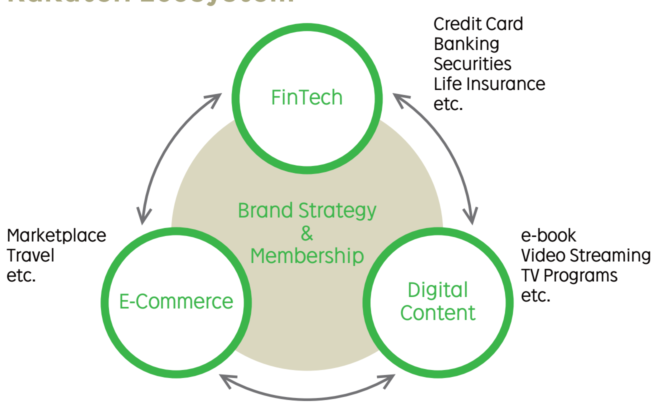
From the day Rakuten was founded, we have dedicated ourselves to empowering people and society through the Internet. This principle has driven the growth and development of our business and is reflected in the mission "Empower Japan. Empower the world." A commitment to contributing to society through our business activities is our most important value. To achieve sustained growth for Rakuten and a sustainable society, each Rakuten Group employee in Japan and overseas shares common values and puts the corporate philosophy into practice with a powerful sense of mission.

Our Value Creation Model

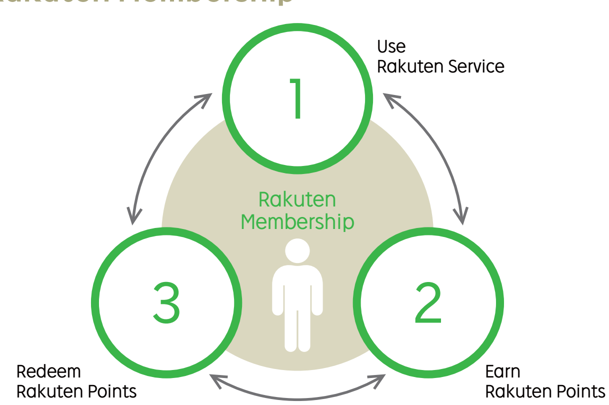
"Rakuten Ecosystem" — a Globally Pioneering Business Model

The Rakuten Ecosystem, our unique business model, consists of three core businesses: Internet Services, FinTech, and Digital Content. It is a user-friendly business model based on the concept "Single brand, single membership," under which Rakuten members are issued a single Rakuten ID that provides access to a wide variety of services offered by the Rakuten Group. In addition, by promoting member migration within the Ecosystem through the Rakuten Points rewards program, we seek to maximize profit per member and simultaneously aim to maximize corporate value by creating cross-business synergies.

Rakuten Ecosystem



Rakuten Membership



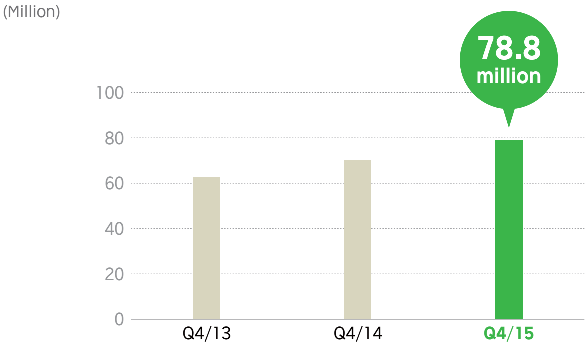
Our Membership

Accompanying enhancement of brand value, the number of Rakuten members is increasing consistently, with membership (logged-in) in Japan exceeding 78.8 million, or 12.0% year on year, at the end of 2015.

In addition, the cross-use ratio, the percentage of users of services who were awarded Rakuten Points and who also use other services, reached 60.3% at the end of 2015.

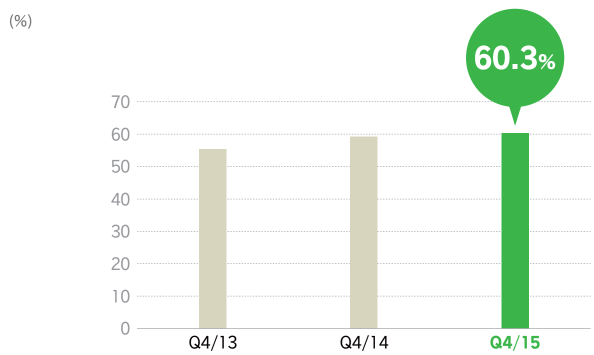
These figures clearly indicate the impact of the Rakuten Ecosystem business model.

Number of Rakuten Members (Logged-in*)



* Rakuten members who logged in at least once after membership registration (excluding members who withdraw their membership.)

Cross-use Ratio*



* Purchasing ratio of Rakuten members who have utilized two or more Rakuten services during the past 12 months of the listed month. Applicable services are limited to those which can earn Rakuten Super Points.

Rakuten Ichiba—a Safe, Secure Shopping Environment

Rakuten implements a variety of measures at every stage to maintain a safe and secure shopping mall environment.

Rakuten Ichiba Quality Control Committee

Internal task force to ensure safety and security

- Developing quality control rules for entire Rakuten Ichiba
- Establishing operational systems according to rules
- Establishing monitoring systems

Guarantee Program for All Buyers

All buyer's purchases on Rakuten Ichiba are guaranteed

- Maximum ¥300,000 compensation for undelivered, delayed, or damaged products
- Compensation for fake goods covering over 1,000 brands

Action on Pirating and Brand Imitations

Cooperating brands exceeds over 1,000

- Alliance with CODA* to eliminate copyright violation products and pirate copies

*The Content Overseas Distribution Association

Diversity × Solidarity = Empowerment of People and Society

Rakuten Group currently operates businesses not only in Japan but also in Asia, Europe, North and South America, and Oceania and continues to expand globally.

Having employees who feel proud to work at Rakuten Group and who fully exhibit their individual diversity and ability to contribute to our partners in business enables us to make customers around the world happy.

We are constantly working to make Rakuten Group a place that employees worldwide will think of as the greatest workplace in the world.

Our mission is to empower people and societies around the world through the Internet and a diverse workforce.

Employees from all over the world
Data as of December 2015
69 Countries

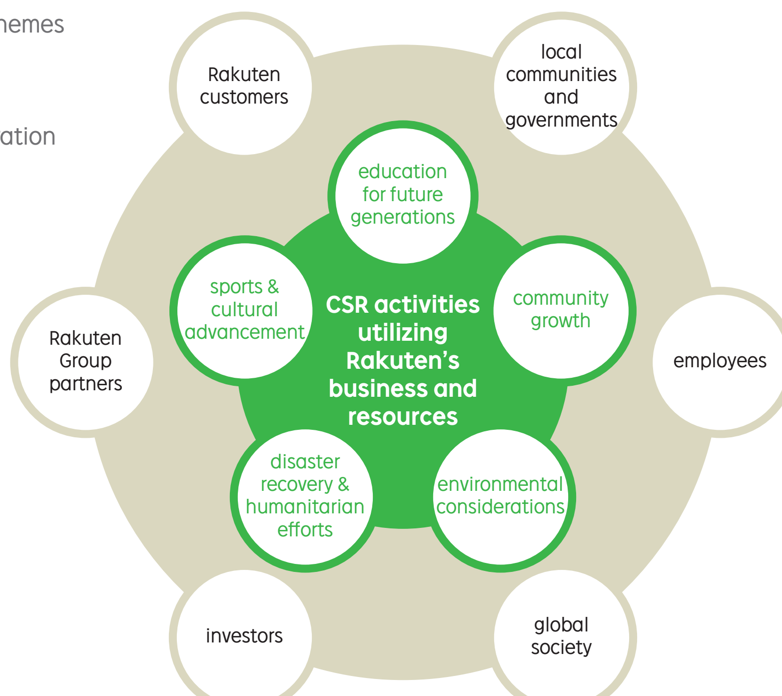
Women in the workplace
Rakuten Inc., data as of December 2015
37%

Women in management positions
Rakuten Inc., data as of December 2015
18%

http://global.rakuten.com/corp/sustainability/management/stakeholder

Sustained empowerment together with stakeholders

Rakuten has articulated five initiatives as key CSR themes for addressing social issues in ways distinctive to Rakuten. Through these initiatives, Rakuten seeks essential solutions to social issues through collaboration with all stakeholders.




Rakuten IT School


Rakuten Mobile Library


Rakuten Santa Project


Rakuten's Forest

Change of Board Structure

Background

The Company revised significantly the structure of the Board of Directors for the purpose of strengthening corporate governance this year.

The terms of office of all fifteen former Directors (of which five are Outside Directors) expired at the conclusion of the 19th Annual General Shareholders' Meeting on March 30, 2016. Accordingly, the appointment of eight Directors (of which five are Outside Directors) including two new Directors were approved at this meeting. After the meeting, the number of internal Directors was reduced from ten to three, and consequently, the number of Representative Directors was reduced from the current five to two. In addition, four out of five of the Outside Directors are 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%.

The purpose of these changes is to further enhance the separation of the Board of Directors' role of management decision-making and supervision from the Executive Officers' role of executive functions, as well as to promote speedy management and enhanced supervision, with the aim of maximizing the shareholder value.

As for Company Auditors, all four of them is an Outside Company Auditors, and one of them are Independent Company Auditor, as specified by the regulations of the Tokyo Stock Exchange, Inc.

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, led by 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 revised 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.

Please see the link below for further information about corporate governance including Independence of Independent Directors and Independent Company Auditors.

For more information http://global.rakuten.com/corp/about/governance/corporate_governance. html

Board of Directors, Executive Vice Presidents, Managing Executive Officers and Company Auditors

(As of April 1, 2016)

Hiroshi Mikitani
Chairman, President and CEO

Masayuki Hosaka
Vice Chairman
and Representative Director

Yasufumi Hirai
Executive Vice President

Yoshihisa Yamada
Executive Vice President

Takahito Aiki
Managing Executive Officer

Koji Ando
Managing Executive Officer

Yuji Kusunoki
Managing Executive Officer

Masatada Kobayashi
Managing Executive Officer

Akio Sugihara
Managing Executive Officer

Hiroshi Takasawa
Managing Executive Officer

Masato Takahashi
Managing Executive Officer

Kazunori Takeda
Managing Executive Officer

Hiroyuki Nagai
Managing Executive Officer

Kentaro Hyakuno
Managing Executive Officer

Kenji Hirose
Managing Executive Officer

Terje Marthinussen
Managing Executive Officer

Charles B. Baxter
Director

Takahide Uchida
Company Auditor (Full-time)*2

Yoshiaki Senoo
Company Auditor *2

Takeo Hirata
Company Auditor *1,*2

Katsuyuki Yamaguchi
Company Auditor *2

*1: Independent Director specified by the regulations of Tokyo Stock Exchange, Inc.
*2: Outside auditor stipulated under Corporate Law of Japan.

Outside Directors

(As of April 1, 2016)

	Year Appointed	Positions Held	Area of Expertise
 **Ken Kutaragi** Director *1,*2	2010	Former CEO and Honorary Chairman of Sony Computer Entertainment Inc.	**Entertainment and Technology:** Mr. Kutaragi has provided Rakuten with management-related suggestions and insights based on his specialized knowledge of the entertainment business and technology, as well as his wide-ranging corporate management experience. He has served as a director for six years.
 **Joshua G. James** Director*1	2016	Founder and CEO of Domo, Inc. and Member of the World Economic Forum's Young Global Leaders	**Internet Technology:** Mr. James was appointed for his management insight and suggestions based on specialized knowledge of Internet services and extensive experience guiding Internet service business in North America. He has served as the Company's outside director in the past.
 **Takashi Mitachi** Director *1,*2	2016	Board Member of Japan Association for the World Food Programme, Vice Chairman of Japan Association of Corporate Executives and Senior Partner & Managing Director of The Boston Consulting Group	**Management Consulting:** Mr. Mitachi was appointed in anticipation of his advice and comments based on expertise as a management consultant and for his extensive corporate management experience. He is a newly appointed director.
 **Jun Murai** Director *1,*2	2012	Dean of Faculty of Environment and Information Studies of Keio University	**Internet Technology:** Mr. Murai has given Rakuten management-related recommendations based on his knowledge and experience as an academic expert on Internet technology. He has served as a director for four years.
 **Youngme Moon** Director *1,*2	2015	Senior Associate Dean of Strategy and Innovation and Donald K. David Professor of Harvard Business School	**Business Strategy:** Ms. Moon has provided advice and opinions on the business operations of Rakuten from her viewpoint as an academic expert on business administration. She has served as a director for one year.

*1: Outside director stipulated under Corporate Law of Japan
*2: Independent director specified by the regulations of Tokyo Stock Echange, Inc.

Corporate Information

(As of December 31, 2015)

Corporate Overview

Name	Rakuten, Inc.
Head Office Location	Rakuten Crimson House, 1-14-1 Tamagawa, Setagaya-ku, Tokyo, 158-0094, Japan TEL. +81-50-5581-6910
Representative	Chairman, President and CEO Hiroshi Mikitani
Founded	Feb. 7, 1997
Rakuten Ichiba Service Launched	May 1, 1997
IPO	Apr. 19, 2000
Capital	203,587 million yen
Employees	Non-consolidated: 5,138 Consolidated: 12,981

Stock Information

Company Name	Rakuten, Inc.
Stock Code	4755 (Tokyo Stock Exchange 1st Section)
Fiscal Year	January 1 to December 31
Annual General Shareholders' Meeting	March
Shareholder Record Date	December 31
Number of Share Constituting One Trading Unit	100 Shares
Administrator of Shareholder Registry	Sumitomo Mitsui Trust Bank, Limited

Origins of the Name Rakuten

Rakuten Ichiba is named after Rakuichi-Rakuza, the first free and open marketplace in Japan, opened in the 16th century.

When used as a verb, raku is written with a Chinese character meaning to enjoy oneself (楽). The same character is used in Rakuten, which means "positive spirit." The name Rakuten Ichiba literally means a "market of positive spirit," where shopping is entertainment. These words symbolize the driven, forward-looking nature of our business. That is why we named our company Rakuten, Inc.

Cautionary Statement

In this report, unless indicated otherwise, references to "Rakuten", "Rakuten Group," "we," "our," and "us" are to Rakuten, Inc. and its consolidated subsidiaries and consolidated affiliates. Statements regarding current plans, strategies, beliefs and other statements that are not historical facts of the Rakuten Group are forward-looking statements.

Such forward-looking statements are based on management's assumptions and beliefs in light of information currently available, and it should be noted that risks and unforeseen factors could cause actual results to differ significantly from those discussed in the report. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

Additional information from the Annual Securities Report ("Yukashoken-Hokokusho")

Corporate History

See Annual Securities Report P26

Business Results

See Annual Securities Report P34

Business Risk and Other Risk Factors

See Annual Securities Report P42

Analysis of Consolidated Business Results, Financial Position and Cash Flows

See Annual Securities Report P55

Corporate Governance

See Annual Securities Report P187

Consolidated Financial Statements

See Annual Securities Report P198

Major Consolidated Subsidiaries and Affiliates

See Annual Securities Report P319

Annual Securities Report

("Yukashoken-Hokokusho")

Fiscal Years Ended December 31, 2014 and 2015

Rakuten, Inc. and its Consolidated Subsidiaries

This document has been translated from the Japanese original report (Yukashoken-Hokokusho) issued on March 30, 2016 for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Table of Contents

[Cover]

[Document Submitted]	Annual Securities Report (“Yukashoken-Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director, Kanto Local Finance Bureau
[Date of Submission]	March 30, 2016
[Accounting Period]	The 18th Fiscal Year (from January 1, 2014 to December 31, 2014) and The 19th Fiscal Year (from January 1, 2015 to December 31, 2015)
[Company Name]	Rakuten Kabushiki-Kaisha
[Company Name in English]	Rakuten, Inc.
[Position and Name of Representative]	Hiroshi Mikitani, Chairman, President and Representative Director
[Location of Head Office]	1-14-1 Tamagawa, Setagaya-ku, Tokyo
[Phone No.]	+81-50-5581-6910 (main)
[Contact for Communications]	Yoshihisa Yamada, CFO, Executive Vice President
[Nearest Contact]	1-14-1 Tamagawa, Setagaya-ku, Tokyo
[Phone No.]	+81-50-5581-6910 (main)
[Contact for Communications]	Yoshihisa Yamada, CFO, Executive Vice President
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated Financial Data, etc.

(Millions of Yen, unless otherwise stated)

Fiscal year		15th	16th	16th	17th	18th	19th
		JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS
Year end		Dec. 2011	Dec. 2012	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Net sales or revenue		379,900	443,474	400,444	518,568	598,565	713,555
Ordinary profit		68,267	71,514	—	—	—	—
Income before income tax		—	—	49,106	88,610	104,245	91,987
Net income (loss)		(2,287)	19,413	21,136	43,481	71,103	44,280
Comprehensive income		(7,706)	33,586	31,574	67,881	123,822	51,116
Net assets or equity attributable to owners of the Company		231,025	262,451	235,942	300,063	421,562	662,044
Total assets		1,915,892	2,108,409	2,287,634	3,209,808	3,680,695	4,269,953
Net assets per share or equity attributable to owners of the Company per share	Yen	170.89	193.73	179.48	227.70	318.74	464.80
(Basic) net (loss) income / (loss) earnings per share	Yen	(1.74)	14.77	15.59	32.60	53.47	32.33
Diluted net income/earnings per share	Yen	—	14.74	15.56	32.41	53.15	32.09
Equity ratio or equity attributable to owners of the Company ratio	(%)	11.7	12.1	10.3	9.3	11.5	15.5
Return on equity or net income to equity attributable to owners of the Company ratio	(%)	(1.0)	8.1	9.2	16.0	19.6	8.2
Price earnings ratio	(Times)	—	45.6	43.2	48.0	31.5	43.4
Net cash from/ (used in) operating activities		27,585	19,508	104,687	1,485	111,860	78,245
Net cash from/ (used in) investing activities		56,351	136,548	67,440	30,584	(261,085)	(224,078)
Net cash from/ (used in) financing activities		(34,648)	(47,099)	(56,820)	75,252	189,512	221,831
Cash and cash equivalents at end of the year		149,752	260,656	270,114	384,008	428,635	501,029
Employees	(Persons)	7,615	9,311	9,311	10,867	11,723	12,981

(Notes)

1. Consolidated financial statements for the 16th fiscal year and thereafter have been prepared in accordance with the designated International Financial Reporting Standards (hereinafter referred to as the "IFRS").
2. Fractions of less than ¥1 million are rounded off to the nearest million for the 16th IFRS fiscal year and thereafter.
3. Consumption tax is not included in Net sales or revenue.
4. Average number of shares during the fiscal year is calculated on a daily basis.
5. Diluted net income per share is not presented for the 15th fiscal year, as net loss per share is reported in the fiscal year.
6. In the 16th fiscal year's JGAAP, the Company applies "the Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan (here in after referred to as "ASBJ") Statement No. 2, revised June 30, 2010), "the Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised June 30, 2010) and "the Practical Solution on Accounting for Earnings Per Share" (Practical Issue Task Force (here in after referred to as "PITF") No. 9, June 30, 2010) for JGAAP Consolidated Financial Data. Such change in the accounting policy has been applied retroactively and adjustments have been made for the 15th fiscal year. Diluted net income per share is not stated for the 15th fiscal year although potential shares exist as net loss per share is reported in the fiscal year. The Company conducted a share split on July 1, 2012. However, net assets per share or equity attributable to owners of the Company per share, net income (loss) per share, and Diluted Net income per share are calculated on the assumption that the Company conducted such share split at the beginning of the 15th fiscal year.
7. As timing to recognize provision for customer points changed in the 16th fiscal year, such change is retroactively applied to figures for the 15th fiscal year.
8. Price earnings ratio is not stated for the 15th fiscal year, as net loss per share is reported in the fiscal year.
9. Number of Employees does not include those serving concurrently as employees and Directors, temporary staff and part-time employees.

(2) Financial Data, etc. of the Company submitting Annual Securities report

(Millions of Yen, unless otherwise stated)

Fiscal year		15th JGAAP	16th JGAAP	17th JGAAP	18th JGAAP	19th JGAAP
Year end		Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Net sales		146,603	163,708	189,041	235,443	268,214
Ordinary profit		49,531	66,883	71,915	82,881	77,346
Net (loss) income		(8,915)	32,923	32,162	65,173	(13,553)
Common stock		107,959	108,255	109,530	111,601	203,587
Total number of shares issued	(Share)	13,194,578	1,320,626,600	1,323,863,100	1,328,603,400	1,430,373,900
Net assets		272,524	302,869	338,795	398,626	567,796
Total assets		526,067	538,309	635,301	866,457	1,050,534
Net assets per share	Yen	206.58	229.28	255.42	298.90	393.60
Dividend per share	Yen	250.00	3.00	4.00	4.50	4.50
(Interim dividend per share)	Yen	(—)	(—)	(—)	(—)	(—)
Net (loss) income per share	Yen	(6.79)	25.05	24.43	49.34	(9.86)
Diluted net income per share	Yen	—	24.99	24.30	49.05	—
Equity ratio	(%)	51.6	56.0	53.0	45.6	53.4
Return on equity	(%)	(3.2)	11.5	9.6	17.8	(2.8)
Price earnings ratio	(Times)	—	26.9	64.0	34.1	—
Dividend payout ratio	(%)	—	12.0	16.4	9.1	—
Number of employees	(Persons)	3,209	3,498	3,762	4,527	5,138

(Notes) 1 Consumption tax is not included in Net sales.
2 Average number of shares during the year is calculated on a daily basis.
3 Diluted net income per share is not stated for the 15th and 19th fiscal years, as net loss per share is reported in the fiscal year.
4 From the 16th fiscal year and thereafter, the Company applies “the Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, revised June 30, 2010), “the Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, revised June 30, 2010) and “the Practical Solution on Accounting for Earnings Per Share” (PITF No. 9, June 30, 2010). Such change in the accounting policy is applied retroactively and adjustments are made for the 15th fiscal year. Diluted net income per share is not stated for the 15th fiscal year although potential shares exist as net loss per share is reported in the fiscal year. The Company conducted a share split on July 1, 2012. However, Net assets per share, Net income (loss) per share, and Diluted net income per share are calculated on the assumption that the Company conducted such share split at the beginning of the 15th fiscal year.
5 As timing to recognize provision for customer points changed in the 16th fiscal year, such change is retroactively applied to figures for the 15th and 19th fiscal years.
6 Price earnings ratio and dividend payout ratio are not stated for the 15th and 19th fiscal years, as net loss per share is reported in these years.
7 Dividend of ¥4 per share for the 17th fiscal year includes ¥1 of commemorative dividend for listing on the First Section of the Tokyo Stock Exchange.
8 Number of employees does not include those serving concurrently as employees and Directors, employees seconded to other group companies, temporary staff and part-time employees.

2. Corporate History

Period		Overview
1997	Feb	MDM Co., Ltd. is founded to develop online commerce server and operate an Internet shopping mall, Rakuten Ichiba, with capital of ¥10 million at 1-6-7 Atago, Minato-ku, Tokyo.
	May	Rakuten Ichiba, the Internet shopping mall, commences its operation.
1998	Aug	Head office is transferred to 2-8-16 Yutenji, Meguro-ku, Tokyo.
1999	Jun	MDM Co., Ltd. is renamed as Rakuten, Inc.
2000	Apr	Rakuten, Inc. is listed with the Japan Securities Dealers Association.
	May	Head office is transferred to 2-6-20 Nakameguro, Meguro-ku, Tokyo.
2001	Mar	Rakuten Travel starts its services.
2002	Nov	Rakuten Super Points program is introduced.
2003	Sep	Rakuten, Inc. acquires 100% of shares in MyTrip.net, an accommodations booking sites operator.
	Oct	Head office is transferred to 6-10-1 Roppongi, Minato-ku, Tokyo.
	Nov	Rakuten, Inc. consolidates DLJdirect SFG Securities (currently Rakuten Securities, Inc.) as a subsidiary.
2004	Oct	Rakuten Baseball, Inc. is founded.
	Nov	Nippon Professional Baseball approves new entry of Tohoku Rakuten Golden Eagles.
	Dec	Rakuten, Inc. goes public on Jasdaq Securities Exchange Inc. (currently Tokyo Securities Exchange JASDAQ (standard)).
2005	Jun	Rakuten, Inc. consolidates Kokunai Shinpan Co., Ltd. (former Rakuten KC Co., Ltd.) as a subsidiary.
	Sep	Rakuten, Inc. acquires 100% of shares in LinkShare Corporation (currently RAKUTEN MARKETING LLC) through Rakuten USA, Inc.
2007	Aug	Rakuten, Inc. consolidates Fusion Communications (currently Rakuten Communications Corp.) which operates IP telephony business as a subsidiary.
2008	Apr	Head office is transferred to 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo.
2009	Feb	Rakuten, Inc. converts preferred stocks of eBank Corporation (currently Rakuten Bank, Ltd.) into common stocks, and consolidates the company as a subsidiary.
2010	Jan	Rakuten, Inc. consolidates bitWallet, Inc., (currently Rakuten Edy, Inc.) as a subsidiary.
	Jul	Buy.com Inc. (currently RAKUTEN COMMERCE LLC), an e-commerce site operator in the U.S., becomes a wholly owned subsidiary of Rakuten, Inc. through Rakuten USA, Inc.
	Jul	PRICEMINISTER S.A. (currently PRICEMINISTER S.A.S.), an e-commerce site operator in France, becomes a wholly owned subsidiary through Rakuten Europe S.a.r.l.

Period		Overview
2011	Aug	Rakuten Card-related business of Rakuten KC Co., Ltd., is transferred to Rakuten Credit Co., Ltd. (currently Rakuten Card Co., Ltd.) in an absorption-type split and Rakuten Inc. sells its holding of Rakuten KC's shares, etc.
	Oct	Rakuten, Inc. acquires 100% of shares in Play Holdings Limited (currently Rakuten Europe S.a.r.l), one of the UK's e-commerce platform providers.
2012	Jan	Rakuten, Inc. acquires 100% of shares in Kobo Inc. (currently Rakuten Kobo Inc.) which offers e-book services worldwide.
	May	Rakuten, Inc. acquires shares in Kenko.com, Inc. through a third party allocation and makes the company a subsidiary.
	Jun	Rakuten, Inc. acquires 100% of shares in Wuaki. TV, S.L. that provides video streaming services in Spain.
	Oct	Rakuten, Inc. additionally acquires shares in AIRIO Life Insurance Co., Ltd. (currently Rakuten Life Insurance Co., Ltd.), an associate accounted for using the equity method, and makes the company a subsidiary.
2013	Sep	Rakuten, Inc. acquires 100% of shares in VIKI, Inc. that provides video streaming services worldwide.
	Nov	Tohoku Rakuten Golden Eagles win the first victory in the Nippon Series.
	Dec	Rakuten, Inc. changes the stock marketing listing to the First Section of the Tokyo Stock Exchange.
2014	Mar	Rakuten, Inc. acquires 100% of shares in VIBER MEDIA LTD. which operates mobile messaging and VoIP services worldwide.
	Oct	Rakuten, Inc. acquires 100% of shares in Ebates Inc. which operates leading membership-based online cash-back site in the U.S.
2015	Apr	Rakuten, Inc. acquires 100% of shares in OverDrive Holdings, Inc. that provides e-books distribution services for libraries.
	Aug	Head office is transferred to 1-14-1 Tamagawa, Setagaya-ku Tokyo.

3. Description of Business

As a comprehensive Internet service provider engaged in two main business activities, Internet Services and FinTech, the Group Companies embrace three reportable segments that are "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, regularly to make decisions about resources to be allocated to the segment and assess its performance.

"Internet Services" segment comprises business running various e-commerce (electronic commerce) sites including an Internet shopping mall Rakuten Ichiba, online cash back sites, travel booking sites, portal sites and digital contents sites, along with business for sales of advertising on these sites.

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

"Others" segment comprises business involving provision of messaging and communication services and others, and management of a professional baseball team and others.

The following segments are classified in the same way as in the "Segment Information" stated in the notes of the consolidated financial statements.

Descriptions of the significant services provided by the Group Companies and the main entities involved in such services are as follows.

Internet Services

Significant services provided	Main entities involved in such services
Internet shopping mall service, Rakuten Ichiba	Rakuten, Inc.
Online book store, Rakuten Books	Rakuten, Inc.
Online golf course reservation service, Rakuten GORA	Rakuten, Inc.
A comprehensive Internet travel site, Rakuten Travel	Rakuten, Inc.
Internet shopping sites	Kenko.com, Inc.
e-book services	Rakuten Kobo Inc.
Performance marketing services	RAKUTEN MARKETING LLC
PRICEMINISTER, an EC site based primarily in France	PRICEMINISTER S.A.S.
Video streaming services	VIKI, Inc.
Ebates, an EC site based primarily in the U.S.	Ebates Inc.
Contents distribution services, including e-books and audio books for libraries and educational institutions	OverDrive Holdings, Inc.

FinTech

Significant services provided	Main entities involved in such services
Issuance of credit card, Rakuten Card and provision of related services	Rakuten Card Co., Ltd.
Internet banking service	Rakuten Bank, Ltd.
Online securities trading service	Rakuten Securities, Inc.
Life insurance business	Rakuten Life Insurance Co., Ltd.
Planning and Management of Edy business that supplies prepaid electronic money	Rakuten Edy, Inc.

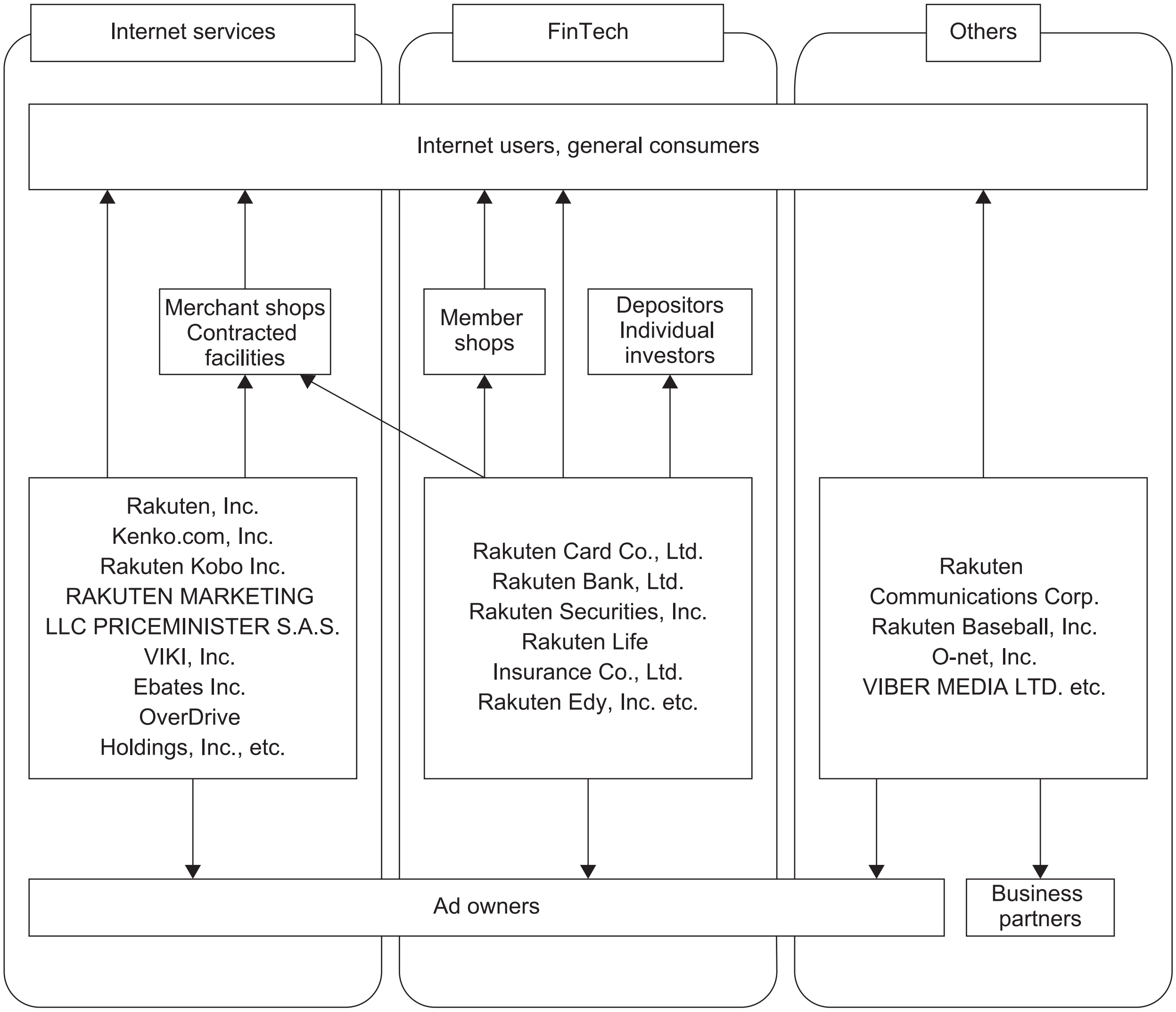
Others

Significant services provided	Main entities involved in such services
Transit telephone service and IP telephone services	Rakuten Communications Corp. (Note)
Professional baseball team, Tohoku Rakuten Golden Eagles and related businesses	Rakuten Baseball, Inc.
Bridal information service, O-net	O-net, Inc.
Mobile messaging and VoIP services	VIBER MEDIA LTD.
MVNO service, Rakuten Mobile and related services	Rakuten, Inc.

(Note) Rakuten Communications Corp. changed its name from FUSION COMMUNICATIONS CORPORATION as of December 1, 2015.

[Business Organization Chart]

The Group Companies' business described above can be illustrated in the following business organization chart.



4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital	Principal business	Ratio of voting rights holding (held)	Relationship	Note
Consolidated Subsidiaries						
Rakuten Auction, Inc.	Setagaya-ku, Tokyo	1,650 million yen	Internet Services	60.0	Involving interlocking directorates	
RAKUTEN MARKETING LLC	U.S.	1 U.S. dollar	Internet Services	100.0 (100.0)	Involving interlocking directorates	
LinkShare Japan K.K.	Setagaya-ku, Tokyo	259 million yen	Internet Services	100.0 (27.5)	Involving interlocking directorates	
RAKUTEN COMMERCE LLC	U.S.	11 million U.S. dollar	Internet Services	100.0 (100.0)		
PRICEMINISTER S.A.S.	France	356 thousand euros	Internet Services	100.0 (100.0)		
Rakuten Kobo Inc.	Canada	858 million Canadian dollars	Internet Services	100.0	Involving interlocking directorates	Note 7
Kenko.com, Inc.	Chuo-ku, Fukuoka-shi, Fukuoka	2,208 million yen	Internet Services	56.7 (10.5)	Involving interlocking directorates	Note 6
VIKI, Inc.	U.S.	1 U.S. dollar	Internet Services	100.0 (100.0)	Involving interlocking directorates	
Ebates Inc.	U.S.	0.1 U.S. dollar	Internet Services	100.0 (100.0)		
OverDrive Holdings, Inc.	U.S.	1 U.S. dollar	Internet Services	100.0 (100.0)	Involving interlocking directorates	Note 2
Rakuten Bank, Ltd.	Setagaya-ku, Tokyo	25,954 million yen	FinTech	100.0	Involving interlocking directorates	Note 7
Rakuten Securities, Inc.	Setagaya-ku, Tokyo	7,496 million yen	FinTech	100.0	Involving interlocking directorates	
Rakuten Card Co., Ltd.	Setagaya-ku, Tokyo	19,324 million yen	FinTech	100.0	Involving interlocking directorates	Note 9
Rakuten Edy, Inc.	Setagaya-ku, Tokyo	1,840 million yen	FinTech	100.0	Involving interlocking directorates	
Rakuten Life Insurance Co., Ltd.	Setagaya-ku, Tokyo	2,500 million yen	FinTech	100.0	Involving interlocking directorates	
Rakuten Baseball, Inc.	Miyagino-ku, Sendai-shi, Miyagi	400 million yen	Others	100.0	Involving interlocking directorates Involving provision of loans	
Rakuten Communications Corp.	Setagaya-ku, Tokyo	2,026 million yen	Others	100.0	Involving interlocking directorates Involving provision of loans	Note 8
VIBER MEDIA LTD.	Cyprus	71 thousand U.S. dollar	Others	100.0 (100.0)	Involving interlocking directorates	
Associate Accounted for Using the Equity Method						
Rakuten ANA Travel Online Co., Ltd.	Setagaya-ku, Tokyo	90 million yen	Internet Services	50.0		

(Notes) 1 Names of business segments in the segment information are stated in the box of Principal business.

2 This company newly became a subsidiary during the current fiscal year.

3 There are 108 consolidated subsidiaries other than stated above.

4 There are 9 associates accounted for using equity method.

5 Figures in the brackets represent percentage of indirect holding included in Ratio of voting rights holding.

6 This company is obliged to file securities reports.

7 This company is a specified subsidiary.

8 Rakuten Communications Corp. changed its name from FUSION COMMUNICATIONS CORPORATION as of December 1, 2015.

9 Revenue from Rakuten Card Co., Ltd. (excluding the internal revenue recorded among consolidated companies) accounts for more than 10% in consolidated revenue.

Key data of income or loss

(Millions of Yen)

	Rakuten Card Co., Ltd.
Revenue	117,503
Income before income tax	25,164
Net income	16,873
Total equity	90,018
Total assets	1,013,521

5. Employees

(1) Consolidated Companies

As of December 31, 2015

Name of business segments	Number of employees
Internet Services	7,317
FinTech	2,276
Others	653
Company-wide (common)	2,735
Total	12,981

(Notes) 1 Number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, temporary staff and part-time employees.

2 Company-wide (common) figure primarily represents the number of employees of the development and administrative departments.

(2) Company Submitting Financial Reports

As of December 31, 2015

Number of employees	Average age	Average length of service	Average annual salary (Yen)
5,138	33.3	4.5	6,716,248

Name of business segments	Number of employees
Internet Services	2,444
FinTech	3
Others	57
Company-wide (common)	2,634
Total	5,138

(Notes) 1 Number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, employees seconded to other companies, temporary staff and part-time employees.

2 Average annual salary includes bonus and extra wage.

3 Company-wide (common) figure primarily represents the number of employees of the development and administrative departments.

(3) Status of Labor Union

In the absence of labor union in the Company, relationship between labor and management is stable.

II. Business Overview

1. Summary of Results

(1) Business Results

Starting from the first quarter of the current fiscal year (January 1, 2015 to March 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 determined in accordance with IFRS (hereinafter “IFRS operating income”) after adjustment for unusual and other items as prescribed by the Group Companies.

Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group Companies and peer companies in the same industry or comparison of their business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Group Companies and their future outlook. Unusual items refer to one-off items that the Group Companies believe should be excluded in preparing a future outlook based on certain parameters. Other adjustment items are those that tend to differ depending on the standards or similar applied; therefore, they are less comparable between companies. Examples of such items are 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.

1) 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 1), 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 1) From the third quarter of the current fiscal year (July 1, 2015 to September 30, 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.

(Non-GAAP basis)

(Millions of Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	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%

2) 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 were recognized as one-off items. 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.

(Millions of Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Amount Change YoY	% Change YoY
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)%

3) 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.

(IFRS basis)

(Millions of Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Amount Change YoY	% Change YoY
Revenue	598,565	713,555	114,990	19.2%
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)%

4) Segment Information

Business results for each segment are as follows:

(Internet Services)

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. (hereinafter “Ebates”), 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.

(Millions of Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Amount Change YoY	% Change YoY
Segment Revenue	362,751	440,744	77,993	21.5%
Segment Profit	68,437	99,508	31,071	45.4%

(FinTech)

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 steady revenue growth, while the application of IFRS 15 (Note 2) also resulted in an increase in profit. 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% increase over the previous fiscal year, while segment profit was ¥63,899 million, 29.1% increase over the previous fiscal year.

(Millions of Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Amount Change YoY	% Change YoY
Segment Revenue	236,520	275,136	38,616	16.3%
Segment Profit	49,496	63,899	14,403	29.1%

(Note 2) For details on the application of IFRS 15, see V. Financial Information, 1. Consolidated Financial Statements, (1) Notes to the Consolidated Financial Statements, 2. Accounting Policies [Impact from the Adoption of the New Accounting Standards].

(Others)

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. (hereinafter “Viber”), 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).

(Millions of Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Amount Change YoY	% Change YoY
Segment Revenue	42,445	52,092	9,647	22.7%
Segment Profit	191	(8,599)	(8,790)	—%

(2) Cash Flows

Cash and cash equivalents at December 31, 2015 was ¥501,029 million, an increase of ¥72,394 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business was ¥348,074 million, an increase of ¥101,663 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year ended December 31, 2015 are as follows.

(Net cash flows from operating activities)

Net cash flows from operating activities for the fiscal year ended December 31, 2015 resulted in a cash inflow of ¥78,245 million (compared with a cash inflow of ¥111,860 million for the previous fiscal year). Primary factors included cash outflows of ¥140,933 million for an increase in loans for credit card business and cash outflows of ¥122,167 million for an increase in loans for banking business, which were offset by cash inflows of ¥229,626 million for an increase in deposits for banking business and ¥91,987 million for income before income tax.

(Net cash flows from investing activities)

Net cash flows used in investing activities for the fiscal year ended December 31, 2015 resulted in a cash outflow of ¥224,078 million (compared with a cash outflow of ¥261,085 million for the previous fiscal year). Primary factors included net cash outflows of ¥62,044 million for purchase and sales of investment securities (a cash outflow of ¥69,706 million for purchase of investment securities and a cash inflow of ¥7,662 million for proceeds from sales and redemption of investment securities), a cash outflow of ¥60,607 million for acquisition of subsidiaries, net cash outflows of ¥34,634 million for purchase and sales of investment securities for banking business (a cash outflow of ¥378,355 million for purchase of investment securities for banking business and a cash inflow of ¥343,721 million for proceeds from sales and redemption of investment securities) and a cash outflow of ¥34,560 million for purchase of intangible assets.

(Net cash flows from financing activities)

Net cash flows from financing activities for the fiscal year ended December 31, 2015 resulted in a cash inflow of ¥221,831 million (compared with a cash inflow of ¥189,512 million for the same period of previous fiscal year). Primary factors were cash inflows of ¥182,550 million resulting from issuance of common stock associated with the public offering and others and ¥92,521 million for net proceeds from long-term debt (a cash inflow of ¥158,352 million for proceeds from long-term debt and a cash outflow of ¥65,831 million for repayment of long-term debt).

(3) Difference between the main items of the consolidated financial statements prepared in accordance with IFRS, and the comparable items of the consolidated financial statements prepared in accordance with JGAAP

For the year ended December 31, 2015

1) Revenue

Future financial costs, due to the points granted under the point programs to encourage repeated access and shopping by customers, are recorded as a provision for point card certificates as part of operating expenses in accordance with JGAAP, whereas in accordance with IFRS, such costs associated with the points are considered to on paid to customers and accordingly, based on IFRS 15 “Revenue from contracts with customers”, are deducted from revenue at the time they are granted. Due to this difference, revenue in accordance with IFRS is approximately ¥40,439 million less than that in accordance with JGAAP.

For sales of books by the Group Companies, revenue is recorded and associated cost of sales is presented on gross basis in accordance with JGAAP. Since in accordance with IFRS such transactions are deemed to be conducted by the Group Companies as an agent of third parties and subject to accounting treatment in accordance with IFRS 15, revenue is presented on a net basis. Due to this difference, revenue in accordance with IFRS is approximately ¥36,085 million less than that in accordance with JGAAP.

2) Operating income

Goodwill is amortized on a regular basis over a certain period of time in accordance with JGAAP, while in accordance with IFRS goodwill is not subject to amortization but an impairment test is required. Due to this difference, operating income in accordance with IFRS is approximately ¥17,432 million more than that in accordance with JGAAP.

2. Production, Order and Sales Status

(1) Production Results

As the Group Companies provide various Internet-based services as their main line of business, without any activities classified as production, no information is presented in respect of production result.

(2) Order Results

As the Group Companies are not engaged in any make-to-order production, no information is presented in respect of order results.

(3) Sales Results

By segment sales results in the current fiscal year are as follows.

Name of business segments	Revenue (Millions of Yen)	Year-on-year (%)
Internet Services	440,744	21.5
FinTech	275,136	16.3
Others	52,092	22.7
Intersegment transactions	(54,417)	—
Total	713,555	19.2

(Note) Consumption tax is not included in the above amounts.

3. Challenges

The Internet sector is expected to undergo continued rapid expansion. The challenge for the Group Companies 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 Eco-System, and enhancing services for smart devices (smart phones and tablet devices), in addition to the utilization of big data.

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 andtelecommunications 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 is 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.

4. Business Risk and Other Risk Factors

Described below are the main aspects of the business activities and finances of the Group Companies that are considered to be potential risk factors or that may influence decisions by investors. Having identified these risks, the policy of the Group Companies is to take steps to prevent occurrences or to take appropriate action in response to contingencies. This policy notwithstanding, the Group Companies' position is that decisions to invest in the Company's securities should be preceded by careful examination of relevant information, including information provided elsewhere.

Unless otherwise stated, all forward-looking statements herein are based on judgments by the Group Companies as of the date of filing of the Yukashoken-Hokokusho to the Financial Services Agency of the Japanese government. They are subject to uncertainty and could differ from actual results.

1 Risks Relating to Business Environment

(1) Growth Potential of the Internet Industry

The Group Companies are primarily active in the Internet sector. They provide a variety of services, both domestic and overseas.

Given the worldwide growth in Internet users, the expansion of business-to-consumer e-commerce and other factors, we anticipate continuing growth trends in both gross transaction value and the number of unique buyers* on the Group Companies websites. However, the Group Companies' financial performance could be affected if the growth of the Internet sector as a whole and the e-commerce market decelerates because of external factors, such as regulatory systems that limit Internet use, growing awareness of information security issues, especially in relation to personal information, or because of economic trends, excessive competition or other factors, and if as a result of these factors gross transaction value on the Group Companies' websites fails to expand as expected. Sales from Internet advertising and similar sources makeup a certain share of the Group Companies' net sales. Since the advertising market is highly likely to be affected by economic trends, the Group Companies' financial performance could be affected if there is a downturn in business confidence.

* Number of unique buyers: The total number of buyers who purchase items at least once on Rakuten Ichiba during a specified period.

(2) Competition

As the number of Internet users increases, many companies are moving into Internet-related services across a wide spectrum of product categories and service formats. In addition to its Internet-related service operations, the Group Companies also face competition from numerous companies in its other areas of service.

The Group Companies aim to expand their services by continuously enhancing their response to customer needs. However, it is possible that these initiatives will fail to yield the anticipated benefits, or that the revenues of the Group Companies will fall because of changes in the competitive environment, such as the emergence of a competitor with revolutionary services and intensifying competition. There is also a possibility that the Group Companies will be forced to increase their capital investment and advertising expenditure. Such situations could have a serious impact on the business activities and financial performance of the Group Companies.

(3) Technological Changes in the Industry

The Group Companies are expanding their service in the Internet field, where progress and changes in technology are particularly pronounced and new services and products are introduced with high frequency. It is necessary for the Group Companies to respond swiftly to such changes. Should the Group Companies' response be slow for some reason, there is a risk that our services could be seen as obsolete and our competitiveness deteriorate. Furthermore, even if we respond appropriately, we may incur increased expenses associated with upgrading existing systems and undertaking new development. These market trends and our responses may therefore have an impact on the financial performance of the Group Companies. In addition, technology may be developed that damages the operation of the Group Companies. If this technology becomes widespread, it may also have an impact on the business activities and financial performance of the Group Companies.

2 Risks Relating to International Business Expansion

Global expansion is one of the Group Companies' key strategies, and we are dynamically extending our existing business model into other countries. For example, we are extending our Internet services to many regions including Europe, the Americas and Asia. The Group Companies will continue to expand their overseas service and R&D sites. We will also work to improve and expand our international services while strengthening collaboration among our services in different countries. The Group Companies will also gradually expand cross-border services that allow users in Japan or overseas to purchase products and services from each other.

However, development of global services entails a variety of potential risks, including differences in languages, geographical factors, legal and taxation systems, economic and political instability, communication environment, and differing commercial practices. There is a further risk that competition with rival companies that are competitive in specific countries or regions or are globally competitive will intensify and the risk of sudden changes in the regulations of foreign governments. The business activities and financial performance of the Group Companies could be affected if these risks are not handled properly.

In its international expansion, when setting up services, the Group Companies are likely to newly incur costs including costs for setting up corporations in other countries, recruitment costs, system development costs, and for existing services, costs for making strategic changes in business models. Group profits may temporarily come under pressure from these costs, and it will take time before new operations start to generate stable sales. The necessary time to recover this investment and the impossibility of recovery could have adverse effects on the financial performance and financial position of the Group Companies.

3 Risks Relating to Business Expansion and Development

(1) Promoting the Rakuten Brand

To further raise its gross transaction value, the Group Companies are converting their various service brands to the Rakuten brand, and integrating their member IDs by unifying membership databases and developing a common points program. Changes to brand names and member IDs could lead to loss of loyalty among existing members or cause them to withdraw from member organizations. If the above measures fail to produce the anticipated benefits, gross transaction value among Group Companies websites and the financial performance of the Group Companies could be affected.

(2) M&A

The Group Companies actively engage in merger and acquisition (M&A) activities and the establishment of joint ventures, both in Japan and overseas. Our aim is to move into overseas markets, gain new users, develop new services, expand our existing services and acquire related technologies. These activities are regarded as important management strategies.

When acquiring a company, the Group Companies seek to avoid various risks as much as possible by conducting detailed due diligence concerning the financial position, contractual relationships and other aspects of the potential acquisition. However, it is not always possible to carry out due diligence exhaustively because of the circumstances surrounding individual acquisitions, such as time restrictions, and it is possible that contingent or unrecognized liabilities will come to light after an acquisition. Furthermore, it is impossible to predict reliably how the characteristics of a newly created service will affect the business operations and performance of the Group Companies. It may also become impossible to develop the new service as anticipated because of changes in the business environment or other factors. In such cases, financial performance and financial condition of the Group Companies may be adversely affected, and certain time may be necessary for the recovery of the investment or it may not be possible to recover the invested capital.

It is also possible that the information systems and internal control systems of an acquired company cannot be integrated successfully, or that executives, employees and customers of an acquired company will be lost after the acquisition. In addition, because future investment and lending could be substantial compared with the current scale of business operations, there is the possibility of increased risk affecting the financial position and other factors of all of the Group Companies.

Also, for engagements in joint ventures and business alliances, the Group Companies seek to avoid risk as much as possible concerning operating partner through detailed investigations of financial performance and financial condition and thorough discussion of future business agreements and synergistic effects. However, if disagreements arise over management policy after the start of the service, there is a possibility that the anticipated synergistic effects will not be realized. In such cases, the financial performance and financial condition of the Group Companies may be adversely affected, and certain time may be necessary for the recovery of the investment or it may not be possible to recover the invested capital.

(3) Expansion of Area of Service

The Group Companies provide services in a variety of industrial sectors, primarily in the Internet sector where technologies and business models change rapidly. The Group Companies have entered into new areas of services in order to create new services and to construct business models along with the trend of the times. When the Group Companies launch a new service in an area in which they have not previously been involved, it becomes exposed to risk factors specific to that activity, in addition to a considerable amount of prior investment. It is possible that the Group Companies will be affected by risk factors not listed in this section as a result.

The Group Companies may not be able to achieve the results initially expected, depending on expansion speed and growth scale of the market which they newly enter into. In addition, the Group Companies may incur a loss due to disposal and amortization of said business assets in cases such as discontinuation or withdrawal of such service. Such case may possibly affect the Group Companies' financial performance and financial position.

(4) Goodwill

The Group Companies have adopted the International Financial Reporting Standards (IFRS) to prepare the consolidated financial statements, starting in the three months ended March 31, 2013. IFRS does not require amortization of goodwill which differs from JGAAP. On the other hand, the financial performance and financial position of the Group Companies could be adversely affected by a possible impairment of goodwill if the goodwill relating to a company is likely to be impaired due to such factors including deterioration of financial performance and the resulting recoverable amount is less than the carrying amount of goodwill.

4 Business Risks

(1) Marketplace Service

Marketplace services such as Rakuten Ichiba and Rakuten Auction, accommodation booking services such as Rakuten Travel, and online cash-back services such as Ebates basically provide venues for trading, and the Group Companies are not party to trading contracts. To ensure a sound market, the Group Companies strive to eliminate counterfeit goods or other goods that infringe on rights. The rules for these marketplaces stipulate that the Group Companies will incur no liability in the event of disputes between sellers or service providers and purchasers, and that disputes must be settled between the parties. However, if users of our marketplace services engage in activities that defame other parties or infringe their rights, including intellectual property rights and privacy rights, or if they engage in illegal activities, such as fraud, the resulting liabilities could affect not only the parties responsible for the actions that caused the problems, but also the Group Companies as venue provider. There could also be damage to the brand image of the Group Companies. Furthermore, sellers and service providers participating in our marketplace service can easily move to alternatives, such as other marketplaces or their own sites. It is possible that unless the Group Companies continue to provide a marketplace highly attractive to customers in addition to highly convenient and reliable services, the Group Companies' financial performance will be affected by a decline in the number of sellers and service providers.

(2) Direct Selling Service

The Group Companies have service categories that involve direct selling of goods and services to general consumers, such as Rakuten Books, Rakuten Kobo and Rakuten Mobile. In these categories, the Group Companies are a party to sales contracts, etc., and is therefore liable for the quality and content of goods and services. When selling goods or providing services, the Group Companies take all possible steps to ensure compliance with relevant laws and regulations. However, if a defective product is sold or a defective service is provided, the Group Companies could become subject to actions by supervisory agencies. The Group Companies could also incur costs resulting from product recalls, liability for damages or other consequences. There could also be reputational damage leading to a decline in sales. The financial performance of the Group Companies could be affected in such situations. In addition, although the Group Companies control purchasing and inventory of products in accordance with the demand forecast, if the anticipated demand does not appear or if the product prices largely decline due to technological innovation or a competition with the competitor's products, write-off of products accounted for as inventory may need to be recorded in the Group Companies' financial accounts.

(3) Digital Contents Service

The e-book service and the video streaming service which provide digital contents often require a conversion of service format to those provided by the Group Companies when contents materials are being procured, in addition to licensing fees for film distribution agencies as well as the possible requirement of advance payment of minimum insurance amount for the licensors. Such prior expense may temporarily impact the financial performance and financial position of the Group Companies. Furthermore, if the revenue from the contents services falls below such costs of supply, the financial performance and financial condition of the Group Companies may be adversely affected.

(4) Logistic Service

The Group Companies focus on improvement of delivery and shipping quality through measures including an expansion of logistics agency service for clients in order to further enhance user and client satisfaction.

The Group Companies utilize renting to expand distribution centers and make capital investments for equipment inside warehouses based on orders anticipated in the future. However, in addition that such expenditure would possibly become a prior investment since it will take a certain period of time to build such facilities and start the operation, if the actual revenue from logistic agency service falls below the forecast, unable to make up for the prior investment, the financial performance and financial position of the Group Companies could be adversely affected. Furthermore, the Group Companies may incur a loss due to a disposal or amortization of said business assets in case of transfer or discontinuation of such facilities.

(5) Financial Businesses

1) Regulatory Requirements

Rakuten Card Co., Ltd., Rakuten Bank, Ltd., Rakuten Securities, Inc., Rakuten Life Insurance Co., Ltd. and other subsidiaries are involved in finance-related services. The activities of these companies are subject to the provisions of the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits (hereinafter referred to as the “Capital Subscription Law”), the Banking Law, the Interest Rate Restriction Law, the Money-Lending Control Law, the Installment Sales Law, the Financial Instruments and Exchange Act, the Act on Sales, etc. of Financial Instruments, the Commodities Futures Trading Law, the Trust Business Law, the Insurance Business Act, the Payment Services Act, the Criminal Proceeds Transfer Prevention Laws and other laws and regulations and regulatory requirements relating to financing activities, as well as the guidelines of supervisory agencies, and the rules imposed by autonomous regulatory bodies, such as stock exchanges and industry organizations. If any of the above subsidiaries becomes subject to a suspension of business, license revocation or other actions for any reason, if new regulatory requirements, supervisory agency policies, regulations or supervisory guidelines are established, or if there are any changes that would adversely affect their services, the business operations and financial performance of the Group Companies could be seriously affected.

Under the Money-Lending Control Law, which came into full effect in June 2010, Rakuten Card Co., Ltd. is required to use information about consumers’ annual incomes and data from credit agencies to limit the total amount of credit provided to no more than one-third of the borrower’s annual income. It is necessary to restrict new lending and other conditions. In addition, lenders are obliged to tighten their credit management under the amended Installment Sales Law, which came into full effect in December 2010. All of these factors could affect earnings.

Furthermore, Rakuten Card Co., Ltd. has a small portion of loan contracts dating before December 31, 2007 that stipulate interest rates in excess of the maximum rates outlined in the Interest Rate Restriction Law. If there is an increase in the factors used to calculate Rakuten Card Co., Ltd.'s allowances, such as the average amount of claims, the financial performance of the business concerned could be affected by the need to make an additional provision.

2) Business Environment

Rakuten Card Co., Ltd. deals mainly with individual customers and procures operating funds primarily by securitization of receivables and loans from financial institutions. The financial performance of the Group Companies could be affected if deteriorating economic conditions cause a downturn in consumer spending and demand for credit, or if rising unemployment leads to an increase in personal bankruptcies or the number of heavily-indebted creditors, or if there are any changes in the credit policies of financial institutions due to changes in the state of financial markets or if the credit situation of the Group Companies deteriorates. If serious problems arise, affecting the Group Companies' ability to maintain and operate the credit control systems used to reduce the risk of uncollectable receivables, or its ability to recruit personnel with loan collection expertise, business operations and financial performance may be affected.

Securities make up a portion of the investment assets used by Rakuten Bank, Ltd. and may have a certain amount of effect on its investment income. Those investment assets consist of various financial products, including finance receivables, bonds and securitization and liquidation products. Returns on investments in financial products are significantly affected by factors that include interest rates, foreign exchange rates, market fluctuations and debtor credit risk. If this business is affected by losses on these investments, it is possible that the financial performance of the Group Companies will be affected. Credit costs relating to loan receivables, including allowances for doubtful receivables or guarantee charges, could increase if economic conditions deteriorate or if there are changes to accounting standards, changes in the credit situation of guarantee companies, or changes in guarantee performance conditions. Such situations could affect the financial performance and financial condition of the Group Companies.

Rakuten Securities, Inc. implements various types of transactions for individual investors, including margin transactions, foreign exchange margin transactions, investment trust sales, bond transaction, futures and options transactions, foreign futures transactions, and commodities futures transactions. Because its main source of revenue is brokerage commissions, the company is affected by conditions in financial markets including securities markets. As the financial markets are affected by economic conditions, global trends in financial markets, political developments, regulatory changes, investor sentiment and other factors, the financial performance and financial condition of the Group Companies may be affected under certain circumstances, such as if financial markets stagnate, or if there is a decline in margin balances and money lent to clients for margin transactions cannot be recovered because of sudden stock price fluctuations or other factors.

Rakuten Life Insurance Co., Ltd. sells traditional protection-type life insurance products for individuals. Its main source of revenue is insurance revenue paid by the insured. The financial performance and financial condition of the Group may be affected under certain circumstances, such as if the rate of insured events increases (for example, the death rate or the hospitalization rate exceeding the forecast at the setting of insurance price), value of investment assets decreases due to a change in investment environments etc., the number of in-force contract drastically decreases due to a decrease in the number of new contracts and an increase in cancellation, and the policy reserve for future payment of insurance claims and benefits required by the law becomes underfunding due to a change in the assumed condition, increasing the provision for the reserve.

3) Liquidity

Rakuten Bank, Ltd. operates an Internet banking service. Since customers are able to make withdrawals from ordinary deposit accounts, close time deposits and transfer or remit funds to other financial institutions via the Internet, unforeseeable circumstances, such as the spread of rumors that impact on the reputation of this subsidiary or the Group Companies, could cause deposit outflows to occur more rapidly than would be the case in a conventional bank. The financial performance and financial position of the Group Companies could be affected if the outflow significantly exceeds the anticipated level.

4) Efficacy of Risk Management

In recent years, the financial markets faced rapid and large-scale changes and chaos during such events as “Lehman Shock” stemmed from a bankruptcy of the major U.S. financial institution and European financial crisis arising from financial problems in countries including Greece. Rakuten Bank, Ltd., Rakuten Securities, Inc. and Rakuten Life Insurance Co., Ltd. have organized risk management policies and procedures to put into operation. However, the financial performance and financial condition of these companies may be adversely affected as a result of the possibility that a part of such risk management policies and procedures of these companies are not necessarily able to precisely predict various future risks in the financial markets and are not able to function effectively.

(6) Third-Party Outsourcing and Alliances

1) Outsourcing and Alliances with Financial Institutions, etc.

Rakuten Bank, Ltd. does not have its own ATM network. For this reason, it has concluded ATM utilization agreements with the Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Seven Bank, Ltd., Japan Post Bank Co., Ltd. and Aeon Bank, Ltd. The business operations and performance of the Group Companies would be seriously affected if its relationships with these banks deteriorate, or if it becomes unable to use these services and systems.

2) Alliances with Travel-Related Businesses

In the Travel services, our policy is to improve the overall quality of our travel-related services and develop the services through cooperation with domestic and overseas travel-related businesses, airlines and railroad companies, and by promoting globalization. Business operations and financial performance in this segment could be affected if relationships with these partners deteriorate, or if negotiations with prospective new partners are unsuccessful.

3) Interconnection Agreements with Telecommunications Providers

To ensure the efficient provision of telecommunications services, Rakuten Communications Corp. has concluded interconnection agreements providing for reciprocal connections between its telecommunications facilities and those of other telecommunications providers. Telecommunications carriers that own telecommunications facilities are, in principle, required to allow other providers to connect to those facilities. The business operations, financial performance and financial position of the Group Companies could be affected if changes to this situation, such as the abolition or relaxation of this requirement, result in increased usage charges for this company, or if the conditions are amended in ways disadvantageous to this company.

4) Use of Telecommunication Lines Provided by Telecommunications Operator in the Mobile Virtual Network Operator (MVNO) Service

“Rakuten Mobile” service provided by the Company involves the use of leased telecommunication lines to provide its service. In the event that usage fees are increased by the partnering telecommunications operator, or if the partnership with the telecommunication operator terminates for whatever reasons, the services provided by the Company could be disrupted and financial performance of the Group Companies could be affected.

5) Supply of Goods and Services, Content and Technology

The Group Companies rely on outside suppliers or licensing arrangements for the supply of goods and services for their direct selling services, for certain types of content or technology used on their websites, such as search engines, news and other services. If the supply is interrupted and the Group Companies become unable to access quality content and technology efficiently, if prices increase, or if licenses are terminated because of deteriorating relationships with suppliers, bankruptcies, demand growth, changing economic conditions, contract changes or other factors, the Group Companies’ ability to provide services could be compromised, and the financial performance of the Group Companies could be affected.

6) Delivery of Goods

Marketplace-model services such as Rakuten Ichiba and direct selling model services such as Rakuten Books rely primarily on outside shipping and delivery providers to deliver goods from seller to purchaser. The financial performance of the Group Companies may be affected if user and store satisfaction regarding delivery deteriorates due to an increase in delivery charges, worsening of delivery conditions or other factors in the future.

5 Compliance Risk

(1) Possibility of Imposition of Regulatory Restrictions

In addition to the items listed under “Section 4 (5) 1) Regulatory Requirements,” the Group Companies are subject to the provisions of various other laws and regulations, including the Act against Unjustifiable Premiums and Misleading Representations (Premiums and Representations Act), the Act Concerning the Prohibition of Unauthorized Computer Access; the Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders; the Act on Specified Commercial Transactions; the Act on Regulation of Transmission of Specified Electronic Mail; the Consumer Contract Act; the Act against Delay in Payment of Proceeds and others to Subcontractors; the Secondhand Articles Dealer Act; the Travel Agency Act; the Telecommunications Business Act; the Employment Security Act; and the Act Concerning the Creation of Conditions, for the Safe and Secure Use of the Internet by Young People; the Act Concerning Financial Settlements; the United States Foreign Corrupt Practices Act; Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, as well as policies and guidelines established by regulatory agencies. If the Group Companies’ business activities become subject to new restrictions due to the establishment and amendment of laws and regulations, the cancellation of approvals and permits by regulatory agencies, or the formulation of new guidelines and voluntary rules, or for other reasons, there could be an impact on the Group Companies’ financial performance and financial position.

If the scale of the Group Companies’ service provision expands, it is possible that issues will be raised under the Act on Prohibition of Private Monopolization and Maintenance of Fair

Trade concerning measures implemented by the Group Companies to provide a healthy business environment for merchants, service providers and other partners, or the content of agreements on which those measures are based. If this happens, new restrictions could be imposed on the Group Companies' services. This could affect the Group Companies' business activities, financial performance and financial position.

(2) Possibility of Litigation

The Group Companies could be exposed to litigation or other claims if merchants, purchasers, participants or other users engage in illegal activities or get involved in disputes, if users violate the rights of third parties through illegal actions or the distribution of harmful information, or if losses are incurred by merchants, purchasers, participants or other users as a result of system failures or other situations. As for e-book readers, although its manufacturing are commissioned to partner companies, there is a possibility that product defects or other deficiencies may arise, which may cause the Group Companies to incur product liability or other obligations concerning compensation for damages or other penalties. Furthermore, the Internet itself is still a relatively new phenomenon, and there is the possibility of unforeseeable litigation or other actions resulting from new contingencies or business risks that have not yet become apparent.

If the Group Companies' rights are infringed or damaged in some way by third parties, of if the Group Companies are not protected from the infringement of its rights by third parties, it is possible that substantial costs will be incurred due to litigation or other actions to protect those rights. Depending on the nature of such litigation and other actions and the amounts sought, such situations could impact on the business activities, performance and financial performance of the Group Companies.

6 Risks Pertaining to Intangible Assets

(1) Group Branding

Since its establishment, the Group Companies have worked to invest substantial management resources in developing a diversity of services and advertising with the aim of building the Rakuten brand. While the Group Companies believe that they have achieved a certain level of brand recognition among consumers, if future initiatives fail to produce the anticipated benefits, it is possible that these efforts will not result in revenues for the Group Companies. If there are problems relating to development of services, confidence in the Rakuten brand could be eroded, with possible implications for the Group Companies' financial performance and financial position.

(2) Intellectual Property

The Group Companies endeavor to protect their technologies and content used by the Group Companies to acquire intellectual property rights such as patents, trademarks, copyrights and domain names, and to receive licenses granted to them. However, the business activities, performance and financial position of the Group Companies could be affected if they are unable to protect their intellectual property from infringement by third parties, or if substantial costs are incurred in order to protect intellectual property. Costs or losses could also be incurred if it becomes necessary to defend against or settle claims of intellectual property infringements in relation to technology, content and other items used by the Group Companies. Such situations could also result in the restriction of the Group Companies' ability to provide specific content or services or use specific technologies. The business activities, performance and financial position of the Group Companies could be affected in such cases.

7 Market Risks

(1) Interest Rate Fluctuations

Through its consolidated subsidiaries, the Group Companies are involved in financial services including, credit card, securities and life insurance businesses. Funds for these activities are procured mainly through loans from financial institutions. As of December 31, 2015, the balance of consolidated interest-bearing debt from financial institutions outside of the Group Companies amounted to ¥660,897 million. This amount consists of short-term and long-term loans, corporate bonds, commercial paper, loans payable for margin transactions for the securities business, and lease obligations. The consolidated subsidiary involved in the banking business also procure deposits and use the funds raised for investment in securities, lending and other purposes. For this reason, the financial performance and financial position of the Group Companies could be affected by movements in market interest rates.

(2) Fluctuations in the Prices of Securities, etc.

The Group Companies hold substantial amounts of financial products, including securities and money trusts. Fluctuations in the market prices of these securities and other financial products could affect the financial performance and financial position of the Group Companies.

(3) Exchange Rate Risk

Items in foreign currencies among the foreign-currency denominated investment and the transactions in foreign currencies are executed by the Group Companies for the purpose of hedging exchange rate risk. Although the Group Companies translate items denominated in local currencies into Japanese yen for the business performance, assets and liabilities pertaining to overseas associates when preparing its consolidated financial statements, it is difficult to completely avoid such risks. For this reason, the financial performance and financial position of the Group Companies could be affected by movements in foreign exchange rates.

8 Risks Relating to Financing

Loan contracts and commitment lines that the Group Companies have concluded are in some cases subject to covenants clauses, and any deterioration in the financial performance, financial position or credit rating of the Group Companies could result in demands for full repayment of existing debt or the provision of new collaterals under these clauses, or increases in interest rates or commission rates. There is no guarantee that the Group Companies will be able to procure funds on favorable terms in a timely manner under certain circumstances, such as if financial markets become unstable or if the Group Companies' credit status deteriorates and the credit rating given to the Group Companies by credit rating agencies is lowered. Such situations could have a limiting effect on the development of the Group Companies' services, and could affect the financial performance and financial position of the Group Companies.

9 Risks Relating to Deferred Tax Assets

The Company and some of its consolidated subsidiaries currently recognize future tax benefits as deferred tax assets, in accordance with International Financial Reporting Standards (IFRS). The computation of deferred tax assets is based on various projections and assumptions, including estimates of future taxable income based on business forecasts. It is possible that actual results will differ from these projections and assumptions. If estimates of future taxable income indicate that the Company or its subsidiaries will be unable to recover part or all of their deferred tax assets, the financial position and financial performance of the Group Companies would be affected by the consequent reduction in the value of said deferred tax assets.

10 Risks Pertaining to Financial Reporting

According to Internal control reporting requirements under the Financial Instruments and Exchange Act, the Group Companies strengthened their internal control systems in relation to financial reporting. However, the public reputation of the Group Companies could be damaged if serious errors are discovered, and the financial performance and financial position of the Group Companies could be affected.

11 Human Resources Risk

The services of the Group Companies require human resources with specialized skills relating to individual service segments including Internet and finance. As the Group Companies expand their activities and develop their business internationally, it is indispensable to continue the recruitment of personnel. The business activities, financial performance and financial position of the Group Companies could be affected if it becomes difficult to secure skilled staff in the future due to reasons such as escalating competition for human resources in specific fields or regions, changes in market needs, or if there is an exodus of existing staff.

In addition, the business activities, the financial performance and financial position of the Group Companies could be seriously affected if Hiroshi Mikitani the founder and the Chairman and President and Representative Director of the Company, were to resign or become incapable of performing his duties.

12 Information Security Risks and Risks Pertaining to Telecommunication Networks and Systems

The Group Companies acquire personal information that can be used to identify users, including names, addresses, telephone numbers and credit card numbers in various services they provide. The Group Companies take all possible care to protect privacy and personal information of users through proper information management. However, the possibility of information leaks or abuse or other accidents due to activities including illegal access cannot be completely eliminated, and if such incidents occur, it could result in legal disputes or actions by domestic and overseas regulatory agencies. Such situations could impact on the business activities and financial performance of the Group Companies.

Many of the Group Companies' services are provided by the use of telecommunications networks linking computer systems. However, there lies the possibility that troubles might occur in the provision of normal services, or that illegal usage, deletion or fraudulent procurement of important data and others might occur due to reasons such as failure occurring in the telecommunication network, failure or defects affecting the hardware or software in the network or the computer system, criminal activities such as external access to computer resources using illegal methods such as computer viruses or malware, and errors by employees and executives.

If the service is suspended or the performance is deteriorated as a result of these, the possibility of loss of income opportunities, a decline in confidence in the Group Companies' systems, compensation claims, or actions by regulatory agencies could be expected.

In addition, regarding the illegal use of the Company's services, if indemnification cannot be sought to any specific entity, the Group Companies will incur the loss. Such situations could impact on the business activities and financial performance of the Group Companies.

13 Risks Pertaining to Natural Disasters, Conflicts and Accidents

Natural disasters such as earthquakes, typhoons, tsunamis, fires, power outages, infections caused by previously unknown diseases, international conflict and other contingencies could have a serious impact on the service operations of the Group Companies

Since the main business premises of the Group Companies are located in the greater Tokyo area and the East Coast and West Coast of the U.S., a massive natural disaster or other events in these areas could disrupt services. In addition to degrading the Company's reliability and damaging its brand image, such situations could also impact on the financial performance and financial position of the Group Companies.

The Group Companies have worked to enhance preparation and arrangement for emergency response measures, including the formulation of business continuity plans. However, there is no guarantee that these measures will be sufficient to mitigate all of the effects of various natural disasters or other events, and the continuity of service operations may be difficult or jeopardized if there are serious losses to physical and human resources.

14 Administration Risk

The Group Companies, in their conduct of business, implements numerous measures to increase the accuracy and efficiency of work operations including implementation of double-checking systems that enforce redundant checks of operation details by utilization of information systems and by employees other than those parties responsible for the operation. However, there are certain operations for which specialized information systems have not been introduced and which are entrusted to manual handling, and errors in administrative procedure may occur due to misrecognition by company officers and employees, incorrectly performed operations and other factors. Depending on the nature of the work operation, it is possible that errors in administrative procedures will hinder reliable provision of service or lead to business losses or to the outflow of information such as personal information and may affect Group operations and business and financial performance.

The Group Companies endeavor to standardize and document internal regulations and administrative procedures. However, it is possible that as a result of the organizational changes and addition of employees in conjunction with the Group Companies' rapid expansion of services that sharing and transfer of required expertise for business execution would be inadequate. As a result, there may be increased errors in administrative procedures and lower productivity, which could affect Group business operation and financial performance.

15 Reputation Risk

There is the possibility that various kinds of publicity and information about the Group Companies may be spread. Although such publicity and information include those not based on correct information and others based on speculation, they could possibly affect the understanding and perception or actions of users of the Company's services and its investors, regardless of accuracy of such publicity and information or involvement of the Group Companies. Depending on the contents, the scale and other details of such publicity and information, the Group Companies' business activities and stock price among others may be affected.

5. Material Business Agreements, etc.

At a Board of Directors Meeting on March 11, 2015, the Company resolved to execute a new share purchase agreement to acquire all shares of Lyft, Inc., through its subsidiary.

Additionally, at an Ordinary Board of Directors Meeting on March 19, 2015, the Company resolved to execute a share purchase agreement to acquire all issued shares of OverDrive Holdings, Inc. to make it a subsidiary.

Details are described in "V. Financial Information, 1. Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 44. Business Combinations."

6. Research and Development Activities

Our research and development activities are carried out independently within each of the business segments with the purpose of contributing to the development operations of the Company and the Group Companies. In June 2010, a research base was established in New York, the United States, in February 2014 in Paris, France, and in July 2015 in Singapore and Boston, the United States, adding to our Facilities in Japan, to expand our research system. We explore research themes focused on three areas, namely language processing/data analysis, multimedia user/interface and large-scale distribution, based on our corporate vision on the future direction of Internet development, with the details given below. Since the Group Companies' research and development activities cover Internet-related basic technologies, which cannot be classified into specific segments, the activities are not listed by segment. The total expense of research and development in the current fiscal year was ¥8,364 million.

1) Language Processing/Data analysis

In the area of language processing/data analysis, we develop advanced technologies to analyze the abundant amount of text data that the Group Companies possess, as well as technologies to speed up the computation of massive data. The aim is to create diverse recommendations that can be horizontally expanded to each business.

2) Multimedia/User Interface

We have developed a user interface that features a rich content experience, by retrieving and analyzing multi-media content of videos, still images and music that continuously proliferate on the Web, to fully enhance the user-interface level of the Company and the Group Companies.

3) Large-scale Distribution

As the systems of the Company and the Group Companies expand, we create competitive advantages by developing infrastructure for processing such as parallel distributed processing to analyze with remarkable efficiency logs and customer/product data that continuously proliferate.

7. Analysis of Consolidated Business Results, Financial Position and Cash Flows

(1) Description of Business

We are a comprehensive Internet service provider engaging in two main activities of Internet Services and FinTech. In the domestic e-commerce business, the core of Internet Services, we are the leading company holding the top share (*1) in transaction value.

(*1: Mail Order and e-Commerce Business: Current Status and Future, FUJI KEIZAI)

(2) Analysis of Business Results

(Revenue)

The Group Companies, for the fiscal year ended December 31, 2015, achieved revenue of ¥713,555 million, an increase of ¥598,565 million (19.2%) from ¥114,990 million for the previous fiscal year. The factors for these were sales expansions due to steady growth of domestic existing businesses and robust revenue of Ebates in the Internet Services segment and contribution of the newly consolidated subsidiaries. An increase in commission income accompanying an increase in Rakuten Card membership in the FinTech segment and increase in interest income due to expansion of loan balances also contributed to sales increase.

(Operating expenses)

Operating expenses for the fiscal year ended December 31, 2015 amounted to ¥601,001 million, an increase of ¥109,722 million (22.3%) from ¥491,279 million for the previous fiscal year. This was due to increases in cost of sales of goods and service, employee benefits expenses, advertising expenses and promotion expenses in conjunction with business expansions and other factors.

(Other income)

Other income for the fiscal year ended December 31, 2015 amounted to ¥26,991 million, an increase of ¥20,267 million (301.4%) from ¥6,724 million for the previous fiscal year. This was due to unrealized gains on securities associated with the investments in businesses with new technologies and innovative business models by the Group Companies.

(Other expenses and impairment loss)

Other expenses and impairment loss for the fiscal year ended December 31, 2015 amounted to ¥44,856 million, an increase of ¥37,243 million (489.2%) from ¥7,613 million for the previous fiscal year. This was due to an increase of ¥35,834 million in impairment loss of goodwill etc.

(Operating income)

Operating Income for the fiscal year ended December 31, 2015 amounted to ¥94,689 million, a decrease of ¥11,708 million (11.0%) from ¥106,397 million for the previous fiscal year. This was due to an effects of impairment loss of goodwill etc., recorded in the Internet Service segment and the FinTech segment, despite the strong increase in profit from existing businesses as well as improved profitability of new businesses.

(Income before income tax)

Income before income tax for the fiscal year ended December 31, 2015 amounted to ¥91,987 million, a decrease of ¥12,258 million (11.8%) from ¥104,245 million for the previous fiscal year.

This was due to an increase in financial expenses accompanying increased borrowings as well as factors explained in operating income increase.

(Income tax expense)

Income tax expense for the fiscal year ended December 31, 2015 amounted to ¥47,707 million, an increase of ¥14,565 million (43.9%) from ¥33,142 million for the previous fiscal year. The effective tax rate for the fiscal year ended December 31, 2015 was 51.9%, which surpassed the effective statutory income tax rate in Japan, because of the impairment loss, other losses recorded in overseas subsidiaries and the restricted accounting recognition of deferred tax assets.

(Net income)

As a result of the above, net income for the fiscal year ended December 31, 2015 amounted to ¥44,280 million, a decrease of ¥26,823 million (37.7%) from ¥71,103 million for the previous fiscal year.

(Net income attributable to owners of the Company)

As a result of the above, net income attributable to owners of the Company for the fiscal year ended December 31, 2015 amounted to ¥44,436 million, a decrease of ¥26,178 million (37.1%) from ¥70,614 million for the previous fiscal year.

(3) Analysis of Financial Position

(Assets)

Total assets at December 31, 2015 amounted to ¥4,269,953 million, an increase of ¥589,258 million from ¥3,680,695 million at the end of the previous fiscal year. Primary factors were ¥140,934 million increase in loans for credit card business, ¥122,167 million increase in loans for banking business, ¥100,731 million increase in investment securities, ¥72,394 million increase in cash and cash equivalents, and ¥37,234 million increase in other assets.

(Liabilities)

Total liabilities at December 31, 2015 were ¥3,605,940 million, an increase of ¥353,331 million from ¥3,252,609 million at the end of the previous fiscal year. Primary factors were increases of ¥229,589 million in deposits for banking business and ¥59,268 million in bonds and borrowings.

(Equity)

Equity at December 31, 2015 was ¥664,013 million, an increase of ¥235,927 million from ¥428,086 million at the end of the previous fiscal year. Primary factors were a ¥182,135 million increase in common stock and capital surplus as a result of the public offering and other factors, and a ¥52,038 million increase in retained earnings resulting from factors including ¥44,436 million of net income attributable to owners of the parent company recorded during the fiscal year ended December 31, 2015.

(4) Status of Cash Flows

Cash and cash equivalents at December 31, 2015 was ¥501,029 million, an increase of ¥72,394 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business was ¥348,074 million, an increase of ¥101,663 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year ended December 31, 2015 are as follows.

(Net cash flows from operating activities)

Net cash flows from operating activities for the fiscal year ended December 31, 2015 resulted in a cash inflow of ¥78,245 million (compared with a cash inflow of ¥111,860 million for the previous fiscal year). Primary factors included cash outflows of ¥140,933 million for an increase in loans for credit card business and cash outflows of ¥122,167 million for an increase in loans for banking business, which were offset by cash inflows of ¥229,626 million for an increase in deposits for banking business and ¥91,987 million for income before income tax.

(Net cash flows from investing activities)

Net cash flows used in investing activities for the fiscal year ended December 31, 2015 resulted in a cash outflow of ¥224,078 million (compared with a cash outflow of ¥261,085 million for the previous fiscal year). Primary factors included net cash outflows of ¥62,044 million for purchase and sales of investment securities (a cash outflow of ¥69,706 million for purchase of investment securities and a cash inflow of ¥7,662 million for proceeds from sales and redemption of investment securities), a cash outflow of ¥60,607 million for acquisition of subsidiaries, net cash outflows of ¥34,634 million for purchase and sales of investment securities for banking business (a cash outflow of ¥378,355 million for purchase of investment securities for banking business and a cash inflow of ¥343,721 million for proceeds from sales and redemption of investment securities) and a cash outflow of ¥34,560 million for purchase of intangible assets.

(Net cash flows from financing activities)

Net cash flows from financing activities for the fiscal year ended December 31, 2015 resulted in a cash inflow of ¥221,831 million (compared with a cash inflow of ¥189,512 million for the same period of previous fiscal year). Primary factors were cash inflows of ¥182,550 million resulting from issuance of common stock associated with the public offering and others and ¥92,521 million for net proceeds from long-term debt (a cash inflow of ¥158,352 million for proceeds from long-term debt and a cash outflow of ¥65,831 million for repayment of long-term debt).

(5) Recognition and Presentation of Revenues

The Group Companies are comprehensive Internet service providers engaged in Internet Services, FinTech and Others, and operate in multiple businesses including its core EC business. Revenues arising from these businesses are recognized based on contracts with customers. There are no material revenues which are subject to variable consideration. In addition, the amount of promised consideration does not include significant financial element.

Internet Services

With regard to the Internet Services segment, the Group Companies engage in EC businesses such as Rakuten Ichiba, Rakuten Travel, Ebates, Kenko.com, Rakuten Books and a variety of other Internet businesses. The primary revenues in the Internet Services segment are described below.

Rakuten Ichiba and Rakuten Travel

A fundamental characteristic of marketplace model EC services including Rakuten Ichiba and travel booking services such as Rakuten Travel is to provide EC platforms for trading to customers, and the Group Companies provide merchants and travel-related businesses with services including EC platform services, transaction related services, advertising related services to promote the expansion of sales through the Group Companies, and payment agency services related to settlements between merchants or travel-related businesses and consumers. The nature of the services and the related rights and obligations are stipulated in various agreements with customers. Performance obligations are identified based on whether services are distinct or not, and the pattern of transfer to the customer. Revenues from major performance obligations are recognized as described below.

The Group Companies have obligations based on agreed terms to provide services to match merchants and travel-related businesses with Rakuten users, and to enable the resultant transactions to be processed appropriately. These performance obligations are satisfied when the individual transaction between merchants or travel-related businesses and Rakuten users is completed. Revenues are recognized at the point of satisfaction of these performance obligations, based on the gross amount of merchandise sales (monthly sales of merchants and travel-related businesses) of completed transactions multiplied by the specified ratio stipulated separately for each service, plan, or amount of gross merchandise sales. The related payments are receivable approximately within three months of the completion of the transaction.

With regard to advertising-related services, the Group Companies have obligations to provide fixed-term advertisements to customers. The advertising related services are provided by displaying the advertisement over the contracted term, and the progress of providing the service is measured based on the passage of time. Therefore, performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contract term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are, in principle, paid by the end of the second subsequent month after the month that includes the advertising commencement date.

With regard to payment agency services, based on credit card settlement agreements, the Group Companies have obligations to provide payment agency services between merchants and travel-related businesses and users of the Group Companies. These services are to process data for authorization, settlement and cancellation of credit card transactions. Commission revenues arising from these transactions are primarily recognized based on the amount stipulated in the agreement when customers use their credit cards, because the performance obligations are satisfied at that point. Commission are received within one month and a half after the invoice date set out for each payment category, following the satisfaction of performance obligations.

With regard to EC platform services, the Group Companies have obligations to provide services for merchants to open and operate on our EC platform and related consulting services and other similar services for a contracted term. These services are provided over time, and so these performance obligations are satisfied as time passes. Accordingly, the revenue is recognized over the contracted term on a monthly basis based on the amount stipulated in the agreement for each type of shop. Furthermore, consideration for a transaction is received at the time of contract in the form of advance payment for the period of three months, six months or one year, prior to the satisfaction of performance obligations.

Ebates

Ebates provides various services such as services for promoting Ebates members' purchase at the websites of the retailers (customers) through offering cash back to the Ebates members (hereinafter "cash back service"), web advertising and targeted mailing services for individual consumers. As for its core service, cash back service, Ebates is contractually obligated to promote Ebates members' purchase at the retailers' websites. Thus, such performance obligations are considered to be satisfied at the point of purchase by Ebates members. Upon confirmation of the purchase by an Ebates member, an amount calculated by multiplying the purchase amount by a certain rate is recorded as commission revenue, and cash back paid to the Ebates member is recorded simultaneously as expenses. Revenue and expenses arising from the provision of this service are recorded on a gross basis, as Ebates has the right to enforce discretionary control of the customers and Ebates members over the transactions including pricing. Payments of fees are received approximately within three months from the end of the month in which the order is completed and performance obligations are satisfied.

Kenko.com and Rakuten Books

In the Internet Services segment, when the Group Companies provide goods mainly for Rakuten users of Internet shopping sites, such as Kenko.com and Rakuten Books, the Group Companies are the principal in the sales contracts. In these direct selling services, revenue is recognized when goods are delivered to the customer. In addition, payments are received approximately within two months after the delivery of goods when performance obligations are satisfied. For Japanese book sales through Rakuten Books, revenues are recognized on a net basis after deducting costs of sales, because the role of the Group Companies in these transactions has the nature of an agent given the resale price maintenance system in Japan.

FinTech

With regard to the FinTech segment, the Group Companies engage in financial services businesses such as Rakuten Card, Rakuten Bank, Rakuten Securities and Rakuten Life Insurance, and recognize the primary revenues as follows.

Rakuten Card

With regard to Rakuten Card, the Group Companies engage in the credit card business, and receive interchange fees for settlement services between credit card users and member shops as well as, revolving payment commissions, installment commissions, and commissions arising from cash advances. With regard to interchange fees, the performance obligation, which is the provision settlement services, is satisfied at the time of the sales data transfer from a member shop to Rakuten Card as a result of a credit card purchase. Therefore, commission revenues which are at fixed rates of the settlement amounts are recognized at that point. In addition, basic points worth 1% of the transaction price are granted to the card members, and the expenses associated with the granting of these points are deducted from the interchange fees. As the Company collects credit card payments from the card members once a month, in principle, on a predetermined date, the payments are in substance received approximately within two months after the satisfaction of the performance obligations. For revolving payment commissions, installment commissions and commissions for cash advances with a finance element, the respective commissions, which are at fixed rates of the revolving balance, the number of payment installments or the amount of the cash advance are recognized as revenue over the period when the interest accrues in accordance with IFRS 9.

Rakuten Bank

With regard to Rakuten Bank, the Group Companies provide a wide range of services including Internet banking (deposits, loans and foreign exchange) and other services. With regard to loans, the Group Companies handle loans such as personal loans, “Rakuten Super Loans,” and housing loans, “Rakuten Bank home loans (flexible interest rate),” and earn interest income thereon. Interest income is also earned from investing activities such as interest on securities. This income, such as loan interest and interest earned on securities is recognized over the period in accordance with IFRS 9. With regard to foreign exchange, commission revenue is recognized when the foreign exchange transactions are executed because the performance obligation is satisfied at the point of processing the transaction.

Rakuten Securities

With regard to Rakuten Securities, the Group Companies engage in financial instruments transaction services and other associated services. Sources of revenue include commissions arising from these transactions, net trading gains, and interest, etc. There is a wide range of financial instruments transactions, including domestic stock transactions, foreign stock transactions, and sales of investments, and the commission structure for each transaction differs. For brokerage transactions, margin transactions and sales of investments, performance obligations are satisfied when trades are concluded on the trade date or other appropriate date, therefore revenues arising from brokerage transactions are recognized at that point in time. Commissions from spot transactions of shares are received within three business days in principle after the satisfaction of the performance obligations, while commissions from margin transactions and future transactions are received approximately within the period from six months to one year during which open contracts are settled. The Group Companies record revenue and operating expenses measured at fair value on foreign exchange margin transactions, and income received on open contracts of domestic margin transactions, in accordance with IFRS 9.

Rakuten Life Insurance

With regard to Rakuten Life Insurance, the Group Companies engage in the life insurance business, and recognize fund management revenues which are primarily insurance premiums and interest on securities. These insurance revenues arise from protection-based life insurance contracts for individuals, which are the primary products for Rakuten Insurance. Revenue from insurance premiums paid by policy holders calculated by using the rate stipulated in the respective contract is recognized in accordance with IFRS 4. Also, interest income is recognized as revenue over the period in accordance with IFRS 9.

Others

With regard to the Others segment, the Group Companies engage in communication services, professional baseball team management and other various services, and the significant revenues are recognized as follows.

Rakuten Communications

With regard to Rakuten Communications, the Group Companies provide telephone related services to subscribers such as telephone relay services, Internet connection services and other services. For telephone related services, maintaining utilizable telephone circuits at all times and providing telephone communication service using the circuits based on the respective contract are identified as performance obligations. The performance obligation for maintaining utilizable telephone circuits is satisfied over the period, and the performance obligation for providing telephone communication service is satisfied when the telephone circuits are utilized. Therefore, revenues arising from providing telephone circuits are recognized evenly over the contract term, while for the provision of telephone communication service, subscriber fees according to the actual usage of telephone circuits are recognized on monthly basis. For Internet connection service, providing users with Internet access over the contract terms is identified as a performance obligation, and therefore, Internet connection revenues are recognized on monthly basis. Payments of the amounts recorded as monthly revenues are received in accordance with the settlement method selected by the user within a short period of time, after the satisfaction of performance obligations subject to the payment terms and conditions set out separately by the credit card companies, etc.

Tohoku Rakuten Golden Eagles

With regard to Tohoku Rakuten Golden Eagles, the Group Companies engage in tickets and merchandise for Tohoku Rakuten Golden Eagles, and advertisement services. For ticket sales, revenues are recognized when each baseball game is held because the performance obligation is considered to be satisfied at that point. Payments for tickets are received in accordance with the settlement method selected by the purchaser after the application for reservation is completed, subject to the payment terms and conditions set out separately by the credit card companies, etc. For sales of goods, revenues are recognized when goods are delivered because the performance obligation is satisfied at the point of delivery. Payments for goods are received at the time of delivery when the performance obligation is satisfied. For advertisement services, the performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contracted term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are paid within four months, in principle, after the commencement of the contract period.

(6) Recoverability of Deferred Tax Assets

In terms of deferred tax assets, the Group Companies recognize all deductible temporary differences as well as all carryforwards of unused tax loss and tax credit, to the extent that there will likely be sufficient taxable income in the future to which they will be utilized. The Group Companies believe that their estimates of the assessment of the recoverability of deferred tax assets are reasonable and that a recoverable amount of deferred tax assets has been recognized. However, as these estimates contain uncertainties beyond the Group Companies' control, if unforeseeable changes occur in the assumptions, which precipitate changes to the estimates relating to the assessment of recoverability, the Group Companies may reduce the deferred tax assets in the future.

(7) Financial Assets Measured at Fair Value

As financial assets for securities business are subject to short-term settlement, their fair values approximate their carrying amounts, and thus the fair values are measured at their carrying amounts.

In terms of the Group Companies' investment securities, investment securities for banking business and investment securities for insurance business, the fair value of listed shares is measured at the consolidated fiscal year-end closing market price, while the fair value of unlisted shares is measured by using an appropriate valuation technique, such as a method of comparison with similar sectors. The fair value of bonds is measured by reasonable valuation methods based on available information, including reference trading statistics and brokers' quotes.

Within the Group Companies' derivative assets, forward exchange contracts are measured at fair value at the end of year based on forward exchange rates. Fair value of interest rate swaps is measured at the present value calculated by discounting future cash flows for the remaining maturity using the rate of the interest rate swap at the end of year. Since counterparties of interest rate swap contracts are limited to financial institutions with superior credit ratings, consideration of credit risk is not incorporated in the calculation of fair value as it is minimal.

As other financial assets and financial liabilities are mainly settled on short-term, their fair values approximate their carrying amounts.

III. Equipment and Facilities

1. Status of Capital Expenditures, etc.

Capital expenditure in the current fiscal year was ¥54,662 million, mainly in the area of development and acquisition of software.

2. Situation of Major Equipment

(1) Company Submitting Financial Reports

As of December 31, 2015

Business Place (Location)	Name of segments	Details of major facilities	Book value (Millions of Yen)				Number of employees
			Buildings and accompanying facilities	Furniture, Fixtures and equipment	Software	Total	
Head Office (Setagaya-ku, Tokyo)	—	Facilities involved with all operations	3,571	2,807	23,207	29,585	4,200

(Notes) 1 Consumption tax is not included in the above amounts.
2 Number of employees represents the number of persons engaged.

(2) Domestic Subsidiaries

As of December 31, 2015

Name of companies	Location	Name of segments	Details of major facilities	Book value (Millions of Yen)				Number of employees
				Buildings and accompany-ing facilities	Furniture, Fixtures and equipment	Software	Total	
Rakuten Securities, Inc.	(Setagaya-ku, Tokyo)	FinTech	Facilities involved with all operations	509	1,081	10,763	12,353	288

(Notes) 1 Consumption tax is not included in the above amounts.
2 Number of employees represents the number of persons engaged.

3. Plans for Introduction, Disposals, etc. of Facilities

(1) Introduction, etc. of Major Facilities

As of December 31, 2015

Name of companies	Location	Name of segments	Details of major facilities	Planned investment amount		Method of procuring funds	Start date	Planned completion date
				Total (Millions of Yen)	Paid (Millions of Yen)			
Rakuten Card Co., Ltd.	(Setagaya-ku, Tokyo)	FinTech	Update of main system	13,700	9,013	Private fund	August 2014	October 2016

(2) Major Facility Disposal, etc.

Not applicable.

IV. Information on the Company Submitting Financial Reports

1. Information on the Company's Shares

(1) Total Number of Shares, etc.

1) Total Number of Shares

Class	Total number of shares authorized to be issued
Common stock	3,941,800,000
Total	3,941,800,000

2) Total Number of Shares Issued

Class	As of the end of the current fiscal year (December31,2015)	As of the submission date (March 27, 2016)	Stock exchange on which the Company is listed	Description
Common stock	1,430,373,900	1,430,764,000	Tokyo Stock Exchange (First Section)	One unit of stock constitutes 100 common stocks.
Total	1,430,373,900	1,430,764,000	—	—

(Note) Number of shares issued as of the submission date of this Annual Securities Report does not include the number of shares issued in association with exercise of subscription warrants and exercise of Share Options between March 1, 2016 and such submission date.

(2) Status of the Share Options

1) Share Options

Extraordinary Resolution at General Shareholders' Meeting (March 30, 2006)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	19,347	3,597	16,437	2,989
Of the Share Options, the number of own Share Options	11,269	2,375	11,437	2,375
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	1,934,700 (Note 1)	359,700 (Note 1)	1,643,700 (Note 1)	298,900 (Note 1)
Cash payment upon exercise of Share Options	¥1,002 per share (Note 1)	¥555 per share (Note 1)	¥1,002 per share (Note 1)	¥555 per share (Note 1)
Exercise period of Share Options	From March 31, 2010 to March 29, 2016		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,010 Amount to be included in capital: ¥505 (Note 1)	Issue price: ¥853 Amount to be included in capital: ¥427 (Note 1)	Issue price: ¥1,010 Amount to be included in capital: ¥505 (Note 1)	Issue price: ¥853 Amount to be included in capital: ¥427 (Note 1)
Conditions for exercise of Share Options	Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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 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.		Same as on the left	
Matters concerning transfer of Share Options	Share Options shall not be inherited, offered for pledge or disposed of in any other way.		Same as on the left	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)		(Note 3)	

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Share Options, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the date of issuance of Share Options (except those associated with the exercise of Share Options, or those associated with the exercise of Share Options in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), exercise price shall be adjusted likewise.

Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Share Options shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Share Options to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Share Options by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Share Options by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Share Options. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Share Options.

6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Share Options.

7) Restriction on Transfer
Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2008)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	14,076	13,771
Of the Share Options, the number of own Share Options	7,163	7,228
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	1,407,600 (Note 1)	1,377,100 (Note 1)
Cash payment upon exercise of Share Options	¥559 per share (Note 1)	¥559 per share (Note 1)
Exercise period of Share Options	From March 28, 2012 to March 26, 2018	Same as on the left
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥841 Amount to be included in capital: ¥421 (Note 1)	Issue price: ¥841 Amount to be included in capital: ¥421 (Note 1)
Conditions for exercise of Share Options	Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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 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.	Same as on the left
Matters concerning transfer of Share Options	Share Options shall not be inherited, offered for pledge or disposed of in any other way.	Same as on the left
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)	(Note 3)

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Share Options, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the date of issuance of Share Options (except those associated with the exercise of Share Options, or those associated with the exercise of Share Options in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), exercise price shall be adjusted likewise.

Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Share Options shall be succeeded by the company which becomes the Company’s wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as “Succeeding Company”). Policy for determining the contents of Share Options to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Share Options by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as “Share Allotment Ratio”). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Share Options by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Share Options. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Share Options.

6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Share Options.

7) Restriction on Transfer
Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2009)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	6,714	6,636
Of the Share Options, the number of own Share Options	3,178	3,228
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	671,400 (Note 1)	663,600 (Note 1)
Cash payment upon exercise of Share Options	¥701 per share (Note 1)	¥701 per share (Note 1)
Exercise period of Share Options	From March 28, 2013 to March 26, 2019	Same as on the left
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,029 Amount to be included in capital: ¥515 (Note 1)	Issue price: ¥1,029 Amount to be included in capital: ¥515 (Note 1)
Conditions for exercise of Share Options	Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates 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.	Same as on the left
Matters concerning transfer of Share Options	Share Options shall not be inherited, offered for pledge or disposed of in any other way.	Same as on the left
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)	(Note 3)

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Share Options, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at

price below market value after the date of issuance of Share Options (except those associated with the exercise of Share Options, or those associated with the exercise of Share Options in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), exercise price shall be adjusted likewise.
Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.
3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Share Options shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Share Options to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Share Options by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.
3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Share Options by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
This shall be the exercise period of these Share Options. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Share Options.
6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Share Options.
7) Restriction on Transfer
Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	3,521	1,098	3,521	1,098
Of the Share Options, the number of own Share Options	1,080	209	1,092	215
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	352,100 (Note 1)	109,800 (Note 1)	352,100 (Note 1)	109,800 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 1)	¥1 per share (Note 1)	¥1 per share (Note 1)	¥1 per share (Note 1)
Exercise period of Share Options	From March 30, 2016 to March 28, 2022 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥815 Amount to be included in capital: ¥408 (Note 5)	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)	Issue price: ¥815 Amount to be included in capital: ¥408 (Note 5)	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Option (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Share Options.

Exercise Price shall be ¥1 per share. If the Company slits its common stock or consolidates its common stock after the issue date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 per Share Option as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 30, 2016 to March 28, 2022. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

6 Reasons and conditions for the acquisition of Share Options

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options
Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	5	14,780	5	14,780
Of the Share Options, the number of own Share Options	1	3,719	1	3,781
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	500 (Note 1)	1,478,000 (Note 1)	500 (Note 1)	1,478,000 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Share Options	From March 30, 2016 to March 28, 2022 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)	Issue price: ¥835 Amount to be included in capital: ¥418 (Note 5)	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)	Issue price: ¥835 Amount to be included in capital: ¥418 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Option (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Share Options.

Exercise Price shall be ¥1 per share. If the Company slits its common stock or consolidates its common stock after the issue date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 per Share Option as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 30, 2016 to March 28, 2022. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

2) 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 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

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

2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options
Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	2,049	2,049
Of the Share Options, the number of own Share Options	1,566	1,566
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	204,900 (Note 1)	204,900 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Share Options	A. One third of granted options From April 20, 2014 to April 20, 2022 B. One third of granted options From April 20, 2015 to April 20, 2022 C. One third of granted options From April 20, 2016 to April 20, 2022 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	A. Issue price: ¥889 Amount to be included in capital: ¥445 B. Issue price: ¥886 Amount to be included in capital: ¥443 C. Issue price: ¥884 Amount to be included in capital: ¥442 (Note 5)	A. Issue price: ¥889 Amount to be included in capital: ¥445 B. Issue price: ¥886 Amount to be included in capital: ¥443 C. Issue price: ¥884 Amount to be included in capital: ¥442 (Note 5)
Conditions for exercise of Share Options	(Note 4)	(Note 4)
Matters concerning transfer of Share Options	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Option (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Share Options.

Exercise Price shall be ¥1 per share. If the Company slits its common stock or consolidates its common stock after the issue date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 per Share Option as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

3 Exercise period of Share Options

Exercise period of Share Options shall be from the second year through to the tenth year of the day of the granting and allotting. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of issue of Share Options may exercise all or a part of the stock options in accordance with the following classifications:
   (i) Those who received the allotment of issue of Share Options may not exercise any of the Share Options allotted to him/her from Issue Date to the date immediately preceding the second year of the Issue Date.
   (ii) Those who received the allotment of issue of Share Options may exercise one-third of the Share Options allotted to him/her from the second year of the Issue Date to the date immediately preceding the third year of the Issue Date (in calculating the number of Share Options that would have become exercisable, any fraction less than one shall be rounded down).
   (iii) Those who received the allotment of issue of Share Options may exercise two-thirds (However, if a part of the Share Options allotted is exercised by the third year, exercisable Share Options shall be within two-thirds of the allotted Share Options, including the already exercised Share Options) of the Share Options allotted to him/her from the third year of the Issue Date to the date immediately preceding the fourth year of the Issue Date (in calculating the number of Share Options that would have become exercisable, any fraction less than one shall be rounded down).
   (iv) Those who received the allotment of issue of Share Options may exercise all the Share Options allotted to him/her from the fourth year of the Issue Date through to the tenth year of the Issue Date.
2) Those who received the allotment of issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided however that, this shall not apply to cases where (i) those who received the allotment of the issue of Share Options exercise Share Options which are exercisable at the time of the termination of delegation or employment relationship (including a case where those

who received the allotment of the issue of Share Options have passed away) between them and the Company's overseas subsidiaries or affiliates with which they primarily have said delegation or employment relationship within 30 days from such termination, or (ii) it is allowed as an exceptional case by the Board of Directors in consideration of circumstances.

In addition, allotted Share Options which are not then exercisable shall not be exercised thereafter: (a) in cases where those who received the allotment of the issue of Share Options retire or leave the Company of their own accord; those who received the allotment of the issue of Share Options are dismissed or displaced by Kobo Inc. due to reasons imputable to them under the governing law for its incorporation; or delegation or employment relationship between those who received the allotment of the issue of Share Options and Kobo Inc. terminated due to death of those who received the allotment of the issue of Share Options, permanent invalidity which disables them to continue to execute their duties for Kobo Inc. or an affiliate under the governing law for its incorporation, or mandatory retirement, (b) in cases where those who received the allotment of the issue of Share Options retire or leave the Company of their own accord because significant disadvantageous changes in the basic terms of the delegation or employment contract are unilaterally imposed on them by Kobo Inc. or an affiliate thereof under the governing law for its incorporation, those who received the allotment of the issue of Share Options, notwithstanding the provision in 1), may also exercise their rights with respect to allotted Share Options to the extent of the number obtained by multiplying the ratio of the period from the anniversary date of the Issue Date (hereinafter referred to as "Commencement Date") to the date of the retirement or leaving of the company (hereinafter referred to as "Date of Leaving") against the one-year period which includes the Date of Leaving and commences on the Commencement Date by the number of Share Options that would have become exercisable pursuant to the provision in 1) at the time when the said one-year period has elapsed (However, in cases where those who received the allotment of the issue of Share Options retire or leave the Company on or before the second anniversary date of the Issue Date, those who received the allotment of the issue of Share Options may exercise their rights with respect to allotted Share Options to the extent of the number obtained by multiplying the ratio of the period from the Issue Date to the Date of Leaving against the two-year period by the number of Share Options that would have become exercisable pursuant to the provision in 1) (ii) on the second year of the date of the Issue Date) (in calculating the number of Share Options that would have become exercisable, any fraction less than one shall be rounded down) (However, those who received the allotment of the issue of Share Options shall exercise Share Options within 30 days from the date of the termination of delegation or employment relationship with Kobo Inc.), and (c) in cases where those who received the allotment of the issue of Share Options are dismissed or displaced by Kobo Inc. despite the lack of reasons imputable to them under the governing law for its incorporation, those who received the allotment of the issue of Share Options may, notwithstanding the provision in 1), exercise all of allotted Share Options that are held at the time of receiving the notification of dismissal or displacement (However, those who received the allotment of the issue of Share Options shall exercise Share Options within 30 days from the date of the termination of delegation or employment relationship with Kobo Inc.).

3) Notwithstanding the provisions of 1) above, in the event of a sale of all or substantially all of the assets of the business of Kobo Inc. to a third party other than the Company or an affiliate of Kobo Inc. under the governing law for its incorporation, or in the event of a reorganization, such as merger (except for reorganization carried out by solely involving Kobo Inc. and one or more of its affiliates under the governing law for its incorporation), with respect to which all or substantially all of the persons who were the

beneficial owners of the common shares of Kobo Inc. immediately prior to such transaction do not, following such transaction, beneficially own directly or indirectly, more than 50% of the resulting voting rights of all shareholders of Kobo Inc. (including all the voting rights of Kobo Inc. or other similar rights which may be issued or transferred as a result of the exercising of the Share Options of Kobo Inc.), the holder of the Share Options may exercise all the rights he/she holds at the time of such event, provided that such Share Options are exercised immediately before such event comes into force.

4) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

2) 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 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

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

2) In case that Holders of Share Options ceases to accommodate the conditions of 4 2) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options
Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	2,761	6,549	2,761	6,549
Of the Share Options, the number of own Share Options	—	1,055	—	1,089
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	276,100 (Note 1)	654,900 (Note 1)	276,100 (Note 1)	654,900 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 30, 2016 to March 28, 2022 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Issued Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 30, 2016 to March 28, 2022. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

2) 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 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

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

2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2013)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	11,463	120	11,463	120
Of the Share Options, the number of own Share Options	3,067	—	3,128	—
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	1,146,300 (Note 1)	12,000 (Note 1)	1,146,300 (Note 1)	12,000 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2017 to March 27, 2023 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,187 Amount to be included in capital: ¥594 (Note 5)	Issue price: ¥1,575 Amount to be included in capital: ¥788 (Note 5)	Issue price: ¥1,187 Amount to be included in capital: ¥594 (Note 5)	Issue price: ¥1,575 Amount to be included in capital: ¥788 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2017 to March 27, 2023. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

2) 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 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

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

2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2013)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	8,395	3,876	8,395	3,876
Of the Share Options, the number of own Share Options	1,600	792	1,655	815
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	839,500 (Note 1)	387,600 (Note 1)	839,500 (Note 1)	387,600 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2017 to March 27, 2023 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,675 Amount to be included in capital: ¥838 (Note 5)	Issue price: ¥1,450 Amount to be included in capital: ¥725 (Note 5)	Issue price: ¥1,675 Amount to be included in capital: ¥838 (Note 5)	Issue price: ¥1,450 Amount to be included in capital: ¥725 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2017 to March 27, 2023. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

6 Reasons and conditions for the acquisition of Share Options

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2013)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	4,090	4,090
Of the Share Options, the number of own Share Options	888	1,078
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	409,000 (Note 1)	409,000 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2017 to March 27, 2023 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,307 Amount to be included in capital: ¥654 (Note 5)	Issue price: ¥1,307 Amount to be included in capital: ¥654 (Note 5)
Conditions for exercise of Share Options	(Note 4)	(Note 4)
Matters concerning transfer of Share Options	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2017 to March 27, 2023. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

2) 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 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

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

2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

7 Restriction on the acquisition of Share Options by transfer

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	2,810	10,217	2,810	10,217
Of the Share Options, the number of own Share Options	—	1,526	—	1,603
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	281,000 (Note 1)	1,021,700 (Note 1)	281,000 (Note 1)	1,021,700 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2018 to March 27, 2024 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,336 Amount to be included in capital: ¥668 (Note 5)	Issue price: ¥1,331 Amount to be included in capital: ¥666 (Note 5)	Issue price: ¥1,336 Amount to be included in capital: ¥668 (Note 5)	Issue price: ¥1,331 Amount to be included in capital: ¥666 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2018 to March 27, 2024. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

6 Reasons and conditions for the acquisition of Share Options

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.

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

8) Reason and conditions for acquisition of Share Options

To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	5,238	1,444	5,238	1,444
Of the Share Options, the number of own Share Options	539	29	608	35
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	523,800 (Note 1)	144,400 (Note 1)	523,800 (Note 1)	144,400 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2018 to March 27, 2024 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,320 Amount to be included in capital: ¥660 (Note 5)	Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 5)	Issue price: ¥1,320 Amount to be included in capital: ¥660 (Note 5)	Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2018 to March 27, 2024. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

6 Reasons and conditions for the acquisition of Share Options

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.

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

8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	17,130	17,130
Of the Share Options, the number of own Share Options	20	2,380
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	1,713,000 (Note 1)	1,713,000 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2018 to March 27, 2024 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,230 Amount to be included in capital: ¥615 (Note 5)	Issue price: ¥1,230 Amount to be included in capital: ¥615 (Note 5)
Conditions for exercise of Share Options	(Note 4)	(Note 4)
Matters concerning transfer of Share Options	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2018 to March 27, 2024. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

6 Reasons and conditions for the acquisition of Share Options

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.

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

8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	8,731	8,924	8,731	8,924
Of the Share Options, the number of own Share Options	800	1,866	878	1,964
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	873,100 (Note 1)	892,400 (Note 1)	873,100 (Note 1)	892,400 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Share Options	From March 29, 2018 to March 27, 2024 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,629 Amount to be included in capital: ¥815 (Note 5)	Issue price: ¥1,980 Amount to be included in capital: ¥990 (Note 5)	Issue price: ¥1,629 Amount to be included in capital: ¥815 (Note 5)	Issue price: ¥1,980 Amount to be included in capital: ¥990 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 29, 2018 to March 27, 2024. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

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

2) 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 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

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

2) In case that Holders of Share Options ceases to accommodate the conditions of 4 1) 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.

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

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.

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

8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2015)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	3,458	1,022	3,458	1,022
Of the Share Options, the number of own Share Options	—	—	—	—
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	345,800 (Note 1)	102,200 (Note 1)	345,800 (Note 1)	102,200 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Share Options	A. 15% of granted options From June 1, 2016 to June 1, 2025 B. 20% of granted options From June 1, 2017 to June 1, 2025 C. 30% of granted options From June 1, 2018 to June 1, 2025 D. 35% of granted options From June 1, 2019 to June 1, 2025 (Note 3)	A. 15% of granted options From July 1, 2016 to July 1, 2025 B. 20% of granted options From July 1, 2017 to July 1, 2025 C. 30% of granted options From July 1, 2018 to July 1, 2025 D. 35% of granted options From July 1, 2019 to July 1, 2025 (Note 3)	Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	A. Issue price: ¥2,055 Amount to be included in capital: ¥1,028 B. Issue price: ¥2,051 Amount to be included in capital: ¥1,026 C. Issue price: ¥2,046 Amount to be included in capital: ¥1,023 D. Issue price: ¥2,042 Amount to be included in capital: ¥1,021 (Note 5)	A. Issue price: ¥2,026 Amount to be included in capital: ¥1,013 B. Issue price: ¥2,022 Amount to be included in capital: ¥1,011 C. Issue price: ¥2,017 Amount to be included in capital: ¥1,009 D. Issue price: ¥2,013 Amount to be included in capital: ¥1,007 (Note 5)	A. Issue price: ¥2,055 Amount to be included in capital: ¥1,028 B. Issue price: ¥2,051 Amount to be included in capital: ¥1,026 C. Issue price: ¥2,046 Amount to be included in capital: ¥1,023 D. Issue price: ¥2,042 Amount to be included in capital: ¥1,021 (Note 5)	A. Issue price: ¥2,026 Amount to be included in capital: ¥1,013 B. Issue price: ¥2,022 Amount to be included in capital: ¥1,011 C. Issue price: ¥2,017 Amount to be included in capital: ¥1,009 D. Issue price: ¥2,013 Amount to be included in capital: ¥1,007 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Matters concerning transfer of Share Options	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

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

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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.

5) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

1) 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.

2) 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 1) above minus the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

1) 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.

2) In the case that Holders of Share Options cease to accommodate the conditions of 4 1) 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.

7 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.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by

issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.

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

8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options
Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2015)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	16,380	16,380
Of the Share Options, the number of own Share Options	952	1,557
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	1,638,000 (Note 1)	1,638,000 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Share Options	A. 15% of granted options From August 1, 2016 to August 1, 2025 B. 20% of granted options From August 1, 2017 to August 1, 2025 C. 30% of granted options From August 1, 2018 to August 1, 2025 D. 35% of granted options From August 1, 2019 to August 1, 2025 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	A. Issue price: ¥1,991 Amount to be included in capital: ¥996 B. Issue price: ¥1,986 Amount to be included in capital: ¥993 C. Issue price: ¥1,982 Amount to be included in capital: ¥991 D. Issue price: ¥1,978 Amount to be included in capital: ¥989 (Note 5)	A. Issue price: ¥1,991 Amount to be included in capital: ¥996 B. Issue price: ¥1,986 Amount to be included in capital: ¥993 C. Issue price: ¥1,982 Amount to be included in capital: ¥991 D. Issue price: ¥1,978 Amount to be included in capital: ¥989 (Note 5)
Conditions for exercise of Share Options	(Note 4)	(Note 4)
Matters concerning transfer of Share Options	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

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

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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.

5) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

1) 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.

2) 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 1) above minus the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

1) 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.

2) In the case that Holders of Share Options cease to accommodate the conditions of 4 1) 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.

7 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.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a

corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2015)

	As of the end of fiscal year (December 31, 2015)	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	8	8
Of the Share Options, the number of own Share Options	—	
Class of shares to be issued upon exercise of Share Options	Common stock	Same as on the left
Number of shares to be issued upon exercise of Share Options	800 (Note 1)	800 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Share Options	From March 28, 2019 to March 26, 2025 (Note 3)	From March 28, 2019 to March 26, 2025 (Note 3)
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,979 Amount to be included in capital: ¥990 (Note 5)	Issue price: ¥1,979 Amount to be included in capital: ¥990 (Note 5)
Conditions for exercise of Share Options	(Note 4)	(Note 4)
Matters concerning transfer of Share Options	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed

upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options
Exercise period of Share Options shall be from March 28, 2019 to March 26, 2025. 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.

4 Conditions for exercise of Share Options
1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options
1) 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.
2) 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 1) above minus the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options
1) 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.
2) In the case that Holders of Share Options cease to accommodate the conditions of 4 1) 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.

7 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.

8 In the event the Company merges (limited to cases where the Company becomes a

dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options
Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2015)

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
Number of Share Options	718	7,801	718	7,801
Of the Share Options, the number of own Share Options	—	111	—	185
Class of shares to be issued upon exercise of Share Options	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Share Options	71,800 (Note 1)	780,100 (Note 1)	71,800 (Note 1)	780,100 (Note 1)
Cash payment upon exercise of Share Options	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Share Options	A. 15% of granted options From October 1, 2016 to October 1, 2025 B. 20% of granted options From October 1, 2017 to October 1, 2025 C. 30% of granted options From October 1, 2018 to October 1, 2025 D. 35% of granted options From October 1, 2019 to October 1, 2025 (Note 3)	A. 15% of granted options From November 1, 2016 to October 31, 2025 B. 20% of granted options From November 1, 2017 to October 31, 2025 C. 30% of granted options From November 1, 2018 to October 31, 2025 D. 35% of granted options From November 1, 2019 to October 31, 2025 (Note 3)	Same as on the left	
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	A. Issue price: ¥1,553 Amount to be included in capital: ¥777 B. Issue price: ¥1,549 Amount to be included in capital: ¥775 C. Issue price: ¥1,545 Amount to be included in capital: ¥773 D. Issue price:	A. Issue price: ¥1,683 Amount to be included in capital: ¥842 B. Issue price: ¥1,678 Amount to be included in capital: ¥839 C. Issue price: ¥1,674 Amount to be included in capital: ¥837 D. Issue price:	A. Issue price: ¥1,553 Amount to be included in capital: ¥777 B. Issue price: ¥1,549 Amount to be included in capital: ¥775 C. Issue price: ¥1,545 Amount to be included in capital: ¥773 D. Issue price:	A. Issue price: ¥1,683 Amount to be included in capital: ¥842 B. Issue price: ¥1,678 Amount to be included in capital: ¥839 C. Issue price: ¥1,674 Amount to be included in capital: ¥837 D. Issue price:

	As of the end of fiscal year (December 31, 2015)		As of the end of month preceding the submission date (February 29, 2016)	
	¥1,540 Amount to be included in capital: ¥770 (Note 5)	¥1,670 Amount to be included in capital: ¥835 (Note 5)	¥1,540 Amount to be included in capital: ¥770 (Note 5)	¥1,670 Amount to be included in capital: ¥835 (Note 5)
Conditions for exercise of Share Options	(Note 4)		(Note 4)	
Matters concerning transfer of Share Options	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as “Issued Shares”)

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as “Number of Shares.”)

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company’s subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

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

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors,

Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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.

5) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

1) 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.

2) 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 1) above minus

the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

1) 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.

2) In the case that Holders of Share Options cease to accommodate the conditions of 4 1) 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.

7 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.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered

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

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

Shares of common stock of the Restructured Company

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

To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2015)

	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	19,993
Of the Share Options, the number of own Share Options	195
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares to be issued upon exercise of Share Options	1,999,300 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)
Exercise period of Share Options	A. 15% of granted options From February 1, 2017 to February 1, 2026 B. 20% of granted options From February 1, 2018 to February 1, 2026 C. 30% of granted options From February 1, 2019 to February 1, 2026 D. 35% of granted options From February 1, 2020 to February 1, 2026 (Note 3)
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	A. Issue price: ¥1,290 Amount to be included in capital: ¥645 B. Issue price: ¥1,286 Amount to be included in capital: ¥643 C. Issue price: ¥1,282 Amount to be included in capital: ¥641 D. Issue price: ¥1,277 Amount to be included in capital: ¥639 (Note 5)
Conditions for exercise of Share Options	(Note 4)
Matters concerning transfer of Share Options	(Note 7)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

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

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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.

5) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

1) 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.

2) 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 1) above minus the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

1) 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.

2) In the case that Holders of Share Options cease to accommodate the conditions of 4 1) 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.

7 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.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 5 above.

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

8) Reason and conditions for acquisition of Share Options
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2015)

	As of the end of month preceding the submission date (February 29, 2016)
Number of Share Options	16
Of the Share Options, the number of own Share Options	—
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares to be issued upon exercise of Share Options	1,600 (Note 1)
Cash payment upon exercise of Share Options	¥1 per right (Note 2)
Exercise period of Share Options	From March 28, 2019 to March 26, 2025 (Note 3)
Issue price for shares issued through exercise of Share Options and the amount to be included in capital	Issue price: ¥1,281 Amount to be included in capital: ¥641 (Note 5)
Conditions for exercise of Share Options	(Note 4)
Matters concerning transfer of Share Options	(Note 7)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Share Options (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Share Option. (The number of shares for each Share Option shall be hereinafter referred to as "Number of Shares.")

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

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

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

2 Value of the assets to be contributed upon exercise of Share Options

The value of the assets to be contributed upon the exercise of one Share Option shall be ¥1, and the number of shares subject to the Share Options (shares to be issued upon exercise of Share Options) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Share Option shall be the amount obtained by multiplying the price of each Share Option (¥1) by the number of subject Share Options to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.

Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Share Option shall be adjusted likewise.

3 Exercise period of Share Options

Exercise period of Share Options shall be from March 28, 2019 to March 26, 2025. 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.

4 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Share Options

1) 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.

2) 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 1) above minus the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Share Options

1) 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.

2) In the case that Holders of Share Options cease to accommodate the conditions of 4 1) 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.

7 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.

8 In the event the Company merges (limited to cases where the Company becomes a

dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of Share Options as stipulated in 3 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 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Share Options
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Share Options

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

(3) Status in the Exercise of Bonds with Share Options with Exercise Price Amendment
Not applicable.

(4) Rights Plans
Not applicable.

(5) Changes in the Total Number of Shares Issued and the Amount of Common Stock and Others

(Millions of Yen, unless otherwise stated)

Period	Changes in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock	Balance of common stock	Changes in legal capital surplus	Balance of legal capital surplus
From January 1, 2011 to December 31, 2011 (Note 1)	12,881	13,194,578	179	107,959	179	75,495
From January 1, 2012 to June 30, 2012 (Note 1)	6,082	13,200,660	154	108,113	154	75,649
July 1, 2012 (Note 2)	1,306,865,340	1,320,066,000	—	108,113	—	75,649
From July 1, 2012 to December 31, 2012 (Note 1)	560,600	1,320,626,600	141	108,255	141	75,791
From January 1, 2013 to December 31, 2013 (Note 1)	3,236,500	1,323,863,100	1,274	109,530	1,274	77,066
From January 1, 2014 to December 31, 2014 (Note 1)	4,740,300	1,328,603,400	2,071	111,601	2,071	79,138
From January 1, 2015 to June 30, 2015 (Note 1)	1,777,100	1,330,380,500	816	112,418	816	79,955
June 30, 2015 (Note 3)	99,606,500	1,429,987,000	90,987	203,405	90,986	170,941
From July 1, 2015 to December 31, 2015 (Note 1)	386,900	1,430,373,900	182	203,587	182	171,124

(Notes) 1 Through the exercise of Share Options or subscription warrants.

2 The Company conducted a 100-for-1 share split on July 1, 2012. As a result of this, the number of shares issued increased by 1,306,865,340 shares.

3 Due to an increase in public offerings with consideration in Japan as well as an increase in public offering in the overseas markets (however, in the United States, only for sales to qualified institutional investors under Rule 144A of the U.S. Securities Act 1933). The issue price for these offerings was ¥1,905.5, the subscription price was ¥1,826.92, and the amount to be included in capital was ¥913.46.

4 Due to the exercise of Share Options, total number of shares issued increased by 390,100 shares, common stock increased by ¥188 million and legal capital surplus increased by ¥188 million in the period from January 1, 2016 to February 29, 2016.

(6) Status of Shareholders

As of December 31, 2015

Classification	Status of shares (the number of minimum unit is 100 shares)								Status of shares below unit (shares)
	Govern-ment and local municipali-ties	Domestic Financial institutions	Financial instruments business operators	Other Domestic corporations	Foreign corporations, etc.		Individuals and others	Total	
					Others	Individuals			
Number of shareholders	1	65	71	834	683	272	119,456	121,382	—
Number of shares held (Unit)	1,170	1,676,810	188,854	2,518,006	5,661,527	5,448	4,251,639	14,303,454	28,500
Percentage of shares held (%)	0.01	11.72	1.32	17.60	39.58	0.04	29.73	100.00	—

(Note) 6,008,788 shares of treasury stocks are included as 60,087 units in the item of “Individuals and others” and as 88 shares in the “Status of shares below unit.”

(7) Major Shareholders

As of December 31, 2015

Name	Address	Number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
Crimson Group, Inc.	ARK Hills Executive Tower N211, 1-14-5 Akasaka, Minato-ku, Tokyo	226,419,000	15.83
Hiroshi Mikitani	Minato-ku, Tokyo	176,155,800	12.32
Haruko Mikitani	Shibuya-ku, Tokyo	132,625,000	9.27
JP MORGAN CHASE BANK 380055 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (4-16-13 Tsukishima, Chuo-ku, Tokyo)	52,865,384	3.70
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	42,103,100	2.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	30,517,300	2.13
MELLONBANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	ONE BOSTON PLACE BONSTON, MA 02108 (4-16-13 Tsukishima, Chuo-ku, Tokyo)	21,077,071	1.47
Culture Convenience Club Co., Ltd.	2-5-25 Umeda, Kita-ku, Osaka	20,662,000	1.44
JP MORGAN CHASE BANK 385164 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (4-16-13 Tsukishima, Chuo-ku, Tokyo)	19,991,600	1.40
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Custody Operations Division, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	19,625,675	1.37
Total	—	742,041,930	51.87

(Notes) 1 Haruko Mikitani who was a major shareholder at the end of the previous fiscal year is no longer a major shareholder as at the end of the current fiscal year, following the offering of newly issued shares resolved at the Meeting of the Board of Directors held on June 4, 2015.

2 The Company received a Report of Possession of Large Volume (Change Report), dated August 7, 2015, filed by Capital Research and Management Company, which indicates that the companies are holding the following number of the Company's shares as of July 31, 2015. However, as the Company is unable to confirm the number of shares held as of the end of the current fiscal year, the companies are not included in the Major Shareholders above.

The content of such Report of Possession of Large Volume (Change Report) is as follows:

Name	Address	Number of share certificates, etc. (shares)	Percentage of share certificates, etc. held to the total number issued (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	57,404,600	4.01
Total	—	57,404,600	4.01

(8) Status of Voting Rights

1) Issued shares

As of December 31, 2015

Classification	Number of shares (shares)		Number of voting rights	Details
Shares without voting rights		—	—	—
Shares with limited voting rights (treasury stock, etc.)		—	—	—
Shares with limited voting rights (others)		—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock	6,008,700	—	—
Shares with full voting rights (others)	Common stock	1,424,336,700	14,243,367	—
Shares below unit	Common stock	28,500	—	—
Total number of shares issued		1,430,373,900	—	—
Total voting rights held by all shareholders		—	14,243,367	—

(Note) 88 shares of treasury stock are included in “Shares below unit.”

2) Treasury Stock, etc.

As of December 31, 2015

Shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stock)					
Rakuten, Inc.	1-14-1 Tamagawa, Setagaya-ku, Tokyo	6,008,700	—	6,008,700	0.42
Total	—		—		

(9) Stock Option Plans

1) The Company applies a stock option plan that grants stock options to Directors, Company Auditors and employees of the Company based on Share Options in accordance with the provisions of Articles 280-20 and 280-21 of the amended Commercial Code in 2001. Schedule of the plan is as follows.

Date of resolution	March 30, 2006			
Classification and number of persons received	Directors of the Company	13	Directors of the Company	13
	Company Auditors of the Company	3	Company Auditors of the Company	3
	Employees of the Company	765	Employees of the Company	68
	Directors of the Company's subsidiaries	3		
	Employees of the Company's subsidiaries	22		
Class of shares to be issued upon exercise of Share Options	Common stock			
Number of shares	3,000,000 (Note 1)		1,434,000 (Note 1)	
Cash payment upon exercise of Share Options	¥1,010 (Note 1)		¥559 (Note 1)	
Exercise period of Share Options	From March 31, 2010 to March 29, 2016			
Conditions for exercise of Share Options	(Note 2)			
Matters concerning transfer of Share Options	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)			

(Notes) 1 Cash payment shall be the average value (a fraction less than ¥1 shall be rounded up) of the closing price (last trading price) of the Company's common stock published by Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month of the grant date. If such average value turns out to be less than the closing price on the grant date, such closing price shall apply.

If the Company splits its common stock or consolidates its common stock, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the grant date (except those associated with the exercise of Share Options, or those associated with the exercise of Share Options in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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.

2) Share Options shall not be inherited.

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

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

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

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Share Options shall be succeeded by the company which becomes the Company’s wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as “Succeeding Company”). Policy for determining the contents of Share Options to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Share Options by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as “Share Allotment Ratio”). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Share Options by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Share Options. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Share Options.

6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Share Options.

7) Restriction on Transfer
Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

2) The Company applies a stock option plan that grants stock options to Directors, Company Auditors and employees of the Company based on Share Options in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act. Schedule of the plan is as follows.

Date of resolution	March 27, 2008	
Classification and number of persons received	Directors, Company Auditors and employees of the Company	2,035
Class of shares to be issued upon exercise of Share Options	Common stock	
Number of shares	3,305,000 (Note 1)	
Cash payment upon exercise of Share Options	¥563 (Note 1)	
Exercise period of Share Options	From March 28, 2012 to March 26, 2018	
Conditions for exercise of Share Options	(Note 2)	
Matters concerning transfer of Share Options	(Note 2)	
Matters concerning collateral payment	—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)	

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Options (hereinafter referred to as “Exercise Price”) shall be the average value of the closing price of the regular transactions in the Company’s shares, as published by the Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month the Share Options are issued (hereinafter referred to as “Issue Date”). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\ \text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Share Options, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), Exercise Price shall be adjusted likewise.

“Number of shares issued” in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, “shares newly issued” shall read “treasury stock disposed” or “cash payment per share” shall read “disposal proceeds per share”.

$$\begin{array}{c}\text{Exercise}\\ \text{price}\\ \text{after}\\ \text{adjustment}\end{array} = \begin{array}{c}\text{Exercise}\\ \text{price}\\ \text{before}\\ \text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\ \text{issued}\end{array} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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.
2) Share Options shall not be inherited.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the agreement on allotment of Share Options, concluded between the Company and holders of Share Options, based on the resolution at the meeting of the Board of Directors on issuance of Share Options.
5) Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Share Options shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Share Options to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Share Options by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.
3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Share Options by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
This shall be the exercise period of these Share Options. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Share Options.
6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Share Options.
7) Restriction on Transfer
Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

Date of resolution	March 27, 2009	
Classification and number of persons received	Directors, Company Auditors and employees of the Company	2,379
Class of shares to be issued upon exercise of Share Options	Common stock	
Number of shares	1,198,900 (Note 1)	
Cash payment upon exercise of Share Options	¥707 (Note 1)	
Exercise period of Share Options	From March 28, 2013 to March 26, 2019	
Conditions for exercise of Share Options	(Note 2)	
Matters concerning transfer of Share Options	(Note 2)	
Matters concerning collateral payment	—	
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)	

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Options (hereinafter referred to as "Exercise Price") shall be the average value of the closing price of the regular transactions in the Company's shares, as published by the Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month the Share Options are issued (hereinafter referred to as "Issue Date"). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Share Options, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), exercise price shall be adjusted likewise.

"Number of shares issued" in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, "shares newly issued" shall read "treasury stock disposed" or "cash payment per share" shall read "disposal proceeds per share".

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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.
2) Share Options shall not be inherited.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the agreement on allotment of Share Options, concluded between the Company and holders of Share Options, based on the resolution at the meeting of the Board of Directors on issuance of Share Options.
5) Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the vent of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Share Options shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Share Options to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Share Options by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.
3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Share Options by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
This shall be the exercise period of these Share Options. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Share Options.
6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Share Options.
7) Restriction on Transfer
Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

Date of resolution	March 30, 2010
Classification and number of persons received	Directors, Company Auditors and employees of the Company, the Company's subsidiaries and associates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 6,000,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 1)
Exercise period of Share Options	From March 31, 2014 to March 29, 2020
Conditions for exercise of Share Options	(Note 2)
Matters concerning transfer of Share Options	(Note 2)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Option (hereinafter referred to as "Exercise Price") shall be the average value of the closing price of the regular transactions in the Company's shares, as published by the Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month the Share Options are issued (hereinafter referred to as "Issue Date"). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Share Options, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the Exercise Price shall be adjusted by the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), Exercise Price shall be adjusted likewise.

"Number of shares issued" in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, "shares newly issued" shall read "treasury stock disposed" or "cash payment per share" shall read "disposal proceeds per share."

$$\begin{array}{c}\text{Exercise}\\\text{price}\\\text{after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise}\\\text{price}\\\text{before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\\text{issued}\end{array} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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.

2) Share Options shall not be inherited.

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

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

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

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be Delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
Shares of common stock of the Restructured Company

3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise Period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.

6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Share Options
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on Acquisition of Share Options by Transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 30, 2011
Classification and number of persons received	Directors, Company Auditors and employees of the Company, the Company's subsidiaries and associates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 6,000,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 1)
Exercise period of Share Options	From March 31, 2015 to March 29, 2021
Conditions for exercise of Share Options	(Note 2)
Matters concerning transfer of Share Options	(Note 2)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Options (hereinafter referred to as "Exercise Price") shall be the average value of the closing price of the regular transactions in the Company's shares, as published by Osaka Securities Exchange JASDAQ (standard) on all business days (excluding no trading days) of the month preceding the month the Share Options are issued (hereinafter referred to as "Issue Date"). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Share Options, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the Exercise Price shall be adjusted by the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Share Options (insofar as price of the shares issued in association with the exercise of such options is below the market value at the time of issuance of the Share Options), Exercise Price shall be adjusted likewise.

"Number of shares issued" in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, "shares newly issued" shall read "treasury stock disposed" or "cash payment per share" shall read "disposal proceeds per share."

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates 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.
2) Share Options shall not be inherited.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the "agreement on allotment of Share Options," concluded between the Company and holders of Share Options, based on the resolution at the meeting of the Board of Directors on issuance of Share Options.
5) Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be Delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise Period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by

Issuing of Shares by the Restructured Company upon the Exercise of Share Options
This is to be determined in accordance with matters concerning increase common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on Acquisition of Share Options by Transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).

8) Reason and Conditions for Acquisition of Share Options
This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Share Options (A)

Date of resolution	March 29, 2012		
Classification and number of persons received	Employees of the Company 2,529	Directors, Company Auditors and employees of the Company's subsidiaries 714	Employees of the Company's subsidiaries 4
Class of shares to be issued upon exercise of Share Options	Common stock		
Number of shares	352,100 (Note 1)	109,800 (Note 1)	500 (Note 1)
Cash payment upon exercise of Share Options	¥ 1 (Note 1)		
Exercise period of Share Options	From March 30, 2016 to March 28, 2022		
Conditions for exercise of Share Options	(Note 2)		
Matters concerning transfer of Share Options	(Note 2)		
Matters concerning collateral payment	—		
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)		

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Options (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Share Options. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates 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.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Share Options shall not be offered for pledge or disposed of in any other way,

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

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions

to each those who received the allotment of issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be Delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise Period of Share Options
   Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Share Options
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.
7) Restriction on Acquisition of Share Options by Transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Share Options (A)

Date of resolution	March 29, 2012					
Classification and number of persons received	Employees of the Company and Directors, Company Auditors and employees of the Company's subsidiaries	4,632	Directors of the Company's subsidiaries	1	Directors, Company Auditors and employees of the Company and Directors and employees of the Company's subsidiaries	77
Class of shares to be issued upon exercise of Share Options	Common stock					
Number of shares	1,478,000 (Note 1)		276,100 (Note 1)		654,900 (Note 1)	
Cash payment upon exercise of Share Options	¥ 1 (Note 1)					
Exercise period of Share Options	From March 30, 2016 to March 28, 2022					
Conditions for exercise of Share Options	(Note 2)					
Matters concerning transfer of Share Options	(Note 2)					
Matters concerning collateral payment	—					
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)					

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Options (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Share Options. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates 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.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

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

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of issue of Share Options remaining unexercised (hereinafter referred to as "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.

1) Number of Share Options of the Restructured Company to be Delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
Shares of common stock of the Restructured Company

3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise Period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.

6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Share Options
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on Acquisition of Share Options by Transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).

8) Reason and Conditions for Acquisition of Share Options
This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Share Options (B)

Date of resolution	March 29, 2012			
Classification and number of persons received	Directors and employees of the Company's overseas subsidiaries	15	Employees of the Company's overseas subsidiaries	1
Class of shares to be issued upon exercise of Share Options	Common stock			
Number of shares	1,105,100 (Note 1)		103,300 (Note 1)	
Cash payment upon exercise of Share Options	¥1 (Note 1)		¥1 (Note 1)	
Exercise period of Share Options	A. One third of shares granted From April 20, 2014 to April 20, 2022 B. One third of shares granted From April 20, 2015 to April 20, 2022 C. One third of shares granted From April 20, 2016 to April 20, 2022		A. One third of shares granted From November 21, 2014 to November 21, 2022 B. One third of shares granted From November 21, 2015 to November 21, 2022 C. One third of shares granted From November 21, 2016 to November 21, 2022	
Conditions for exercise of Share Options	(Note 2)			
Matters concerning transfer of Share Options	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)			

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Option (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Share Options. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

3) Those who received the allotment of issue of Share Options may exercise all or a part of the stock options in accordance with the following classifications:

(i) Those who received the allotment of issue of Share Options may not exercise any of the Share Options allotted to him/her from Issue Date to the date immediately preceding the second year of the Issue Date.

(ii) Those who received the allotment of issue of Share Options may exercise one-third of the Share Options allotted to him/her from the second year of the Issue Date to the date immediately preceding the third year of the Issue Date (in calculating the number of Share Options that would have become exercisable, any fraction less than one shall be rounded down).

(iii) Those who received the allotment of issue of Share Options may exercise two-thirds (However, if a part of the Share Options allotted is exercised by the third year, exercisable Share Options shall be within two-thirds of the allotted Share Options, including the already exercised Share Options) of the Share Options allotted to him/her from the third year of the Issue Date to the date immediately preceding the fourth year of the Issue Date (in calculating the number of Share Options that would have become exercisable, any fraction less than one shall be rounded down).

(iv) Those who received the allotment of issue of Share Options may exercise all the Share Options allotted to him/her from the fourth year of the Issue Date through to the tenth year of the Issue Date.

4) Those who received the allotment of issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided however that, this shall not apply to cases where (i) those who received the allotment of the issue of Share Options exercise Share Options which are exercisable at the time of the termination of delegation or employment relationship (including a case where those who received the allotment of the issue of Share Options have passed away) between them and the Company's overseas subsidiaries or affiliates with which they primarily have said delegation or employment relationship (hereinafter referred to as "Company of Primary Involvement") within 30 days from such termination, or (ii) it is allowed as an exceptional case by the Board of Directors in consideration of circumstances.

In addition, allotted Share Options which are not then exercisable shall not be exercised thereafter: (a) in cases where those who received the allotment of the issue of Share Options retire or leave the Company of their own accord; those who received the allotment of the issue of Share Options are dismissed or displaced by the Company of Primary Involvement due to reasons imputable to them under the governing law for its incorporation; or delegation or employment relationship between those who received the allotment of the issue of Share Options and the Company of Primary Involvement terminated due to death of those who received the allotment of the issue of Share Options, permanent invalidity which disables them to continue to execute their duties for the Company of Primary Involvement or an affiliate under the governing law for its incorporation, or mandatory retirement, (b) in cases where those who received the allotment of the issue of Share Options retire or leave the Company of their own accord because significant disadvantageous changes in the basic terms of the delegation or employment contract are unilaterally imposed on them by the Company of Primary Involvement or an affiliate thereof under the governing law for its incorporation, those who received the allotment of the issue of Share Options, notwithstanding the provision in 3), may also exercise their rights with respect to allotted Share Options to the extent of the number obtained by multiplying the ratio of the period from the anniversary date of the Issue Date (hereinafter referred to as "Commencement Date") to the date of the retirement or leaving of the company (hereinafter referred to as "Date of Leaving") against the one-year period which includes the Date of Leaving and commences on the Commencement Date by the number of Share Options that would have become exercisable pursuant to the provision in 3) at the time when the said one-year period has elapsed (However, in cases where those who received the allotment of the issue of Share Options retire or leave the Company on or before the second anniversary date of the Issue Date, those who received the allotment of the issue of Share Options may exercise their rights with respect to allotted Share Options to the extent of the number obtained by multiplying the ratio of the period from the Issue Date to the Date of Leaving against the two-year period by the number of Share Options that would have become exercisable pursuant to the provision in 3) (ii) on the second year of the date of the Issue Date) (in calculating the number of Share Options that would have become exercisable, any fraction less than one shall be rounded down) (However, those who received the allotment of the issue of Share Options shall exercise Share Options within 30 days from the date of the termination of delegation or employment relationship with the Company of Primary Involvement.), and (c) in cases where those who received the allotment of the issue of Share Options are dismissed or displaced by the Company of Primary Involvement despite the lack of reasons imputable to them under the governing law for its incorporation, those who received the allotment of the issue of Share Options may, notwithstanding the provision in 3), exercise all of allotted Share Options that are held at the time of receiving the notification of dismissal or displacement (However, those who received the allotment of the issue of Share Options shall exercise Share Options within 30 days from the date of the termination of delegation or employment relationship with the Company of Primary Involvement.).

5) Notwithstanding the provisions of 3) above, in the event of a sale of all or substantially all of the assets of the business of the Company of Primary Involvement to a third party other than the Company or an affiliate of the Company of Primary Involvement under the governing law for its incorporation, or in the event of a reorganization, such as merger (except for reorganization carried out by solely involving the Company of Primary Involvement and one or more of its affiliates under the governing law for its incorporation), with respect to which all or substantially all of the persons who were the beneficial owners of the common shares of the Company of Primary Involvement immediately prior to such transaction do not, following such transaction, beneficially own directly or indirectly, more than 50% of the resulting voting rights of all shareholders of the Company of Primary Involvement (including all the voting rights of the Company of Primary Involvement or other similar rights which may be issued or transferred as a result of the exercising of the Share Options of the Company of Primary Involvement), the holder of the Share Options may exercise all the rights he/she holds at the time of such event, provided that such Share Options are exercised immediately before such event comes into force.

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

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be delivered

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

2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters concerning increase in common stock and legal capital reserve by issuing of shares by the Restructured Company upon the exercise of Share Options
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and conditions for acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 28, 2013			
Classification and number of persons received	Employees of the Company and Directors, Company Auditors and employees of the Company's subsidiaries	4,645	Employees of the Company's subsidiaries	1
Class of shares to be issued upon exercise of Share Options	Common stock			
Number of shares	1,146,300 (Note 1)		12,000 (Note 1)	
Cash payment upon exercise of Share Options	¥ 1 (Note 1)			
Exercise period of Share Options	From March 29, 2017 to March 27, 2023			
Conditions for exercise of Share Options	(Note 2)			
Matters concerning transfer of Share Options	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)			

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Share Options (hereinafter referred to as “Exercise Price”) by the number of shares to be issued upon exercise of the Share Options. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{matrix}\text{Exercise Price} \\ \text{after adjustment}\end{matrix} = \begin{matrix}\text{Exercise Price} \\ \text{before adjustment}\end{matrix} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Share Options shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates 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.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Share Options shall not be offered for pledge or disposed of in any other way,

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

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions

to each those who received the allotment of issue of Share Options remaining unexercised (hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be Delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise Period of Share Options
   Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Share Options
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.
7) Restriction on Acquisition of Share Options by Transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 28, 2014
Classification and number of persons received	Employees of the Company and Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 7,000,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 1)
Exercise period of Share Options	From March 29, 2018 to March 27, 2024
Conditions for exercise of Share Options	(Note 2)
Matters concerning transfer of Share Options	(Note 2)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 3)

(Notes) 1 1) Cash payment for Share Options

No cash payment is required for Share Options.

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

The Price for one Share Options shall be one yen.

2 1) Those who received the allotment of the issue of Share Options (hereinafter referred to as "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates 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.

2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Share Options shall not be offered for pledge or disposed of in any other way,

4) 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

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

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of issue of Share Options remaining unexercised

(hereinafter referred to as “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.

1) Number of Share Options of the Restructured Company to be Delivered
   The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Share Options
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise Period of Share Options
   Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Share Options
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.
7) Restriction on Acquisition of Share Options by Transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 27, 2015
Classification and number of persons received	Employees of the Company and Directors, Executive Officers and employees of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 9,000,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 2)
Exercise period of Share Options	The exercise period shall be from the date on which one year has passed from the issuance of the Share Options (hereinafter "date of issuance") to the date on which ten years have passed from the date of issuance. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
Conditions for exercise of Share Options	(Note 3)
Matters concerning transfer of Share Options	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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

2 1) Cash payment for Share Options
No cash payment is required for Share Options.

2) Value of the assets to be contributed upon exercise of Share Options
The Price for one Share Options shall be one yen.

3 1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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 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 unit arises in the number of exercisable Share Options, such fraction shall be discarded).

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

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

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

5) 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

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

4 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 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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall

equal the number of Share Options held by the holder of the Remaining Share Options.

2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 2) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reasons and conditions for the acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 27, 2015
Classification and number of persons received	Outside Directors of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 100,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 2)
Exercise period of Share Options	From March 28, 2019 to March 26, 2025
Conditions for exercise of Share Options	(Note 3)
Matters concerning transfer of Share Options	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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 shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Share Options
No cash payment is required for Share Options.

2) Value of the assets to be contributed upon exercise of Share Options
The Price for one Share Options shall be one yen.

3 1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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

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

4 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 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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

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

4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 2) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reasons and conditions for the acquisition of Share Options
This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 27, 2015
Classification and number of persons received	Company Auditors of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 300,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 2)
Exercise period of Share Options	From March 28, 2019 to March 26, 2025
Conditions for exercise of Share Options	(Note 3)
Matters concerning transfer of Share Options	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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 shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Share Options
No cash payment is required for Share Options.

2) Value of the assets to be contributed upon exercise of Share Options
The Price for one Share Options shall be one yen.

3 1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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

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

4 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 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.

1) Number of Share Options of the Restructured Company to be delivered
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Share Options held by the holder of the Remaining Share Options.

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

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

4) 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 Option shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 2) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Share Options as determined in accordance with 3) above.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reasons and conditions for the acquisition of Share Options
This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 30, 2016
Classification and number of persons received	Employees of the Company and Directors, Executive Officers and employees of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 15,500,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 2)
Exercise period of Share Options	The exercise period shall be from the date on which one year has passed from the issuance of the Share Options (hereinafter "date of issuance") to the date on which ten years have passed from the date of issuance. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
Conditions for exercise of Share Options	(Note 3)
Matters concerning transfer of Share Options	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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

2 1) Cash payment for Share Options
No cash payment is required for Share Options.

2) Value of the assets to be contributed upon exercise of Share Options
The Price for one Share Options shall be one yen.

3 1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

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

4) 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.

5) 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

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

4 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.

1) 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.

2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Share Options and total number of Share Options above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) 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 the value of the assets to be contributed upon the exercise of each Share Options after taking into consideration the conditions, etc. of the Organizational Restructuring.
5) Exercise period of Share Options
   Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.
7) Restriction on acquisition of Share Options by transfer
   Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reasons and conditions for the acquisition of Share Options
   This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 30, 2016
Classification and number of persons received	Outside Directors of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 100,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 2)
Exercise period of Share Options	From March 31, 2020 to March 29, 2026
Conditions for exercise of Share Options	(Note 3)
Matters concerning transfer of Share Options	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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 shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Share Options
No cash payment is required for Share Options.
2) Value of the assets to be contributed upon exercise of Share Options
The Price for one Share Options shall be one yen.

3 1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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

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

4 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.

1) 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.

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

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

4) 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 the value of the assets to be contributed upon the exercise of each Share Options after taking into consideration the conditions, etc. of the Organizational Restructuring.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reasons and conditions for the acquisition of Share Options
This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

Date of resolution	March 30, 2016
Classification and number of persons received	Company Auditors of the Company, the Company's subsidiaries and affiliates
Class of shares to be issued upon exercise of Share Options	Common stock
Number of shares	Maximum 300,000 (Note 1)
Cash payment upon exercise of Share Options	(Note 2)
Exercise period of Share Options	From March 31, 2020 to March 29, 2026
Conditions for exercise of Share Options	(Note 3)
Matters concerning transfer of Share Options	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Share Options accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

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

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 shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Share Options
No cash payment is required for Share Options.
2) Value of the assets to be contributed upon exercise of Share Options
The Price for one Share Options shall be one yen.

3 1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.
4) 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

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

4 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.

1) 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.

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

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

4) 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 the value of the assets to be contributed upon the exercise of each Share Options after taking into consideration the conditions, etc. of the Organizational Restructuring.

5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of this Share Options or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Share Options.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Share Options.

7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reasons and conditions for the acquisition of Share Options
This is to be determined in accordance with reasons and conditions for the acquisition of Share Options.

2. Status of Acquisition of Treasury Stock, etc.

Class of stocks, etc.	Acquisition of common stocks falling under Article 155, Items 7 and 13 of the Companies Act

(1) Status of the Acquisition of Treasury Stock Resolved at Shareholders' Meetings
Not applicable.

(2) Status of the Acquisition of Treasury Stock Resolved at the Meetings of the Board of Directors
Not applicable.

(3) Details of the Acquisition of Treasury Stock not Based on the Resolutions of Shareholders' Meetings or the Resolutions of the Meetings of the Board of Directors

Acquisition in accordance with Article 155, Item 7 of the Companies Act

Classification	Number of shares (shares)	Total acquisition amount (thousands of yen)
Acquired treasury stock in the current fiscal year	99	187
Acquired treasury stock in the current period (Note)	—	—

(Note) The number of shares of treasury stock acquired during the current period does not include the number of shares due to purchase of shares below unit during the period from March 1, 2016 to the filing date of this securities report.

Acquisition in accordance with Article 155, Item 13 of the Companies Act

Classification	Number of shares (shares)	Total acquisition amount (thousands of yen)
Acquired treasury stock in the current fiscal year (Note)	600	944
Acquired treasury stock in the current period	—	—

(Note) This is due to the share purchase demand based on Article 797, Paragraph 1 of the Companies Act, by dissenting shareholders against the absorption-type merger of Lubic Co., Ltd.

(4) Status of the Disposition and Holding of Acquired Treasury Stock

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total disposition amount (Millions of Yen)	Number of shares (shares)	Total disposition amount (Millions of Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was cancelled	—	—	—	—
Acquired Treasury stock transferred due to merger, stock exchange or company split	—	—	—	—
Others (—)	—	—	—	—
Number of treasury stock held	6,008,788	—	6,008,788	—

(Note) The number of shares of treasury stock acquired during the current period does not include the number of shares due to purchase of shares below unit during the period from March 1, 2016 to the filing date of this securities report.

3. Basic Policy on Dividends

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

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.

(Note) Payment of dividends based on record date for the current fiscal year is as follows.

Resolution date	Total dividend amount (Millions of Yen)	Dividend per share (Yen)
February 12, 2016 Resolution at the Meeting of the Board of Directors	6,410	4.50

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

Fiscal period	15th	16th	17th	18th	19th
Year-end	December 2011	December 2012	December 2013	December 2014	December 2015
Dividend per share (yen)	2.50	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.

4. Changes in Share Prices

(1) The Highest and Lowest Share Prices by Fiscal Year during the Recent Five Years

Fiscal period	15th	16th	17th	18th	19th
Year-end	December 2011	December 2012	December 2013	December 2014	December 2015
Highest (yen)	94,800	912	1,637 *1,589	1,843	2,395
Lowest (yen)	61,300	641	672 *1,450	1,130	1,348

(Notes) 1 The above highest and lowest prices of the Company's share prices are recorded on the Osaka Securities Exchange JASDAQ (standard) for the period before July 15, 2013, the Tokyo Stock Exchange JASDAQ (standard) for the period from July 16, 2013 to December 2, 2013, and the First Section of the Tokyo Stock Exchange for the period since December 3, 2013.

2 Although the Company conducted the share split (a 100-for-1 share split on July 1, 2012 based on the resolution at the Board of Directors on February 20, 2012) during the 16th fiscal year, the highest and lowest prices of the fiscal year are stated on the assumption that the Company had conducted such share split at the beginning of the fiscal year.

3 * marks indicate the highest and lowest prices recorded on the First Section of the Tokyo Stock Exchange. The Company changed the listing of its shares to the First Section of the Tokyo Stock Exchange as of December 3, 2013.

(2) The Highest and Lowest Share Prices by Month during the Recent Six Months

Month	July 2015	August	September	October	November	December
Highest (yen)	2,130	2,094	1,714	1,752	1,680	1,570
Lowest (yen)	1,886	1,532	1,453	1,523	1,507	1,348

(Note) The above highest and lowest prices of the Company's shares are recorded on the First Section of the Tokyo Stock Exchange.

5. Directors

11 male, 1 female (Percentage of female: 8.3%)

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director	Chairman and President and Chief Executive Officer	Hiroshi Mikitani	March 11, 1965	April 1988	Joined The Industrial Bank of Japan, Limited	March 2016 to March 2017	176,155
				May 1993	Received MBA from Harvard Business School		
				February 1996	President and Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)		
				February 1997	Founder and President and Representative Director of the Company		
				February 2001	Chairman and President and Representative Director of the Company (current position)		
				March 2004	Chief Executive Officer of the Company (current position)		
				April 2006	Chairman and Representative Director of Crimson Football Club, Inc. (current position)		
				January 2008	Chairman and Representative Director of Rakuten Baseball, Inc.		
				February 2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)		
				October 2011	Chairman of Tokyo Philharmonic Orchestra (current position)		
				January 2012	Director of Kobo Inc. (currently Rakuten Kobo Inc.)		
				August 2012	Chairman and Representative Director and team owner of Rakuten Baseball, Inc. (current position)		
				January 2014	Director (Chairman) of Kobo Inc. (currently Rakuten Kobo Inc.) (current position)		
				March 2015	Director of Lyft, Inc. (current position)		

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director	Executive Vice President Executive Director of Finance Business	Masayuki Hosaka	July 31, 1954	April 1980	Joined ORIX Credit Corporation	March 2016 to March 2017	116
				December 2003	General Manager of Personal Finance Department of the Company		
				May 2005	Executive Officer of the Company		
				February 2006	President and Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.)		
				March 2007	Vice Chairman and Director of Rakuten Credit, Inc.		
				April 2009	President and Representative Director of Rakuten Credit, Inc. (current position)		
				April 2012	Executive Director of Rakuten Card Business of the Company (current position)		
				February 2013	Managing Executive Officer of the Company		
				January 2014	Executive Vice President of the Company		
				March 2014	Representative Director of the Company (current position)		
				March 2016	Vice Chairman and Representative Director of the Company (current position)		
Director		Charles B. Baxter	April 19, 1965	October 1998	CEO of eTranslate, Inc.	March 2016 to March 2017	—
				March 2001	Director of the Company		
				March 2003	Retired as Director of the Company		
				July 2004	Chairman of Wineshipping.com LLC (current position)		
				September 2005	Manager of LinkShare Corporation (currently RAKUTEN MARKETING LLC) (current position)		
				March 2011	Director of the Company (current position)		
				January 2015	Chairman of Reyns Holdco, Inc. (current position)		

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director		Ken Kutaragi	August 2, 1950	April 1975 November 1993 April 1999 June 2000 November 2003 December 2006 June 2007 June 2007 October 2009 March 2010 June 2011 June 2013	Joined Sony Corporation Director of Sony Computer Entertainment Inc. President and Representative Director of Sony Computer Entertainment Inc. Director of Sony Corporation Director, Executive Vice President and COO of Sony Corporation Representative Director, Chairman and Group CEO of Sony Computer Entertainment Inc. Honorary Chairman of Sony Computer Entertainment Inc. Senior technology advisor of Sony Corporation (current position) Representative Director and CEO of Cyber AI Entertainment Inc. (current position) Outside Director of the Company (current position) Outside Director of Nojima Corporation (current position) Outside Director of MarvelousAQL Inc. (currently Marvelous Inc.) (current position)	March 2016 to March 2017	10
Director		Jun Murai	March 29, 1955	August 1984 March 1987 April 1987 April 1990 April 1997 May 2005 October 2009 September 2011 March 2012	Assistant at Information Processing Center of Tokyo Institute of Technology Received Ph. D in Engineering from Keio University Assistant at Large-scale Computer Center, the University of Tokyo Associate Professor of Faculty of Environment and Information Studies of Keio University Professor of Faculty of Environment and Information Studies of Keio University (current position) Vice-President of Keio Gijuku Educational Corporation Dean of Faculty of Environment and Information Studies of Keio University (current position) Outside Director of BroadBand Tower, Inc. (current position) Outside Director of the Company (current position)	March 2016 to March 2017	—

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director		Youngme Moon	April 24, 1964	June 1996	Received Ph. D from Stanford University	March 2016 to March 2017	—
				July 1997	Assistant Professor of Massachusetts Institute of Technology (MIT)		
				July 1998	Assistant Professor of Harvard Business School		
				July 2003	Associate Professor of Harvard Business School		
				September 2005	Director of Avid Technology, Inc. (current position)		
				July 2007	Donald K. David Professor of Business Administration of Harvard Business School		
				July 2010	Senior Associate Dean for and Chair of the MBA Program and Donald K. David Professor of Harvard Business School		
				July 2014	Senior Associate Dean of Strategy and Innovation and Donald K. David Professor of Harvard Business School (current position)		
				March 2015	Outside Director of the Company (current position)		
Director		Joshua G. James	June 28, 1973	October 1996	Founder and CEO of Omniture, Inc.	March 2016 to March 2017	—
				October 2009	Senior Vice President and General Manager of Omnisture Business Unit of Adobe Systems Inc.		
				October 2010	Founder and CEO of Domo, Inc. (current position)		
				March 2011	Outside Director of the Company		
				March 2012	Member of World Economic Forum of Young Global Leaders (current position)		
				March 2015	Resigned as Outside Director of the Company		
				March 2016	Outside Director of the Company (current position)		
Director		Takashi Mitachi	January 21, 1957	April 1979	Joined Japan Airlines Co., Ltd.	March 2016 to March 2017	—
				June 1992	Received MBA from Harvard Business School		
				October 1993	Joined The Boston Consulting Group		
				January 1999	Vice President of The Boston Consulting Group		
				January 2005	Japan Co-chair of The Boston Consulting Group		
				April 2011	Board Member of Japan Association for the World Food Programme (current position)		
				April 2013	Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)		
				January 2016	Senior Partner & Managing Director of The Boston Consulting Group (current position)		
				March 2016	Outside Director of the Company (current position)		

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Company Auditor		Yoshiaki Senoo	February 5, 1947	April 1969 January 1993 November 1994 April 1999 June 2007 October 2007 June 2008 June 2010 March 2011 March 2011 March 2016	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) Manager of Gotanda Branch of The Sumitomo Bank, Limited Senior Director of Sumitomo Capital Securities Co., Ltd. Company Auditor of Daiwa Securities SB Capital Markets Co., Ltd. (currently Daiwa Securities Co. Ltd.) Corporate Officer of Japan Post Holdings Co., Ltd. Executive Officer of Japan Post Holdings Co., Ltd. Managing Executive Officer of Japan Post Holdings Co., Ltd. Outside Company Auditor of Rakuten Bank, Ltd. (current position) Outside Company Auditor (Full-time) of the Company Outside Company Auditor of Rakuten Auction, Inc. (current position) Outside Company Auditor of the Company (current position)	March 2015 to March 2019	—
Company Auditor		Takeo Hirata	January 16, 1960	April 1982 June 1988 June 1995 July 1997 June 2000 January 2001 July 2002 April 2006 March 2007 March 2007 August 2013	Joined the Ministry of International Trade and Industry (currently Ministry of Economy, Trade, and Industry) Received a master's degree from Harvard Kennedy School Legal Examination Commissioner of General Affairs Division of Minister's Secretariat of International Trade and Industry Financial Cooperation Office of International Trade Policy Bureau of Ministry of International Trade and Industry Director of Petroleum Exploration and Production Division of Agency of Natural Resources and Energy of Ministry of International Trade and Industry Director of Petroleum and Natural Gas Division of Agency for Natural Resources and Energy of Ministry of Economy, Trade and Industry General Secretary of Japan Football Association Professor of Waseda University Graduate School of Sport Sciences (current position) Outside Company Auditor of the Company (current position) Chairman of the Japan Society of Sports Industry (current position) Special Advisor to the Cabinet (current position)	March 2015 to March 2019	—

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Company Auditor		Katsuyuki Yamaguchi	September 22, 1966	April 1991	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners	March 2016 to March 2020	65
				May 1997	Graduated from Columbia Law School (LL.M.)		
				September 1997	Served Debevoise & Plimpton LLP in New York		
				January 1998	Admitted as Attorney-at-law in New York, USA		
				May 1998	Served Debevoise & Plimpton LLP in Paris		
				February 1999	Served Simeon & Associes in Paris		
				July 1999	Reinstated at Nishimura & Partners		
				August 2000	Attorney and Partner of Nishimura & Partners (currently Nishimura & Asahi) (current position)		
				March 2001	Outside Company Auditor of the Company (current position)		
				July 2007	Company Auditor of FreeBit Co., Ltd. (current position)		
				September 2013	Outside Company Auditor of BrainPad Inc. (current position)		
				June 2015	Audit & Supervisory Board Member (Outside) of HAKUHODO DY HOLDINGS INCORPORATED (current position)		
Company Auditor (Full-time)		Takahide Uchida	October 21, 1954	April 1977	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)	March 2016 to March 2020	—
				May 1983	Received a master's degree from The Wharton School of the University of Pennsylvania		
				April 2001	Sumitomo Mitsui Banking Corporation (Otsuka Corporate Sales Manager)		
				June 2003	Director of Training Institute of Human Resource Department of Sumitomo Mitsui Banking Corporation		
				April 2006	Managing Director of Daiwa SB Investments Ltd.		
				April 2010	Senior Managing Director of Daiwa SB Investments Ltd.		
				March 2016	Outside Company Auditor (Full-time) of the Company (current position)		
Total							176,346

(Notes) 1 Five Directors, Ken Kutaragi, Jun Murai, Youngme Moon, Joshua G. James and Takashi Mitachi are all Outside Directors.

2 Four Company Auditors, Yoshiaki Senoo, Takeo Hirata, Katsuyuki Yamaguchi and Takahide Uchida are all Outside Company Auditors.

6. Corporate Governance

(1) Status of Corporate Governance

Basic Approach to Corporate Governance

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

1) Corporate Governance

(a) Basic Structure of Corporate Governance and Reasons for Adoption

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, led by 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.

(b) Corporate Organization

(Directors, Board of Directors, Executive Officers, etc.)

While it is stipulated in the Articles of Incorporation that the number of Directors shall be not more than 16, the Board of Directors consists of eight Directors, including five Outside Directors. Resolutions to appoint Directors must be approved by a majority of voting rights at an Annual General Shareholders' Meeting attended by shareholders holding at least one-third of voting rights.

In addition to regular meetings, the Board of Directors holds special meetings as required. At these meetings, Directors make decisions on important management matters and supervise Executive Officers' activities. Executive Officers, upon receiving business execution orders from the CEO, carry out business execution within the administrative authority set forth by the Company. To enhance the corporate value, as to a case that requires new capital expenditure including any investment, members, including Outside Directors, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors. 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.

Status of business for major segments is shared weekly at the Budget Meeting, which Executive Officers attend. To ensure appropriate and efficient conduct of business operations, activities in individual segments are supervised by management councils convened within each segment, as well as by management councils convened by each corporate function such as human resources, financial management, accounting, legal management and other management aspects across the Group Companies.

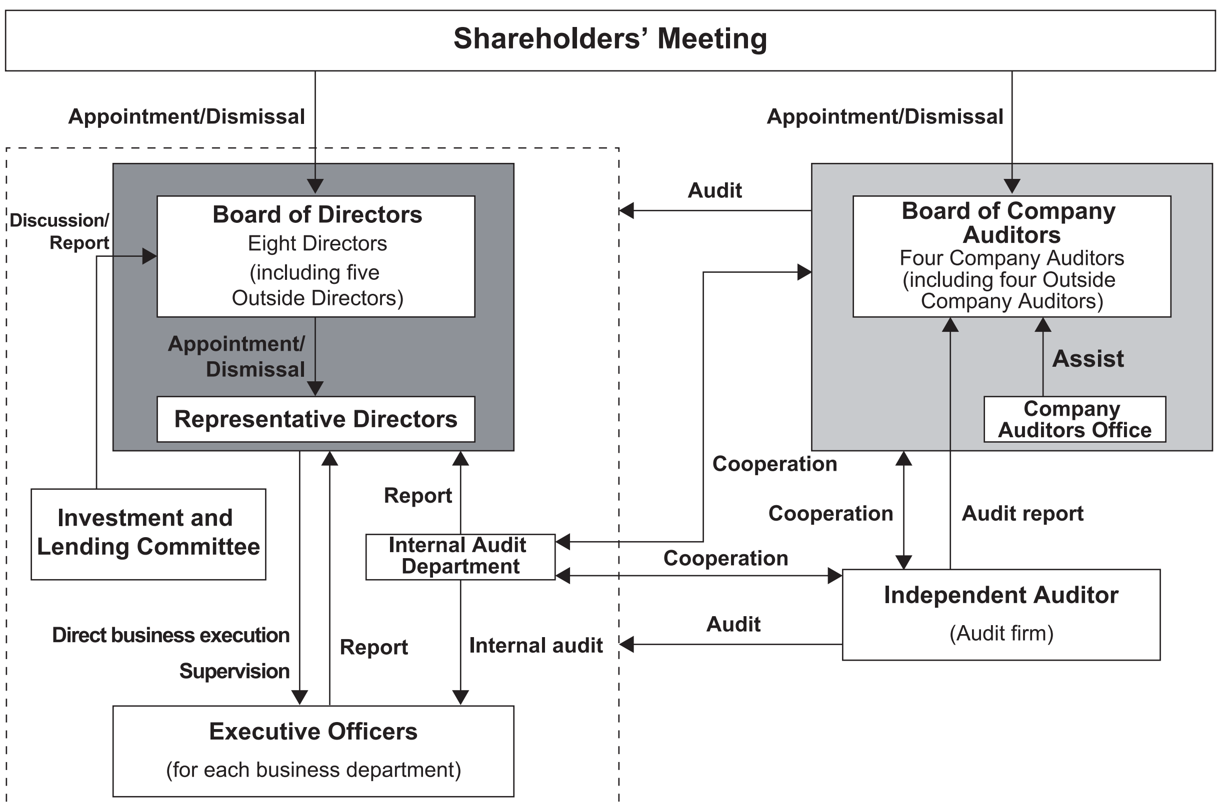
(Company Auditors and the Board of Company Auditors)

The Company has four Company Auditors, including one Full-time Auditor. All four are Outside Company Auditors.

A three-member Company Auditors' Office assists the Company Auditors in the performance of their duties. In addition to its regular meetings, the Board of Company Auditors holds special meetings as required.

In accordance with audit policies and plans established by the Board of Company Auditors, the Company Auditors attend meetings of the Board of Directors and other important management meetings, and receive reports about the state of the Company's operations from Directors, the Internal Audit Department and other sources. In addition, they check the operations of the Company and its subsidiaries. In addition, the Company Auditors receive audit reports from the independent auditors and peruse financial statements and business reports. They also discuss various matters with the CEO.

<Corporate Governance Structure>



(c) Internal Control Systems

Basic internal control policies for the Company are resolved by the Board of Directors. The Company has declared its intention to comply with all regulatory requirements, and to apply high ethical standards to its business activities.

The proper execution of duties by Directors and employees shall be 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. 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 for executives and employees of Rakuten Group to consult and report about compliance issues and the status of internal reports and other matters related to compliance are appropriately reported to the Group Compliance Committee.

Directors and employees are closely supervised and audited in the performance of their duties by the Outside Directors and Outside Company Auditors. Attorneys have been appointed as Outside Company Auditors to help each of the Outside Directors and Outside Company Auditors verify compliance with the Articles of Incorporation and regulatory requirements from an objective perspective based on expert knowledge.

In order to realize unified Group management, Rakuten Group Regulations (“RGR”) dealing with company ideals, group governance etc., is stipulated as standardized regulations. Regarding the execution of the subsidiary’s significant duty, Rakuten Group creates 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 strong governance structure.

(d) Risk Management Systems

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 Companies as a whole in order to minimize exposure to anticipated risk. Moreover, the primary businesses of the Group Companies 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, the Group Companies requires that all new investment proposals are discussed in the Company’s Investment Committee and obtain the approval from the Company’s Board of Directors if they exceed a certain amount. Additionally, the Group Companies aims to gather group-wide risk information through strengthening its emergency response system, risk assessments as well as thoroughly managing business risk.

As to risks pertaining to the occurrences of natural disasters, etc., the Company works to prepare emergency response measures including the formulation of business continuity plans.

2) Internal Audits, Company Auditor Organization, Personnel and Procedures

Internal audits are conducted by the 23-member (excluding General Manager) Internal Audit Department, which is an independent unit reporting directly to the CEO. Head office divisions, business units and group companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the Board of Directors, the CEO, the Group Compliance Committee responsible for areas covered by audits, and the Company Auditors. The Internal Audit Department also cooperates with the Board of Company Auditors. The Internal Audit Department is also working to enhance the effectiveness of internal audits throughout the group by working closely with audit units in the Group Companies. In addition to holding regular exchanges of opinions and conducting information sharing, the Group Companies shares the results of the internal audits with the Independent Auditors, as necessary.

Information about audits by Company Auditors can be found under “1) Corporate Governance (b) Corporate Organization (Company Auditors and the Board of Company Auditors).”

3) Outside Directors and Outside Company Auditors

The Company’s eight-member Board of Directors currently includes five Outside Directors, and all four Company Auditors are Outside Company Auditors. Mr. Ken Kutaragi, Outside Director, 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. Ms. Youngme Moon, Outside Director, is Director of Lola Travel Company, Inc. with which the Company is in competition in the travel business in the United States. Joshua G. James, Outside Director, 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. Mr. Katsuyuki Yamaguchi, Outside Company Auditor, 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. Mr. Ken Kutaragi, Outside Director, and Mr. Katsuyuki Yamaguchi, Outside Company Auditor, respectively hold the Company’s shares, and the numbers of shares held by them are as described in the respective columns of “Number of shares held” in “IV. Information on the Company Submitting Financial Reports 5. Directors.” There are no other personal, capital or business relationships or significant interests.

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, and Outside Directors Ken Kutaragi, Takashi Mitachi, Jun Murai and Youngme Moon and the Outside Company Auditor Takeo Hirata are appointed to the position of Independent Director/Company Auditor specified by the regulations of the Tokyo Stock Exchange.

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 sales, 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.

There are five Outside Directors. Mr. Ken Kutaragi, has extensive knowledge of the entertainment business and technology and wide-ranging experience in business management. Mr. Takashi Mitachi has extensive experience and expertise mainly as a business consultant. Mr. Jun Murai has a distinguished background as an academic expert in Internet technology. Mr. Joshua G. James has specialized knowledge of Internet services and wealth of experience in the management of Internet service businesses in North America. And Ms. Youngme Moon has a distinguished background mainly as an academic in the field of business management. All Outside Directors have been appointed for their ability to provide management with advice and recommendations based on their experience and expert knowledge.

There are four Outside Company Auditors. Mr. Takahide Uchida has extensive knowledge and experience mainly in the fields of finance and business management. Mr. Yoshiaki Senoo has extensive knowledge and experience relating primarily to finance business, business management and compliance. Mr. Takeo Hirata brings wide-ranging expert knowledge and experience relating primarily to sport and education. Mr. Katsuyuki Yamaguchi was selected as a person who could contribute to the Company's audit systems through his extensive knowledge and experience, especially as an attorney, and through his perspectives as an expert on corporate law. Documents for meetings of the Board of Directors are forwarded in advance to the Outside Directors and Outside Company Auditors, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted above, the Outside Company Auditors also actively exchange views with the Internal Audit Department and the independent auditors.

The Company has signed an agreement with each of its Outside Directors and Outside Company Auditors under the provisions of Article 427, Paragraph 1 of the Companies Act. This agreement is summarized below:

Provided that duties have been carried out in good faith and without gross negligence, the total liability in situations as defined in Article 423, Paragraph 1 of the Companies Act will be limited to the sum of the amounts stipulated in the following items:

i. Two times the bigger of the sum of fees, bonuses and other payments received or asset benefits received in the year that includes the date on which the event that resulted in the liability occurred, and in the preceding year, or the value of asset benefits to be received (excluding benefits stipulated under Item ii below).

ii. Two times the smaller of the sum of retirement bonuses or asset benefits that are in the nature of retirement bonuses, or that amount divided by the number of years during which the office of Outside Director or Outside Company Auditor was held.

iii. The amounts stipulated below if Share Options, as defined in Article 238, Paragraph 3 of the Companies Act, were exercised or transferred after the person was appointed as an Outside Director or an Outside Company Auditor.

1. If the Rights have been Exercised
   An amount calculated by subtracting the sum of the issue price of the Share Options and the paid-in value per share on the exercise date from the market price per share on the exercise date and multiplying the result by the number of shares granted through the exercise of the Share Options.

2. If the Rights have been Transferred
   An amount calculated by subtracting the issue price of the Share Options from the transfer price and multiplying the result by the number of Share Options.

4) Remuneration for Directors and Company Auditors

(a) Total Amounts of Fees, etc., for Each Category of Officers of the Company Submitting Financial Reports, Total Amount of Each Type of Remuneration Paid, and Number of Officers Eligible Category of Officer Total Amount of Fees, etc.

Category of officer	Total amount of fees, etc. (Millions of Yen)	Total amount of each type of remuneration (Millions of Yen)			Number of recipients
		Basic fees	Stock options	Bonuses	
Directors (excluding Outside Directors)	730	513	196	21	11
Company Auditors (excluding Outside Company Auditors)	—	—	—	—	0
Outside Directors and Company Auditors	133	120	13	—	9

(b) Consolidated Total Amount of Fees, etc., for Directors and Company Auditors of the Company Submitting Financial Reports
For purposes of full disclosure, we declare that no person in the filing company received a consolidated total amount of fees of more than 100 million yen this fiscal year.

(c) Total Amount of Significant Items Included in Salaries and Bonuses Paid to Directors who are Also Employees

Total amount (Millions of Yen)	Number of recipients	Details
212	6	Salaries (including bonuses) paid to directors who are also employees

(d) Policies Concerning Amounts of Remuneration for Directors and Company Auditors, and the Adoption of Methods for Calculating Those Amounts
Business performance is taken into account in decisions concerning remuneration for Directors and Company Auditors. A resolution of the 18th Annual General Shareholders' Meeting held on March 27, 2015, set the upper limit for total remuneration over the year at ¥1,400 million (including ¥200 million for Outside Directors).
The company determines the compensation of each director based on the degree of achievement of the Group Operating profit, the results of each Group Company and business, individual evaluations and market environment.
Total remuneration for Company Auditors is within the upper limit of ¥120 million as stipulated in a resolution of the 10th Annual General Shareholders' Meeting held on March 29, 2007.

5) Status of Securities Held by the Company

(a) Shares Held for Other Reasons than Pure Investment Purpose
Number of stock names 12
Total balance sheet amount ¥3,576 million

(b) Nature of Holdings, Stock Names, Number of Shares, Total Amount Recorded in Balance Sheet, Purpose of Holdings of the Shares Held for Other Reasons than Pure Investment Purpose

(Previous fiscal year)

Special Investment Securities

Stock name	Number of shares (shares)	Amount recorded in balance sheet (Millions of Yen)	Purpose of holding
FreeBit Co., Ltd.	199,200	224	To enhance business relationship
Alpen Co., Ltd.	18,000	30	To enhance business relationship

(Current fiscal year)

Special Investment Securities

Stock name	Number of shares (shares)	Amount recorded in balance sheet (Millions of Yen)	Purpose of holding
Brangista. Inc	1,502,400	2,259	To enhance business relationship
FreeBit Co., Ltd.	199,200	185	To enhance business relationship
Alpen Co., Ltd.	18,000	36	To enhance business relationship

(c) Shares Held Purely for Investment Purposes
Not applicable.

6) Audits by Independent Auditors
The Company has entered into an auditing agreement with Ernst & Young ShinNihon LLC, which conducts financial audits in accordance with the Japanese Companies Act and the Financial Instruments and Exchange Act.

In fiscal 2015, audits were conducted by the following certified public accountants and assistants.

[Certified public accountants]

Designated and Engagement Partner Tokuya Takizawa
Designated and Engagement Partner Hiroshi Nishida
Designated and Engagement Partner Kenji Takagi

* Since these accountants have conducted audits for fewer than or equal to seven years, the number of years has been omitted.

[Numbers of Assistants]
31 certified public accountants and 41 others

7) Other Provisions of the Articles of Incorporation
(a) Matters Requiring Resolutions of Shareholders' Meetings that Can Be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of the Company state that, unless otherwise stipulated in laws and regulations, the Board of Directors is authorized to pass resolutions on matters pertaining to the distribution of surpluses and other matters, as stipulated in the items of Article 459, Paragraph 1 of the Companies Act, without resolutions of shareholders' meetings. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

(b) Items Requiring Special Resolutions of Shareholders' Meetings

The Articles of Incorporation of the Company state that matters requiring resolutions of shareholders' meetings, as stipulated in Article 309, Paragraph 2 of the Companies Act, require resolutions supported by at least two-thirds of voting rights at shareholders' meetings attended by shareholders holding at least one-third of voting rights. The purpose of this provision is to facilitate the administration of shareholders' meetings by easing the quorum requirements for special resolutions.

(2) Audit Fees, etc.

1) Audit Fees Paid to Certified Public Accountants, etc.

Item	2014		2015	
	Millions of Yen		Millions of Yen	
	Fees paid for audit certification services	Fees paid for non-audit services	Fees paid for audit certification services	Fees paid for non-audit services
Company submitting financial reports	89	21	98	60
Consolidated subsidiaries	126	8	143	8
Total	215	29	241	68

2) Other Important Matters Pertaining to Fees

Fiscal year ended December 31, 2014

Some consolidated subsidiaries of the Company are audited by EY member firms, which belong to the same network as Ernst & Young ShinNihon LLC, independent auditor of the Company and fees paid to the firms amounted to ¥133 million.

Fiscal year ended December 31, 2015

Some consolidated subsidiaries of the Company are audited by EY member firms, which belong to the same network as Ernst & Young ShinNihon LLC, independent auditor of the Company and fees paid to the firms amounted to ¥191 million.

3) Non-Audit Services Provided to the Company Submitting Financial Reports by Certified Public Accountants and Other Audit Personnel

Fiscal year ended December 31, 2014

The non-audit services for which the Company pays fees to certified public accountants and other audit personnel consist primarily of advisory services, etc. relating to internal controls over financial reporting.

Fiscal year ended December 31, 2015

The non-audit services for which the Company pays fees to certified public accountants and other audit personnel consist primarily of commission of preparation of a comfort letter associated with the issuance of new shares.

4) Policy on Setting of Audit Fees

The policy of the Company regarding audit fees paid to certified public accountants and other audit personnel is to pay fees that are appropriate based on relevant factors, including the size of the Company, the characteristics of its business activities, and the number of days required for audits.

V. Financial Information

1. Basis of Preparation of Consolidated and Non-Consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS"), as issued by the International Accounting Standards Board, as the Company satisfies the requirements of a "specified company" prescribed in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Rules on Consolidated Financial Statements") as provided in Article 93.

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Rules on Non-Consolidated Financial Statements").

The non-consolidated financial statements are prepared in accordance with the provisions set out in Article 127 of the Rules on Non-Consolidated Financial Statements, as the Company is categorized as a company that may be allowed to prepare its financial statements according to special provisions.

(3) Differences in main accounting items between the consolidated financial statements prepared in accordance with IFRS and those prepared in accordance with Japanese generally accepted accounting principles ("JGAAP") are stated in "II. Business Overview 1. Summary of Results."

2. Audit Reports

Pursuant to the provisions set out in Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements and non-consolidated financial statements for the fiscal year (from January 1, 2015 to December 31, 2015) were audited by Ernst & Young ShinNihon LLC.

3. Specific Efforts to Ensure the Appropriateness of Consolidated Financial Statements

The Company has undertaken specific measures to ensure the appropriateness of its consolidated financial statements, the details of which are as follows.

In order to establish a structure for adequately understanding the accounting standards in detail and appropriately responding to changes in them, the Company has become a member of the Financial Accounting Standards Foundation and has been expanding its understanding of accounting standards as well as responding to new standards.

4. Establishment of a Structure to Enable the Proper Preparation of Consolidated Financial Statements in Accordance with IFRS

The Company continually works towards the establishment of a structure that enables it to properly prepare consolidated financial statements under IFRS, the details of which are as follows.

In terms of IFRS application, the Company keeps updated on the latest standards by obtaining press releases and statements of standards released by the International Accounting Standards Board, as necessary. Additionally, in order to properly prepare consolidated financial statements in accordance with IFRS, the Company has prepared Group Accounting Policies and Accounting Guidelines in accordance with IFRS, and has conducted its accounting accordingly.

1. Consolidated Financial Statements
(1) Consolidated Financial Statements
1) Consolidated Statements of Financial Position

(Millions of Yen)

	Note	December 31, 2014	December 31, 2015
Assets			
Cash and cash equivalents	5	¥428,635	¥501,029
Accounts receivable — trade	6	88,871	104,011
Financial assets for securities business	7	1,110,888	1,109,299
Loans for credit card business	8	692,886	833,820
Investment securities for banking business	9	222,297	257,769
Loans for banking business	10	321,877	444,044
Investment securities for insurance business	11	12,205	15,308
Derivative assets	12	13,927	21,312
Investment securities	13	50,506	151,237
Other financial assets	14	144,283	161,640
Investments in associates and joint ventures	16	8,932	16,912
Property, plant and equipment	17	34,811	48,442
Intangible assets	18	490,679	514,752
Deferred tax assets	25	35,006	28,252
Other assets		24,892	62,126
Total assets		3,680,695	4,269,953
Liabilities			
Accounts payable — trade		137,042	162,606
Deposits for banking business	19	1,137,195	1,366,784
Financial liabilities for securities business	20	995,141	987,244
Derivative liabilities	12	11,769	10,623
Bonds and borrowings	21	589,927	649,195
Other financial liabilities	22	242,616	268,448
Income taxes payable		27,129	24,718
Provisions	23	43,969	54,129
Policy reserves and others for insurance business	24	19,847	21,635
Deferred tax liabilities	25	12,437	20,417
Other liabilities		35,537	40,141
Total liabilities		3,252,609	3,605,940
Equity			
Equity attributable to owners of the Company			
Common stock	26	111,602	203,588
Capital surplus	26	118,528	208,677
Retained earnings	26	124,796	176,834
Treasury stock	26	(3,649)	(3,627)
Other components of equity		70,285	76,572
Total equity attributable to owners of the Company		421,562	662,044

(Millions of Yen)

	Note	December 31, 2014	December 31, 2015
Non-controlling interests		6,524	1,969
Total equity		428,086	664,013
Total liabilities and equity		3,680,695	4,269,953

2) Consolidated Statements of Income

(Millions of Yen)

	Note	Year ended December 31, 2014	Year ended December 31, 2015
Continuing operations			
Revenue	27	¥598,565	¥713,555
Operating expenses	28	491,279	601,001
Other income	29	6,724	26,991
Other expenses	29	5,312	6,721
Impairment loss	17, 18	2,301	38,135
Operating income		106,397	94,689
Financial income	30	230	108
Financial expenses	30	2,986	3,796
Share of income of associates and joint ventures	16	604	986
Income before income tax		104,245	91,987
Income tax expense	25	33,142	47,707
Net income		71,103	44,280
Net income attributable to:			
Owners of the Company		70,614	44,436
Non-controlling interests		489	(156)
Net income		71,103	44,280

(Yen)

Earnings per share attributable to owners of the Company:			
Basic	31	¥53.47	¥32.33
Diluted	31	53.15	32.09

3) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Note	Year ended December 31, 2014	Year ended December 31, 2015
Net income		¥71,103	¥44,280
Other comprehensive income			
Items that will not be reclassified to net income:			
Gains (losses) on financial assets measured at fair value through other comprehensive income	38	19,200	22,603
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	25	(7,160)	(4,948)
Share of other comprehensive income of associates and joint ventures	16	4	13
Total items that will not be reclassified to net income		12,044	17,668
Items that will be reclassified to net income:			
Foreign currency translation adjustments		40,876	(10,713)
Gains (losses) on cash flow hedges recognized in other comprehensive income	33	2,002	(458)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	25 33	(767)	133
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	33	284	551
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	25 33	(110)	(190)
Gains (losses) on effective cash flow hedges reclassified from other comprehensive income to initial carrying amount of the hedged item	33	(2,597)	—
Income tax effect of gains or losses on effective cash flow hedges reclassified from other comprehensive income to initial carrying amount of the hedged item	25 33	987	—
Share of other comprehensive income of associates and joint ventures	16	—	(155)
Total items that will be reclassified to net income		40,675	(10,832)
Other comprehensive income, net of tax		52,719	6,836
Comprehensive income		123,822	51,116

			(Millions of Yen)
	Note	Year ended December 31, 2014	Year ended December 31, 2015
Comprehensive income attributable to:			
Owners of the Company		123,319	51,263
Non-controlling interests		503	(147)
Comprehensive income		123,822	51,116

4) Consolidated Statements of Changes in Equity

(Millions of Yen)

	Note	Common stock	Capital surplus	Retained earnings	Treasury stock	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, 2014		¥109,530	¥116,555	¥61,226	¥(3,649)	¥10,491	¥6,231	¥(321)	¥16,401	¥300,063	¥6,391	¥306,454
Comprehensive income												
Net income				70,614						70,614	489	71,103
Other comprehensive income, net of tax						40,863	12,043	(201)	52,705	52,705	14	52,719
Total comprehensive income		—	—	70,614	—	40,863	12,043	(201)	52,705	123,319	503	123,822
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	26, 35	2,072	2,071							4,143		4,143
Cash dividends paid	26, 36			(5,271)						(5,271)		(5,271)
Reclassified from other components of equity to retained earnings	37			(1,179)			1,179		1,179	—		—
Others	26		1,159	(594)						565		565
Total contributions by and distributions to owners		2,072	3,230	(7,044)	—	—	1,179	—	1,179	(563)	—	(563)
Changes in ownership interests in subsidiaries												
Issuance of common stock											132	132
Acquisitions and disposals of non-controlling interests	45		(1,190)							(1,190)	(531)	(1,721)
Others			(67)							(67)	29	(38)
Total changes in ownership interests in subsidiaries		—	(1,257)	—	—	—	—	—	—	(1,257)	(370)	(1,627)
Total transactions with owners		2,072	1,973	(7,044)	—	—	1,179	—	1,179	(1,820)	(370)	(2,190)
As of December 31, 2014		111,602	118,528	124,796	(3,649)	51,354	19,453	(522)	70,285	421,562	6,524	428,086
Cumulative effects of changes in accounting policies	2	—	—	13,244	—	—	—	—	—	13,244	103	13,347
Adjusted balance		111,602	118,528	138,040	(3,649)	51,354	19,453	(522)	70,285	434,806	6,627	441,433

	Note	Common stock	Capital surplus	Retained earnings	Treasury stock	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			
Comprehensive income												
Net income				44,436						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		–	–	44,436	–	(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	26, 35	91,986	91,986							183,972		183,972
Direct expenses related to issuance of common stock			(781)							(781)		(781)
Cash dividends paid	26, 36			(5,952)						(5,952)		(5,952)
Reclassified from other components of equity to retained earnings	37			540			(540)		(540)	–		–
Others	26		3,900	(230)	22					3,692		3,692
Total contributions by and distributions to owners		91,986	95,105	(5,642)	22	–	(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	45		(4,955)							(4,955)	(1,701)	(6,656)
Others			(1)							(1)	(2,830)	(2,831)
Total changes in ownership interests in subsidiaries		–	(4,956)	–	–	–	–	–	–	(4,956)	(4,511)	(9,467)
Total transactions with owners		91,986	90,149	(5,642)	22	–	(540)	–	(540)	175,975	(4,511)	171,464
As of December 31, 2015		203,588	208,677	176,834	(3,627)	40,477	36,581	(486)	76,572	662,044	1,969	664,013

5) Consolidated Statements of Cash Flows

(Millions of Yen)

	Note	Year ended December 31, 2014	Year ended December 31, 2015
Cash flows from operating activities			
Income before income tax		¥104,245	¥91,987
Depreciation and amortization		30,140	40,122
Impairment loss	17, 18	2,301	38,135
Other loss (income)		(658)	(12,498)
Increase in operating receivables		(1,901)	(11,475)
Increase in loans for credit card business		(148,572)	(140,933)
Increase in deposits for banking business		177,383	229,626
Decrease in call loans for banking business		15,000	5,000
Increase in loans for banking business		(82,060)	(122,167)
Increase in operating payables		17,917	22,692
Decrease in financial assets for securities business		132,864	38,306
Ddecrease in financial liabilities for securities business		(106,851)	(44,128)
Others		20,476	(5,846)
Income tax paid		(48,424)	(50,576)
Net cash flows from operating activities		111,860	78,245
Cash flows from investing activities			
Increase in restricted deposits		(20,138)	(6,062)
Increase in time deposits		(11,187)	(14,785)
Decrease in time deposits		8,162	12,439
Purchase of property, plant and equipment		(9,959)	(19,688)
Purchase of intangible assets		(26,783)	(34,560)
Acquisition of subsidiaries	44	(174,469)	(60,607)
Purchase of investment securities for banking business		(365,787)	(378,355)
Proceeds from sales and redemption of investment securities for banking business		342,090	343,721
Purchase of investment securities for insurance business		(8,522)	(6,795)
Proceeds from sales and redemption of investment securities for insurance business		6,596	3,821
Purchase of investment securities		(8,845)	(69,706)
Proceeds from sales and redemption of investment securities		12,907	7,662
Other payments		(13,396)	(10,397)
Other proceeds		8,246	9,234
Net cash flows used in investing activities		(261,085)	(224,078)
Cash flows from financing activities			
Proceeds from issuance of common stock	26	3,169	182,550
Net increase (decrease) in short-term borrowings		8,126	(1,597)

(Millions of Yen)

	Note	Year ended December 31, 2014	Year ended December 31, 2015
Decrease in commercial paper		(10,300)	(32,500)
Proceeds from long-term debt		251,860	158,352
Repayment of long-term debt		(82,817)	(65,831)
Proceeds from issuance of bonds	21	29,828	—
Cash dividends paid		(5,251)	(5,952)
Others		(5,103)	(13,191)
Net cash flows from financing activities		189,512	221,831
Effect of change in exchange rates on cash and cash equivalents		4,340	(3,604)
Net increase in cash and cash equivalents		44,627	72,394
Cash and cash equivalents at the beginning of the year	5	384,008	428,635
Cash and cash equivalents at the end of the year	5	428,635	501,029

[Notes to the Consolidated Financial Statements]

1. General Information

(1) Reporting Entity

Rakuten, Inc. (hereinafter referred to as the "Company") is a company located in Japan. The Company and its subsidiaries (hereinafter referred to as the "Group Companies"), providers of a wide-range of internet-related services, have aligned their businesses along two main axes: internet services and FinTech. The activities in the "Internet Services" segment consist of the operation of EC (e-commerce) sites, including the "Rakuten Ichiba" internet shopping mall, online cash-back sites, travel booking sites, portal sites and digital contents sites, and others, as well as services based on these sites, such as advertising. The activities in the "FinTech" segment involve internet banking and securities services via the internet, credit card services, life insurance, e-money services and other financial services. Activities in the "Others" segment consist of messaging and communication services and others, and the management of a Japanese professional baseball team. Please refer to Note 4. Segment Information for more details.

(2) Basis of Preparation

The Group Companies prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter referred to as "IFRS") issued by the International Accounting Standards Board. The Company meets the requirements set out under Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" under which the Company is qualified as a "specified company" and duly applies the provisions of Article 93 of the said ordinance.

The consolidated financial statements were approved by the Representative Director on March 23, 2016.

(3) Functional Currency and Presentation Currency

Items included in the financial statements of each consolidated subsidiary and associate are measured using the currency of the primary jurisdiction in which they conduct their business operations ("functional currencies"). The consolidated financial statements are presented in Japanese yen, the functional currency of the Company and the presentation currency of the Group. The amounts in the consolidated financial statements are presented in millions of yen rounded to the nearest million.

(4) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for those financial instruments that have been measured at fair value.

(5) Use of Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the management of the Group Companies to exercise judgment in the process of applying the accounting policies of the Group Companies. The areas involving a higher degree of judgment or complexity, areas where assumptions and estimates are significant to the consolidated financial statements, or information in respect of uncertainties of assumptions and estimates which have a significant risk of causing material adjustment in the next year are disclosed in Note 3. Significant Accounting Estimates and Judgments and other notes.

(6) Early Adoption of Standards and Interpretations

The Group Companies have early adopted the following standards prior to their mandatory effective date.

IFRS		Mandatory adoption (effective date)	Early adoption by Group Companies (effective date)
IFRS 9	Financial instruments	January 1, 2018	December 31, 2012
IFRS 15	Revenue from contracts with customers (Issued in May 2014)	January 1, 2018	January 1, 2015

(7) New Standards and Interpretations Not Yet Applied

As of December 31, 2015, the Group Companies have not applied the following standards, interpretations and amendments to standards or interpretations issued before the approval date of the consolidated financial statements but which are not yet effective. The Group Companies are currently analyzing the estimated impact of adopting such standards on the results of operations, financial position or cash flows. The analysis has not been completed.

IFRS		Mandatory adoption (effective date)	Adoption by Group Companies (reporting period ended)	Description
IFRS 9	Financial instruments	January 1, 2018	Not determined	Revision of classification and measurement of financial assets, impairment and hedge accounting
IFRS 16	Leases (Issued in January 2016)	January 1, 2019	Not determined	Revision of lease accounting

2. Accounting Policies

(1) Basis of Consolidation

1) Subsidiaries

A subsidiary is an entity (including structured entities) that is controlled by the Group Companies. The Group Companies control an entity when they are exposed, or have rights, to variable returns from involvement with the entity and have the ability to affect those returns through power over that entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group Companies control another entity or not. Between the date of obtaining control and the date of losing control, the consolidated financial statements of the Group Companies include the financial statements of each controlled subsidiary.

The Group Companies apply the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred by the Group Companies to the former owners of the acquiree and the equity interests issued by the Group Companies. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs incurred by the Group Companies, such as agent commissions, legal fees, due diligence costs, other professional fees and other consulting costs, are recognized as expenses in the period in which they are incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The acquisition date is the date when control is transferred to the acquirer. Judgments may be required in deciding the acquisition date and whether control is transferred from one party to another. Further, the Group Companies recognize any non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of non-controlling interest and the fair value of any pre-existing interest in the acquiree at the acquisition date over the net identifiable assets acquired and liabilities assumed. Whereas if the aggregate of the consideration transferred, the fair value of non-controlling interest in the acquiree and the fair value of pre-existing interest in the acquiree at the acquisition date is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the Consolidated Statements of Income as a bargain purchase transaction.

Changes in the ownership interest in subsidiaries are accounted for as equity transactions if the Group Companies retain control over the subsidiaries. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration transferred or received is recognized directly in equity attributable to owners of the Company.

Intercompany balances and transactions are eliminated in consolidation. Unrealized gains or losses included in assets resulting from transactions within the Group Companies are also eliminated. The financial statements of each subsidiary are adjusted, if necessary, to comply with the accounting policies of the Group Companies.

2) Associates and Joint Arrangements

Associates are entities over which the Group Companies have significant influence but do not have control over the financial and operating policies of such entities. Significant influence is presumed to exist when the Group Companies hold 20% to 50% of the voting power of another entity. The factors considered in determining whether or not the Group Companies have significant influence include representation on the board of directors. The existence of these factors can lead to the determination that the Group Companies have significant influence, even though the investment of the Group Companies is less than 20% of the voting stock.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that have significant influence on variable returns from arrangements require the unanimous consent of the parties sharing control. Investments in a joint arrangement are classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, except where they are classified as assets held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” and accordingly accounted for in accordance with IFRS 5. The Group Companies’ share of the operating results of associates and joint ventures is adjusted to conform with the accounting policies of the Group Companies, and is reported in the Consolidated Statements of Income as “Share of income of associates and joint ventures.” The Group Companies’ share of investees’ gains or losses resulting from intercompany transactions is eliminated on consolidation. Under the equity method of accounting, the investment of the Group Companies in associates and joint ventures are initially recorded at cost, and subsequently increased (or decreased) to reflect both the Group Companies’ share of the post-acquisition net income and other movements included directly in equity of the associates and joint ventures.

Goodwill arising on the acquisition of associates or joint ventures is included in the carrying value of the investment, and the Group Companies carry out any impairment testing on the entire interest in an associate. The Group Companies assess whether there is any objective evidence that the investments in associates and joint ventures are impaired at each reporting date. If there is any objective evidence of impairment, an impairment test is performed by comparing the investment’s recoverable amount, which is the higher of its value in use or fair value less costs of disposal, to its carrying amount. An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the investment’s recoverable amount since the last impairment loss was recognized. The impairment loss is reversed to the extent that the carrying amount of the investment equals the recoverable amount.

For investments in joint operations, the Group Companies recognize their share of the revenues, expenses, assets and liabilities of each joint operation.

(2) Business Combinations

The Group Companies use the acquisition method to account for business combinations. In accordance with the recognition principles of IFRS 3 “Business Combinations,” the identifiable assets, liabilities and contingent liabilities of the acquiree are measured at their fair values at the acquisition date except:

- Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12 “Income taxes” and IAS 19 “Employee benefits,” respectively; and liabilities related to share-based payments are recognized and measured in accordance with IFRS 2 “Share-based Payment;” and
- Non-current assets and operations classified as held for sale are measured in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.”

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Group Companies report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized as of that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

Goodwill relating to acquisitions prior to the date of transition to IFRSs is reported in accordance with the previous generally accepted accounting principles (“GAAP”).

(3) Foreign Currencies

1) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currencies of individual foreign subsidiaries using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currencies using the spot exchange rate at the end of each reporting period. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising from settlement and translation of foreign currency denominated monetary assets and liabilities at the period end closing rate are recognized in the Consolidated Statements of Income. However, when profits or losses related to non-monetary items are recognized in comprehensive income, any exchange differences are also recognized in other comprehensive income.

2) Foreign Operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income.

These differences are presented as “Foreign currency translation adjustments” in other components of equity. On disposal of the entire interest in a foreign operation, and on the partial disposal of an interest which results in a loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to income as a part of gains or losses on disposal.

(4) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. However, short-term highly liquid investments in the banking business are excluded.

(5) Financial Instruments

1) Non-derivative Financial Assets

The Group Companies recognize trade and other receivables at the time they arise. All other financial assets are recognized at the contract dates when the Group Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of non-derivative financial assets.

Financial Assets Measured at Amortized Cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within the Group Companies’ business model with the objective of holding assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value plus directly attributable transaction costs. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

Impairment of Financial Assets Measured at Amortized Cost

For financial assets measured at amortized cost, on a quarterly basis, the Group Companies assess whether there is any objective evidence that financial assets are impaired. Financial assets are impaired and impairment losses are incurred if:

- There is any objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the assets and up to the reporting date; and
- The loss event had an impact on the estimated future cash flows of the financial assets and a reliable estimate can be made.

Objective evidence that a financial asset is impaired includes:

- A breach of contract, such as a default or delinquency in interest or principal payments;
- Extension of the collection period of a receivable under specific conditions, which would not have been given in the absence of such circumstances;
- Indication of borrower’s bankruptcy; and
- The disappearance of an active market.

The Group Companies review the evidence of impairment for financial assets measured at amortized cost individually or collectively. For significant financial assets, the Group Companies assess the evidence of impairment individually. If it is not necessary to impair significant financial assets individually, the Group Companies collectively assess whether or not any incurred but not yet reported impairment exists. Financial assets are grouped based on similar credit risk characteristics and collectively assessed for impairment.

In collectively assessing for impairment, the Group Companies adjust the impairment loss if it is determined that the actual loss, which reflects the current economic and credit conditions, differs from historical experience, estimated timing of recovery, and expected amount of loss.

The amount of the impairment loss for financial assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced through the use of an allowance account and the amount of the loss is recognized in the Consolidated Statements of Income. The allowance for doubtful accounts is written off when there is no substantial prospect of recovery and all collateral has been realized or has been transferred to the Group Companies. If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease can be objectively linked to an event occurring after the impairment was recognized, the impairment loss shall be reversed by adjusting the allowance account in the Consolidated Statements of Income. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

<u>Financial Assets at Fair Value through Profit or Loss ("FVTPL")</u>

Financial assets other than equity instruments that do not meet the conditions for amortized cost are measured at fair value with gains or losses on remeasurement recognized in the Consolidated Statements of Income. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on re-measurement recognized in the Consolidated Statements of Income unless the Group Companies make an irrevocable election to measure equity investments as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in the Consolidated Statements of Income when they are incurred.

<u>Financial Assets at FVTOCI</u>

On initial recognition, the Group Companies may make an irrevocable election to measure investments in equity instruments as at FVTOCI. The election is made only for equity investments other than those held for trading.

Financial assets measured at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as gains (losses) on "financial assets measured at fair value through other comprehensive income" in other components of equity.

However, dividends on financial assets measured at FVTOCI are recognized in the Consolidated Statements of Income as "Revenue" or "Financial income."

Derecognition of Financial Assets

The Group Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group Companies transfer the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any interest in transferred financial asset qualifying for derecognition created or retained by the Group Companies are accounted for separately.

2) Non-derivative Financial Liabilities

Debt securities issued by Group Companies are initially recognized on the issue date. All other financial liabilities are recognized when the Group Companies become a party to the contractual provisions of the instruments.

The Group Companies derecognize financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

The Group Companies classify financial liabilities as accounts payable-trade, deposits for banking business, financial liabilities for securities business, bonds and borrowings and other financial liabilities as non-derivative financial liabilities, initially measure them at fair value, and subsequently measure them at amortized cost using the effective interest method.

To reduce differences substantially caused by measurement of assets or liabilities or recognition of income on different bases, some deposits for banking business are designated as financial liabilities at FVTPL. Among unrealized gains and losses arising from changes in the fair values of such financial liabilities, any due to changes in the credit risk of the liabilities are included in a separate component of net assets.

3) Derivatives

Derivatives Qualifying for Hedge Accounting

The Group Companies enter into derivative transactions to manage the risk of fair value fluctuations due to changes in interest rates, interest rate risk and foreign currency risk. The primary derivatives used by the Group Companies are interest rate swaps and foreign exchange forward contracts.

At the initial designation of the hedging relationship, the Group Companies document the relationship between the hedging instrument and the hedged item, along with their risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, the evaluation of the effectiveness of the hedging instrument in offsetting the hedged risk, and the measurement of ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Group Companies assess whether the Group Companies can forecast if the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

Derivatives are initially recognized at fair value with transaction costs recognized in the Consolidated Statements of Income as incurred. Subsequently derivatives are measured at fair value, and gains and losses arising from changes in the fair value are accounted for as follows:

- Fair Value Hedges

  The changes in the fair value of the hedging instrument are recognized in the Consolidated Statements of Income. The gains or losses on the hedged items attributable to the hedged risks are recognized in the Consolidated Statements of Income, and the carrying amounts of the hedged items are adjusted.

- Cash Flow Hedges

  When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities, the portion of the gain and loss on the derivative that is determined to be an effective hedge is presented as gains (losses) on “cash flow hedges” recognized in other comprehensive income in the other components of equity. The balances of cash flow hedges are reclassified to income from other comprehensive income in the periods when the cash flows of hedged items affect income, in the same line items of the consolidated statements of comprehensive income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statements of Income. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

  Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument is expired, sold, terminated or exercised, or when the designation is revoked.

Derivatives Not Qualifying for Hedge Accounting

The Group Companies hold some derivatives for hedging purposes that do not qualify for hedge accounting. Derivatives may also be held for trading as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in the Consolidated Statements of Income.

Embedded Derivatives

Some hybrid contracts, which contain both a derivative and a non-derivative component, are included among the financial instruments and other contracts. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. Where the host contract is a financial liability, if the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract itself is not classified as FVTPL as a financial liability, the embedded derivative is separated from the host contract and accounted for as a derivative. The financial liability component of the host contract is then accounted for in accordance with the Group Companies’ accounting policy for non-derivative financial liabilities.

4) Presentation of Financial Instruments

Financial assets and liabilities are offset, with the net amount presented in the consolidated statements of financial position, only if the Group Companies hold a currently enforceable legal right to set off the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

5) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the guarantor to make specified payments to reimburse the guarantee for losses incurred due to a debtor failing to make payments when due in accordance with the original or modified terms of a debt instrument.

Such financial guarantee contracts are measured initially at fair value on the date of the contract. Subsequent to initial recognition, the Group Companies measure the financial guarantee at the higher of the best estimate of expenditure required to settle the obligation under the financial guarantee contract, and the unamortized balance of the total amount of future guarantee charges.

(6) Property, Plant and Equipment

All property, plant and equipment are recorded at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to the acquisition of and dismantling and removal of the asset, as well as any estimated costs of restoring the site on which they are located. Property, plant and equipment are subsequently carried on the historical cost basis measured using the cost model.

Depreciation is calculated based on the depreciable amount. The depreciable amount is the cost of an asset less its residual value.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each component. The straight-line method is used because it is considered to most closely approximate the pattern in which the future economic benefits of assets are expected to be consumed by the Group Companies. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group Companies will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant assets for the years ended December 31, 2014 and 2015 are as follows:

- Buildings and accompanying facilities 10–50 years
- Furniture, fixtures and equipment 5–10 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(7) Intangible Assets

1) Goodwill

Initial Recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Measurement of goodwill on initial recognition is described in (1) Basis of Consolidation.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

2) Capitalized Software Costs

The Group Companies incur certain costs to purchase or develop software primarily for internal-use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when they are occurred. Expenditures arising from development activities are capitalized as software, if, and only if, they are reliably measurable, they are technically feasible, it is highly probable that they will generate future economic benefits, and the Group Companies intend and have adequate resources to complete their developments and use or sell them.

Capitalized software is measured at cost less accumulated amortization and any accumulated impairment losses.

3) Intangible Assets Acquired in Business Combinations

Intangible assets that are acquired in business combinations, such as trademarks and other similar items, are recognized separately from goodwill, and are initially recognized at fair value at the acquisition date.

Subsequently such intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

4) Other Intangible Assets

Other intangible assets with definite useful lives are measured at cost less any accumulated amortization and accumulated impairment losses.

5) Amortization

Amortization is calculated based on the acquisition cost of an asset less its residual value. Within intangible assets with definite useful lives, the value of the insurance business and its customer relationships acquired through business combinations are amortized based on the ratio of actual insurance revenue occurring in a year over the total expected insurance revenue over the period. Other intangible assets are amortized under the straight-line method. These methods are used because they are considered to most closely approximate pattern in which the future economic benefits of intangible assets are expected to be consumed by the Group Companies.

Estimated useful lives of significant intangible assets with definite useful lives are as follows:

- Software mainly 5 years
- Value of the insurance business and its acquired customer relationships 30 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(8) Leases (Lessee)

<u>Leasing Transactions</u>

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. In the case that fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, such transactions are classified as lease transactions.

Finance Leases

Leases that transfer all risks and benefits of ownership of the leased item to the lessee are classified as finance leases.

Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. After commencement of the lease, the Group Companies' accounting policy appropriate to each asset is applied.

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate of the lease, where this can be determined practically. Where it is impractical to determine such a rate, the lessee's incremental borrowing rate shall be used.

The minimum lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating Leases

Lease arrangements, other than finance leases that have been capitalized in the consolidated statements of financial position, are classified as operating leases.

Under operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease term in the Consolidated Statements of Income.

(9) Impairment of Non-financial Assets

The Group Companies assess at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred tax assets, may be impaired. If any such indication exists, the Group Companies estimate the recoverable amount of the asset. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit, or group of cash-generating units (CGU) is the higher of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A CGU is the smallest identifiable group of assets, which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.

The CGU to which goodwill is allocated is determined based on the unit by which the goodwill is monitored for internal management purposes, and in principle, each entity is considered to be a CGU for the purposes of goodwill allocation.

Since corporate assets do not generate independent cash flows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU or group of CGUs to which the corporate assets belong.

Impairment losses are recognized in the Consolidated Statements of Income when the carrying amount of an asset or CGU exceeds its recoverable amount. Such impairment losses are recognized first reducing the carrying amount of any allocated goodwill and then are allocated to the other assets of the CGU on a pro-rata basis based on the carrying amount of such assets.

Impairment losses recognized in respect of goodwill are not reversed. Assets other than goodwill are reviewed at the end of each reporting period to assess whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized is reversed if an indication of the reversal of impairment losses exists and there is a change in the estimates used to determine the asset's recoverable amount. The reversal of an impairment loss does not exceed the carrying amount, net of depreciation and amortization, which would have been determined if any impairment loss had never been recognized for the asset in prior years.

(10) Provisions

Provisions are recognized when the Group Companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(11) Insurance

General Insurance Accounting

Insurance contracts issued and reinsurance contracts held by insurers are accounted for under IFRS 4 "Insurance contracts" based on the accounting policies previously applied in accordance with Japanese accounting standards for insurance companies.

Policy reserves and others for insurance business

The Group Companies apply the measurement of insurance liabilities which has been applied for insurance contracts in Japan. A liability adequacy test is performed in consideration of estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses. If the test shows that the liability is inadequate, the entire deficiency is recognized in the Consolidated Statements of Income.

(12) Equity

Common Stock

Proceeds from the issuance of equity instruments by the Company are included in "Common stock" and "Capital surplus." Direct issuance costs (net of tax) are deducted from "Capital surplus."

Treasury Stock

When the Company repurchases treasury stock, the consideration paid, including direct transaction costs (net of tax), is recognized as a deduction from equity. When the Company sells treasury stock, the consideration received is recognized as an addition to equity.

(13) Share-based Payments

The Group Companies have stock option plans as incentive plans for directors, executive officers, and employees. The fair value of stock options at the grant date is recognized as an employee expense over the vesting period from the grant date as a corresponding increase in capital surplus. The fair value of the stock options is measured using the Black-Scholes model or other models, taking into account for the terms of the options granted. The Group Companies regularly review the assumptions and revise estimates of the number of options that are expected to vest, as necessary.

(14) Revenue

The Group Companies recognize revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 and insurance revenues recognized in accordance with IFRS 4, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group Companies expect to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract are recognized as an asset (hereinafter, “assets arising from contract costs”) if those costs are expected to be recoverable. The incremental costs of obtaining contracts are those costs that the Group Companies incur to obtain a contract with a customer that they would not have incurred if the contract had not been obtained. Assets arising from contract costs are amortized using the straight-line method over a period from four to ten years depending on the estimated contract periods.

(15) Financial Income and Expenses

Financial income mainly comprises interest income, dividend income and changes in the fair value of financial assets measured at FVTPL. Interest income is accrued using the effective interest method. Dividend income is recognized on the date when the right of the Group Companies to receive the dividend is established.

Financial expenses mainly comprise interest expenses. Interest expenses are accrued using the effective interest method.

Financial income and expenses incurred from the finance business of the subsidiaries are included in “Revenue” and “Operating expenses.”

(16) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the related service is rendered. Accrued bonuses are recognized as liabilities, when the Group Companies have present legal or constructive obligation and when reliable estimates of the obligations can be made.

(17) Current and Deferred Income Tax

The income tax expense comprises current and deferred taxes. These are recognized in the Consolidated Statements of Income, except for income taxes which arise from business combinations or which are recognized either in other comprehensive income or directly in equity.

Current taxes are calculated by the expected tax payable or receivables on the taxable income, using the tax rates enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and their corresponding tax bases. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and, at the time of the transaction, affects neither income in the Consolidated Statements of Income nor taxable income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the related deferred tax assets is realized or the deferred tax liability is settled, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets are recognized for unutilized tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable income will be available against which such temporary differences can be utilized.

Deferred tax assets and liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures. However, if the Group Companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognized. Deferred tax assets are recognized only to the extent that it is probable that there will be sufficient taxable income against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

(18) Earnings Per Share

The Group Companies disclose basic and diluted earnings per share (attributable to the owners of the Company) related to common stock. Basic earnings per share is calculated by dividing net income (attributable to equity owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock held. Diluted earnings per share are calculated, for the dilutive effects of all potential common stock by dividing net income (attributable to the owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock. Potential common stock of the Group Companies relates to the stock option plan.

(19) Operating Segments

Operating segments correspond to business activities, from which the Group Companies earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Group Companies in order to determine the allocation of resources to the segment and assess its performance.

[Impact of Adoption of New Accounting Standards]

The Group Companies adopted the following accounting standard from the current fiscal year ended December 31, 2015.

IFRS		Description
IFRS 15	Revenue from contracts with customers (Issued in May 2014)	Newly issued standard on accounting and disclosure for revenue recognition

The Group Companies adopted IFRS 15 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the current fiscal year.

In accordance with IFRS 15, from the current fiscal year, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 and insurance revenue recognized in accordance with IFRS 4, revenues are recognized upon transfer of promised goods or services to customers in amounts that reflect the consideration to which Group Companies expect to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We recognize the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable. The incremental costs of obtaining contracts are those costs that the Group Companies incur to obtain a contract with a customer that they would not have incurred if the contract had not been obtained.

As a result, at the beginning of the current fiscal year, other assets (assets arising from contract costs), deferred tax liabilities, retained earnings and non-controlling interests increased by ¥20,679 million, ¥7,305 million, ¥13,244 million and ¥103 million, respectively, as compared to the amounts that would have been recorded had the previous accounting standard been applied. In addition, other assets (long-term prepaid expenses) decreased by ¥27 million.

Moreover, operating expenses decreased by ¥7,894 million, due to capitalization and amortization of assets arising from contract costs, for the fiscal year ended December 31, 2015 as compared to the amounts that would have been recorded had the previous accounting standard been applied.

The impact of the adoption on other accounts in the Consolidated Statement of income for the current fiscal year, including revenue is immaterial.

[Changes in Presentation]

(Consolidated Statements of Income)

“Impairment loss” included in “Other expenses” for the previous fiscal year has been separately presented for the current fiscal year, due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been represented.

As a result, ¥7,613 million presented under “Other expenses” in the Consolidated Statement of Income for the previous fiscal year has been reclassified as “Other expenses” of ¥5,312 million and “Impairment loss” of ¥2,301 million.

(Consolidated Statements of Cash Flows)

“Impairment loss” included in “Other loss (income)” under “Cash flows from operating activities” for the previous fiscal year has been separately presented for the current fiscal year, due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been represented.

As a result, ¥1,643 million presented under “Other loss (income)” of “Cash flows from operating activities” in the Consolidated Statement of Cash Flows for the previous fiscal year has been represented as “Impairment loss” of ¥2,301 million and “Other loss (income)” of ¥(658) million.

“Proceeds from issuance of common stock” included in “Others” under “Cash flows from financing activities” for the previous fiscal year has been separately presented for the current fiscal year, due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been represented.

As a result, ¥(1,934) million presented under “Others” of “Cash flows from financing activities” in the Consolidated Statement of Cash Flows for the previous fiscal year has been represented as “Proceeds from issuance of common stock” of ¥3,169 million and “Others” of ¥(5,103) million.

3. Significant Accounting Estimates and Judgments

(1) Significant Accounting Estimates and Assumptions

In the preparation of the consolidated financial statements in accordance with IFRS, the Group Companies make estimates and assumptions concerning future events. These accounting estimates are inherently not anticipated to equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following reporting period are addressed below.

(a) Goodwill Evaluation (Note 2 “Accounting Policies” (9) and Note 18 “Intangible Assets”)

An impairment test is conducted at least once a year for goodwill recognized by the Group Companies, regardless of whether there is an indication of impairment or not. The recoverable amount of CGUs, to which goodwill is allocated, is mainly calculated based on estimated future cash flows, estimated growth rate, and discount rate. This calculation is based on judgments and assumptions that are made by the management of the Group Companies, considering business and market conditions. The Group Companies consider these assumptions to be significant because, if the assumed conditions change, the estimated recoverable amounts might be significantly different.

(b) Recoverability of Deferred Tax Assets (Note 2 “Accounting Policies” (17) and Note 25 “Income Tax Expense”)

For temporary differences that are differences between carrying value of an asset or liability in the consolidated statements of financial position and its tax base, the Group Companies recognize deferred tax assets and deferred tax liabilities in respect of such deferred tax assets and deferred tax liabilities calculated using the tax rates based on tax laws that have been enacted or substantively enacted by the end of the reporting period and the tax rates that are expected to apply to the period when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences, the unutilized tax losses carried forward and the unutilized tax credit carried forward to the extent that it is probable that taxable income will be available. The estimation of the taxable income for the future is calculated based on the business plan approved by the management of the Group Companies, and is based on management’s subjective judgments and assumptions. The Group Companies consider these assumptions to be significant because changes in the assumed conditions and amendments of tax laws in the future might significantly affect the calculation of the amounts of deferred tax assets and deferred tax liabilities.

(c) Methods of Determining Fair Value for Financial Instruments Measured at Fair Value Including Derivative Instruments (Note 2 “Accounting Policies” (5) and Note 39 “Fair Value of Financial Instruments”)

Financial assets and financial liabilities including derivatives, held by Group Companies are measured at the following fair values:

- Quoted prices in active markets for identical assets or liabilities;
- Fair value calculated using observable inputs other than quoted prices for the assets or liability, either directly or indirectly; and
- Fair value calculated using valuation techniques incorporating unobservable inputs.

In particular, the fair value estimated through valuation techniques that incorporate unobservable inputs is premised on the decisions and assumptions of the management of the Group Companies, such as appropriate experience assumptions, suppositions, and the model utilized. The Group Companies consider the estimations to be significant as it is probable that the changes of estimations and assumptions might have significant influence on the calculation of fair value for financial instruments.

(d) Impairment of Financial Assets Measured at Amortized Cost (Note 2 “Accounting Policies” (5) and Note 41 “Financial Risk Management”)

For financial assets measured at amortized cost, the Group Companies assess whether there is any objective evidence that financial assets are impaired each quarter. Where any such objective evidence exists, the Group Companies recognize the difference between the carrying value of the asset and the present value of estimated future cash flows as impairment losses.

When estimating future cash flows, management makes judgments considering the probability of default, time of recovery and historical experience, and whether after reflecting current economic and credit conditions, actual losses are greater than or less than such trends in the past. If these estimations and assumptions change, the amount of any impairment losses for financial assets measured at amortized cost might vary widely, therefore, the Group Companies consider these estimations to be significant.

(e) Provisions (Note 2 “Accounting Policies” (10) and Note 23 “Provisions”)

The Group Companies record certain provisions, such as provision for customer points. Regarding the provision for customer points, in preparation for the future use of points by members, the Group Companies use historical experience to estimate the provision for the Rakuten Super Point Program. The provision is estimated on the premise of management’s decisions and the assumptions of the Group Companies. The Group Companies consider the estimation to be significant as it is probable that the changes of estimation and assumptions could have a significant influence on the calculation of the amount of the provisions.

(f) Liability Adequacy Test for Insurance Contracts (Note 2 “Accounting Policies” (11) and Note 24 “Policy Reserves and Others for Insurance Business”)

The Group Companies perform a liability adequacy test for insurance contracts in consideration of estimated present value of cash inflows such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses.

(2) Significant Judgment in Applying the Accounting Policies of the Group Companies

In the process of applying the accounting policies, the management of the Group Companies has made certain decisions which have a significant influence on the amounts recognized in the consolidated financial statements.

The Group Companies, mainly in the banking business and the credit card business, transact with structured entities, which are designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entities. The management of the Group Companies decide whether the Group Companies are controlling the entities or not. All related facts and circumstances on the involvement with the structured entity are considered in deciding whether control over such an entity exists.

4. Segment Information

(1) General Information

As comprehensive internet service providers engaged in the two main activities of Internet Services and FinTech (formerly, Internet Finance), the Group Companies are organized into three reportable segments: “Internet Services,” “FinTech” and “Others.”

Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Company in order to determine the allocation of resources and assess performance.

The “Internet Services” segment comprises businesses running various EC (e-commerce) sites including an internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with business for advertising and similar 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. From the third quarter of the current fiscal year, the Group Companies changed the segment name “Internet Finance” to “FinTech,” which is a term that combines “finance” and “technology,” and refers to financial services using IT.

The “Others” segment comprises businesses involving provision of messaging and communication services and others, and management of a Japanese professional baseball team.

(2) Measurement of Segment Profit or Loss

Operating segment information is prepared in accordance with IFRS as set out in Note 2 Accounting Policies, and operating segment revenue and profit or loss are those before intersegment eliminations without consideration of consolidation adjustments, except for certain consolidated subsidiaries. Since the current fiscal year, the internal measures management uses in making decisions have been changed from operating income in accordance with IFRS to Non-GAAP operating income. Non-GAAP operating income is operating income determined in accordance with IFRS after adjustment for unusual and other items as prescribed by the Group Companies.

Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group Companies and peer companies in the same industry or comparison of their business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Group Companies and their future outlook. Unusual items refer to one-off items that the Group Companies believe should be excluded in preparing a future outlook based on certain parameters. Other adjustment items are those that tend to differ depending on the standards or similar applied; therefore, they are less comparable between companies. Examples of such items are stock-based compensation expense and amortization of acquisition-related intangible assets. In association with these changes in measurement of segment profit or loss, and operating segment profit or loss for the fiscal year ended December 31, 2014 has been restated in line with the presentation used for the fiscal year ended December 31, 2015.

The Group Companies do not allocate assets and liabilities to operating segment information reviewed by the chief operating decision maker.

For the year ended December 31, 2014

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment revenue	¥362,751	¥236,520	¥42,445	¥641,716
Segment profit or loss	68,437	49,496	191	118,124
Other items				
Depreciation and amortization	19,520	8,858	2,593	30,971

For the year ended December 31, 2015

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment revenue	¥440,744	¥275,136	¥52,092	¥767,972
Segment profit or loss	99,508	63,899	(8,599)	154,808
Other items				
Depreciation and amortization	24,068	13,731	3,591	41,390

The reconciliation of segment revenue to consolidated revenue is as follows:

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Segment revenue	¥641,716	¥767,972
Intercompany transactions, etc.	(43,151)	(54,417)
Consolidated revenue	598,565	713,555

The reconciliation of segment profit or loss to income before income tax is as follows:

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Segment profit	¥118,124	¥154,808
Intercompany transactions, etc.	(32)	(2,655)
Non-GAAP operating income	118,092	152,153
Amortization of intangible assets	(6,327)	(8,322)
Stock-based compensation expenses	(2,315)	(6,088)
One-off items	(3,053)	(43,054)
Operating income	106,397	94,689
Financial income and expenses	(2,756)	(3,688)
Share of income of associates and joint ventures	604	986
Income before income tax	104,245	91,987

One-off items recognized for the year ended December 31, 2014 include provision related to overseas subsidiaries, impairment of goodwill and intangible assets, and reversal of provision accompanying revisions to tax acts and others. One-off items recognized for the year ended December 31, 2015 include head office relocation-related expense of ¥4,171 million and impairment of goodwill and intangible assets of ¥38,883 million. For details of impairment loss, please refer to Note 17 Property, Plant and Equipment and Note 18 Intangible Assets.

(3) Products and Services

Revenue from external customers by major products and services of the Group Companies is as follows:

(Millions of Yen)

	Rakuten Ichiba and Rakuten Travel	Rakuten Card	Rakuten Bank	Others	Revenue from external customers
Year ended December 31, 2014	¥179,035	¥77,604	¥43,523	¥298,403	¥598,565
Year ended December 31, 2015	189,517	92,199	53,174	378,665	713,555

(4) Geographic Information

For the year ended December 31, 2014

(Millions of Yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	¥516,963	¥53,901	¥22,889	¥4,812	¥598,565
Property, plant and equipment and intangible assets	157,878	211,080	152,760	3,772	525,490

For the year ended December 31, 2015

(Millions of Yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	¥573,839	¥106,878	¥24,544	¥8,294	¥713,555
Property, plant and equipment and intangible assets	186,212	249,142	122,783	5,057	563,194

(5) Major Customers

For the year ended December 31, 2014

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the year ended December 31, 2015

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

5. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

(Millions of Yen)

	December 31, 2014	December 31, 2015
Cash and deposits	¥428,635	¥501,029
Cash and cash equivalents	428,635	501,029

Funds (cash and cash equivalents) stated in the Group Companies' Consolidated Statements of Cash Flows include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. However, short-term highly liquid investments in the banking business are excluded.

6. Accounts Receivable — Trade

Breakdown of Accounts Receivable — Trade

(Millions of Yen)

	December 31, 2014	December 31, 2015
Gross amount of notes and accounts receivable — trade	¥91,023	¥106,625
Allowance for doubtful accounts	(2,152)	(2,614)
Net amount of notes and accounts receivable — trade	88,871	104,011

Accounts receivable — trade is mainly generated from sales related to the Internet Services business and is measured at amortized cost.

7. Financial Assets for Securities Business

Breakdown of Financial Assets for Securities Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Financial assets measured at amortized cost		
Cash segregated as deposits	¥451,001	¥484,883
Accounts receivable relating to investment securities transactions	275,908	224,708
Margin transactions assets	312,607	327,320
Short-term guarantee deposits	58,886	57,129
Others	12,953	15,361
Gross amount of financial assets measured at amortized cost	1,111,355	1,109,401
Allowance for doubtful accounts	(1,147)	(1,466)
Net amount of financial assets measured at amortized cost	1,110,208	1,107,935
Financial assets measured at FVTPL	680	1,364
Total financial assets for securities business	1,110,888	1,109,299

Investment securities held for trading purposes are included in financial assets measured at FVTPL.

Derivative assets held for trading purposes are included in “Derivative assets,” while operating investment securities are included in “Investment securities.”

8. Loans for Credit Card Business

Breakdown of Loans for Credit Card Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Gross amount of loans for credit card business	¥713,249	¥858,792
Allowance for doubtful accounts	(20,363)	(24,972)
Net amount of loans for credit card business	692,886	833,820

Loans for credit card business mainly comprise accounts receivable arising from the use of credit cards by customers based on installment contracts and similar.

Loans for credit card business are measured at amortized cost because they are classified as financial assets held as part of the Group Companies’ business model with the objective of collecting contractual cash flows, and such cash flows are limited to solely repayments of principal including interest on the principal balance outstanding.

9. Investment Securities for Banking Business

Breakdown of Investment Securities for Banking Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Financial assets measured at amortized cost		
Trust beneficiary rights	¥21,306	¥29,034
Domestic bonds	115,781	168,156
Foreign bonds	55,413	55,423
Others	12,000	—
Gross amount of financial assets measured at amortized cost	204,500	252,613
Allowance for doubtful accounts	(92)	(75)
Net amount of financial assets measured at amortized cost	204,408	252,538
Financial assets measured at FVTPL		
Domestic bonds	8,608	4,548
Foreign bonds	9,280	682
Total financial assets measured at FVTPL	17,888	5,230
Financial assets measured at FVTOCI	1	1
Total investment securities for banking business	222,297	257,769

Within investment securities for banking business, investment securities held as part of the Group Companies' business model with the objective of collecting contractual cash flows limited to solely payments of principal and interest on the principal balance outstanding on a specified date in accordance with the contractual terms, are classified as financial assets measured at amortized cost, while all other investment securities are classified as financial assets measured at fair value. Within financial assets measured at fair value, investments in equity instruments are designated as financial assets measured at FVTOCI.

10. Loans for Banking Business

Breakdown of Loans for Banking Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Gross amount of loans for banking business	¥322,838	¥445,459
Allowance for doubtful accounts	(961)	(1,415)
Net amount of loans for banking business	321,877	444,044

Loans for banking business mainly comprise loan receivables from individual customers.

Loans for banking business are measured at amortized cost because they are defined as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to repayments of principal including interest on the principal balance outstanding.

11. Investment Securities for Insurance Business

Breakdown of Investment Securities for Insurance Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Trust beneficiary rights	¥1,400	¥2,024
Domestic bonds	10,805	13,284
Total investment securities for insurance business	12,205	15,308

Investment securities for insurance business are measured at amortized cost because they are defined as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to solely repayments of principal including interest on the principal balance outstanding.

12. Derivative Assets and Derivative Liabilities

The fair values and notional principal amounts of derivatives qualifying for hedge accounting and derivatives not qualifying for hedge accounting are as follows:

Derivatives Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2014			December 31, 2015		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedges						
Interest rate swap contracts	¥12,500	¥—	¥769	¥12,500	¥—	¥738
Cash flow hedges						
Interest rate swap contracts	72,098	—	830	73,590	—	732
Total	84,598	—	1,599	86,090	—	1,470

Derivatives Not Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2014			December 31, 2015		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency contracts						
Foreign exchange forward contracts	¥97,820	¥1,672	¥46	¥78,547	¥237	¥749
Foreign exchange margin contracts	2,216,945	7,572	9,696	2,274,381	18,189	8,142
Subtotal of foreign currency contracts	2,314,765	9,244	9,742	2,352,928	18,426	8,891
Interest rate contracts						
Interest rate swaption contracts	196,828	4,682	427	229,576	2,879	262
Others	663	1	1	2,146	7	0
Total	2,512,256	13,927	10,170	2,584,650	21,312	9,153

13. Investment Securities

Breakdown of Investment Securities

(Millions of Yen)

	December 31, 2014	December 31, 2015
Financial assets measured at amortized cost	¥10,531	¥10,127
Financial assets measured at FVTPL		
Listed	20	—
Unlisted	2,358	82,206
Total financial assets measured at FVTPL	2,378	82,206
Financial assets measured at FVTOCI		
Listed	6,548	9,398
Unlisted	31,049	49,506
Total financial assets measured at FVTOCI	37,597	58,904
Total investment securities	50,506	151,237

14. Other Financial Assets

Breakdown of Other Financial Assets

(Millions of Yen)

	December 31, 2014	December 31, 2015
Financial assets measured at amortized cost		
Accounts receivable — other	¥47,916	¥50,472
Call loans for banking business	28,000	23,000
Security deposits	5,315	7,425
Others	63,523	80,954
Gross amount of financial assets measured at amortized cost	144,754	161,851
Allowance for doubtful accounts	(472)	(212)
Net amount of financial assets measured at amortized cost	144,282	161,639
Financial assets measured at FVTPL	1	1
Financial assets measured at FVTOCI	—	—
Total other financial assets	144,283	161,640

15. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts by type of financial assets measured at amortized cost are as follows:

For the year ended December 31, 2014

(Millions of Yen)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Other financial assets	Total
January 1, 2014	¥1,856	¥1,406	¥20,293	¥55	¥800	¥454	¥24,864
Increases during the period (allowance for doubtful accounts charged to expenses)	585	—	16,211	37	145	63	17,041
Increases during the period (others)	347	36	777	—	20	7	1,187
Decreases during the period (utilized)	(636)	(218)	(16,918)	—	(4)	(52)	(17,828)
Decreases during the period (reversals)	—	(77)	—	—	—	(0)	(77)
Decrease during the period (others)	—	(0)	—	—	—	—	(0)
December 31, 2014	2,152	1,147	20,363	92	961	472	25,187

For the year ended December 31, 2015

(Millions of Yen)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Other financial assets	Total
January 1, 2015	¥2,152	¥1,147	¥20,363	¥92	¥961	¥472	¥25,187
Increases during the period (allowance for doubtful accounts charged to expenses)	700	242	20,652	—	321	84	21,999
Increases during the period (others)	414	103	1,063	—	138	55	1,773
Decreases during the period (utilized)	(586)	(26)	(17,106)	—	(5)	(162)	(17,885)
Decreases during the period (reversals)	(7)	—	—	(17)	—	(1)	(25)
Decrease during the period (others)	(59)	—	—	—	—	(236)	(295)
December 31, 2015	2,614	1,466	24,972	75	1,415	212	30,754

16. Investments in Associates and Joint Ventures

(1) Investments in Associates

The Group Companies account for investments in associates using the equity method.

The carrying amounts of investments in associates, which are all individually insignificant, are as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Total carrying amount	¥8,418	¥16,416

Financial information on associates, which are all individually insignificant, is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Net income	¥487	¥893
Other comprehensive income	17	(142)
Comprehensive income	504	751

(2) Investments in Joint Ventures

For certain investments in companies, the Group Companies have entered into contracts which require unanimous consent among the counterparties for decisions that significantly affect the returns from the investment. As the Group Companies exercise joint control with such counterparties and have rights to the investee's net assets, such companies are determined to be joint ventures and are accounted for using the equity method.

The total carrying amounts of investments in individually insignificant joint ventures are as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Total carrying amount	¥514	¥496

Aggregate financial information on individually insignificant joint ventures is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Net income	¥122	¥93
Comprehensive income	122	93

17. Property, Plant and Equipment

(1) Schedule of Changes in Property, Plant and Equipment

(Millions of Yen)

	Buildings and accompanying facilities	Furniture, Fixtures and equipment	Others	Total
January 1, 2014				
Cost	¥20,002	¥30,933	¥14,741	¥65,676
Accumulated depreciation and accumulated impairment losses	(8,371)	(18,602)	(8,295)	(35,268)
Carrying amount	11,631	12,331	6,446	30,408
Increases	4,871	5,128	1,323	11,322
Acquisition through business combinations	140	354	98	592
Disposals and sales	(203)	(294)	(207)	(704)
Impairment loss	(75)	(44)	(1)	(120)
Depreciation	(1,847)	(4,214)	(365)	(6,426)
Exchange rate differences	109	226	(34)	301
Other changes	(23)	1,493	(2,032)	(562)
December 31, 2014				
Cost	24,258	34,952	11,702	70,912
Accumulated depreciation and accumulated impairment losses	(9,655)	(19,972)	(6,474)	(36,101)
Carrying amount	14,603	14,980	5,228	34,811
Increases	10,238	10,750	2,384	23,372
Acquisition through business combinations	1,417	677	357	2,451
Disposals and sales	(323)	(300)	(98)	(721)
Impairment loss	(1)	(311)	(1,763)	(2,075)
Depreciation	(2,491)	(5,085)	(359)	(7,935)
Exchange rate differences	(128)	(312)	(17)	(457)
Other changes	(327)	(0)	(677)	(1,004)
December 31, 2015				
Cost	30,434	41,764	11,694	83,892
Accumulated depreciation and accumulated impairment losses	(7,446)	(21,365)	(6,639)	(35,450)
Carrying amount	22,988	20,399	5,055	48,442

Depreciation is presented within “Operating expenses” in the Consolidated Statements of Income.

(2) Impairment of Property, Plant and Equipment

The Group Companies assess, at each reporting date, whether there are any indications that property, plant and equipment may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount of individual assets. However if estimation of the recoverable amount of individual assets is not possible, then estimation of the recoverable amount of the CGU to which the asset belongs is made. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In principle, each Group Company is considered to be a CGU. Idle assets for which no future use is anticipated are considered individually as CGUs.

(3) Property, Plant and Equipment Pledged as Collateral

As of December 31, 2014

Buildings and accompanying facilities of ¥452 million are pledged as collateral for borrowings.

As of December 31, 2015

Not applicable.

(4) Finance Leases (as Lessee)

Carrying amounts of leased assets under finance lease arrangements are as follows.

(Millions of Yen)

	December 31, 2014	December 31, 2015
Buildings	¥8,245	¥9,192
Furniture, fixtures and equipment	1,713	1,274
Others	325	181
Total	10,283	10,647

Included in the above is a baseball stadium facility, which has been donated to Miyagi Prefecture based on a franchise contract, and which is recognized as a finance lease as the Group Companies have the right of use in relation to the stadium facility. The related carrying amounts as of December 31, 2014 and 2015 were ¥8,351 million and ¥9,285 million, respectively. There are no lease obligations associated with this lease arrangement.

Lease obligations based on finance lease contracts as of December 31, 2014 and 2015 were ¥1,568 million and ¥1,069 million, respectively.

18. Intangible Assets

(1) Schedule of Changes in Intangible Assets

(Millions of Yen)

	Goodwill	Software	Others	Total
January 1, 2014				
Cost	¥193,008	¥122,851	¥68,161	¥384,020
Accumulated amortization and accumulated impairment losses	(50,782)	(74,438)	(22,919)	(148,139)
Carrying amount	142,226	48,413	45,242	235,881
Increases	—	24,664	3,353	28,017
Acquisition through business combinations	188,754	750	25,020	214,524
Disposals and sales	—	(1,350)	(1)	(1,351)
Impairment losses	(1,510)	(577)	(94)	(2,181)
Amortization	—	(16,211)	(7,503)	(23,714)
Exchange rate differences	34,286	832	4,507	39,625
Other changes	(111)	(57)	46	(122)
December 31, 2014				
Cost	400,929	145,857	93,214	640,000
Accumulated amortization and accumulated impairment losses	(37,284)	(89,393)	(22,644)	(149,321)
Carrying amount	363,645	56,464	70,570	490,679
Increases	—	30,912	2,887	33,799
Acquisition through business combinations	47,516	147	20,222	67,885
Disposals and sales	—	(1,111)	(869)	(1,980)
Impairment losses	(33,204)	(45)	(2,811)	(36,060)
Amortization	—	(18,445)	(9,496)	(27,941)
Exchange rate differences	(5,114)	(250)	(2,477)	(7,841)
Other changes	(3,415)	215	(589)	(3,789)
December 31, 2015				
Cost	432,105	169,106	105,903	707,114
Accumulated amortization and accumulated impairment losses	(62,677)	(101,219)	(28,466)	(192,362)
Carrying amount	369,428	67,887	77,437	514,752

Software under intangible assets mainly comprises internally generated software.

Amortization of intangible assets is presented in “Operating expenses” in the Consolidated Statements of Income.

Research and development expenses recognized as expenses for the years ended December 31, 2014 and 2015 were ¥2,392 million and ¥8,364 million, respectively.

Goodwill acquired through business combinations for the year ended December 31, 2014 is mainly attributable to the acquisitions of Ebates Inc. and VIBER MEDIA LTD. Goodwill acquired through business combinations for the year ended December 31, 2015 is mainly attributable to the acquisition of OverDrive Holdings, Inc. For details, please refer to Note 44 "Business Combinations."

Acquisitions of "Others" within "Intangible Assets" through business combinations for the year ended December 31, 2014 are mainly attributable to customer-related intangible assets acquired in the acquisition of Ebates Inc. of ¥14,740 million, and trademarks and technology obtained through the acquisition of VIBER MEDIA LTD. of ¥7,933 million. Acquisitions of "Others" within "Intangible Assets" through business combinations for the year ended December 31, 2015 are mainly attributable to customer-related intangible assets and trademarks acquired in the acquisition of OverDrive Holdings, Inc. of ¥16,202 million. For details, please refer to Note 44 "Business Combinations."

(2) Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

The balance of goodwill and intangible assets with indefinite useful lives of each CGU is as follows. Intangible assets with indefinite useful lives mainly comprise trademarks. These trademarks, which were acquired in business combinations, will basically continue to exist as long as the business continues and thus are considered to be intangible assets with indefinite useful lives.

(Millions of Yen)

Operating segment	CGU	December 31, 2014		December 31, 2015	
		Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Internet Services	Ebates Inc.	¥99,493	¥—	¥97,211	¥—
	OverDrive Holdings, Inc.	—	—	37,664	—
	Rakuten Kobo Inc.	20,813	34	10,374	28
	PRICEMINISTER S.A.S.	15,679	6,528	—	3,125
	Others	78,126	931	68,564	—
	Total	214,111	7,493	213,813	3,153
FinTech	Rakuten Bank, Ltd.	32,886	—	32,886	—
	Others	14,085	—	19,348	—
	Total	46,971	—	52,234	—
Others	VIBER MEDIA LTD.	99,349	—	99,399	—
	Others	3,214	—	3,982	—
	Total	102,563	—	103,381	—
Total		363,645	7,493	369,428	3,153

For the year ended December 31, 2014

For the year ended December 31, 2014, an impairment loss of ¥1,510 million relating to goodwill allocated to the CGU of others in the Internet Services segment was recorded.

For the year ended December 31, 2015

For the year ended December 31, 2015, impairment losses of ¥14,436 million and ¥2,811 million relating to goodwill and trademarks of PRICEMINISTER S.A.S., respectively, an impairment loss of ¥7,808 million relating to goodwill of Rakuten Kobo Inc. and an impairment loss of ¥10,960 million relating to goodwill allocated to the CGU of “Others” in the Internet Services segment were recorded.

When conducting an impairment test for goodwill and intangible assets with indefinite useful lives, the Group Companies, as a general rule, consider each company to be a CGU and allocate goodwill and intangible assets with indefinite useful lives to the CGUs expected to benefit from synergies associated with business combinations. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Group Companies perform impairment testing of goodwill at least annually, regardless of whether there is any indication of impairment. Intangible assets with indefinite useful lives are not amortized; instead they are tested for impairment annually. The Group Companies individually determine the timing of impairment test for goodwill and intangible assets with indefinite useful lives taking into consideration the timing of the formulation of the relevant business plan. Indications of impairment are also assessed every quarter; and if any such indication exists, impairment testing is performed.

The recoverable amount of a CGU with allocated goodwill is the higher of value in use and fair value less costs of disposal. On December 31, 2015, the recoverable amounts of all CGUs to which goodwill was allocated, except for VIBER MEDIA LTD. (CGU), OverDrive Holdings, Inc. (CGU) and Rakuten Kobo Inc. (CGU), were determined with reference to their calculated values in use. The recoverable amounts of VIBER MEDIA LTD., OverDrive Holdings, Inc. and Rakuten Kobo Inc. were determined based on their fair values less costs of disposal.

Value in use is calculated based on the business plans approved by the management of each CGU, using pre-tax, estimated future cash flows for primarily three to five years and other assumptions for a three to five year period. These business plans have been drawn up based primarily on gross merchandise sales in the Internet Services and Others segments, and the number of accounts and the number of registered members in the FinTech segment. For periods beyond those covered by the business plans, the terminal value is assessed.

Terminal value is calculated using the estimated growth rate of each CGU. Also the pre-tax discount rate used in the assessment of value in use is calculated for each CGU.

The growth rates used in predicting cash flows for periods beyond those covered by the business plans of each CGU reflect the status of the country and the industry to which the CGU belongs and do not exceed the average long-term growth rate of the industry in which the CGU is active. Pre-tax discount rates used in calculating terminal value reflect the inherent risks of the relevant businesses of each CGU. Discount rates are determined based on comparable companies of each CGU, incorporating market interest rates, the size of the subsidiary comprising the CGU, and other factors.

Fair value less costs of disposal is based on an estimated fair value less costs of disposal based on the discounted cash flow method for a five to ten year period. This measurement of fair value is classified as Level 3 in the fair value hierarchy due to the unobservable inputs used in this valuation technique.

Additionally, the business plan, which forms the basis for the measurement of the recoverable amount in the impairment tests of goodwill and intangible assets with indefinite useful lives, is compared with past performance and consideration is made as to whether the business plan is a reasonable basis for predicting future cash flows.

Significant assumptions used in the calculation of the recoverable amount as of December 31, 2014 and 2015 are as follows. The following estimates have been used in the analysis of each CGU.

Operating segment	CGU	December 31, 2014		December 31, 2015	
		Growth rate	Discount rate	Growth rate	Discount rate
Internet Services	Ebates Inc.	3.0%	15.2%	3.0%	15.9%
	OverDrive Holdings, Inc.	-	-	3.5%	13.0%
	Rakuten Kobo Inc.	3.0%	15.3%	2.7%	17.6%
	PRICEMINISTER S.A.S.	2.0%	10.6%	1.7%	19.0%
	Others	2.0%~ 5.0%	8.3%~ 27.4%	1.5%~ 5.0%	13.0%~ 27.3%
FinTech	Rakuten Bank, Ltd.	2.0%	10.4%	2.0%	11.5%
	Others	2.0%	12.9%~ 20.2%	2.0%	13.0%~ 18.7%
Others	VIBER MEDIA LTD.	3.0%	33.3%	3.0%	16.4%
	Others	2.0%	13.2%	2.0%	13.6%

Sensitivity Analysis

The Group Companies have recorded goodwill and intangible assets with indefinite useful lives for Rakuten Kobo Inc. (CGU). In the event of a decline in the growth rate used for calculating terminal value, which is a major assumption used for calculating the recoverable amount of Rakuten Kobo Inc., or in the event of a rise in the discount rate, additional impairment loss may arise. The recoverable amounts of CGUs to which goodwill has been allocated except for the aforementioned significantly exceed their carrying amounts, therefore the Group Companies judge that significant impairment is unlikely to occur for these CGUs, even if the major assumptions used in impairment testing were to change within a reasonably predictable range.

(3) Impairment of Intangible Assets (Except for Goodwill and Intangible Assets with Indefinite Useful Lives)

The Group Companies assess, at each reporting date, whether there is an indication that intangible assets (except for goodwill and intangible assets with indefinite useful lives) may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount for the individual asset, but if estimation of the recoverable amount of individual assets is not possible, an estimation of the recoverable amount of the CGU to which the asset belongs is made. Idle assets for which future use is not anticipated are considered individually.

For the year ended December 31, 2014

In the year ended December 31, 2014, an impairment loss of ¥671 million on intangible assets (except for goodwill and intangible assets with indefinite useful lives) arising in the Internet Services and FinTech segments was recorded.

For the year ended December 31, 2015

In the year ended December 31, 2015, with respect to an impairment loss of intangible assets (except for goodwill and intangible assets with indefinite useful lives) arising in the Internet Services segment, ¥45 million was recorded within "Impairment loss" and ¥32 million was recorded within "Other expenses" in the Consolidated Statements of Income.

19. Deposits for Banking Business

Breakdown of Deposits for Banking Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Financial liabilities measured at amortized cost		
Demand deposits	¥628,330	¥731,644
Time deposits	437,645	586,385
Total financial liabilities measured at amortized cost	1,065,975	1,318,029
Financial liabilities measured at FVTPL		
Time deposits	71,220	48,755
Total deposits for banking business	1,137,195	1,366,784

20. Financial Liabilities for Securities Business
Breakdown of Financial Liabilities for Securities Business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Accounts payable relating to investment securities transactions	¥275,320	¥223,993
Margin transactions liabilities	46,858	44,739
Deposits received	343,604	339,137
Borrowings secured by securities	136,299	140,867
Guarantee deposits received	193,027	238,453
Others	33	55
Total financial liabilities for securities business	995,141	987,244

Financial liabilities for securities business are measured at amortized cost.

Derivative liabilities classified as held for trading are included in “Derivative liabilities.”

21. Bonds and Borrowings
Schedule of Bonds

(Millions of Yen)

Name	Type	Interest rate	December 31, 2014	December 31, 2015
Rakuten, Inc.	Rakuten, Inc. The 1st unsecured bond Currency: JPY Maturity: three years	0.377%	¥9,960	¥9,976
Rakuten, Inc.	Rakuten, Inc. The 2nd unsecured bond Currency: JPY Maturity: three years	0.38%	19,897	19,938
Rakuten Card Co., Ltd.	The 1st unsecured bond Currency: JPY Maturity: five years	0.91%	1,043	746
Rakuten Communications Corp. (Note)	The 3rd unsecured bond Currency: JPY Maturity: five years	0.64%	240	—
	Total bonds	—	31,140	30,660

All bonds are measured at amortized cost.

The nominal interest rates applied for each bond stated in the “Interest rate” column, and they differ from the effective interest rates.

(Note) Fusion Communications Corporation was renamed Rakuten Communications Corp. on December 1, 2015.

Schedule of Borrowings

(Millions of Yen)

	December 31, 2014	December 31, 2015
Short-term debt	¥155,511	¥154,201
Long-term debt		
Floating-rate debt	329,805	361,202
Fixed-rate debt	26,971	89,132
Commercial paper	46,500	14,000
Total borrowings	558,787	618,535

All borrowings are measured at amortized cost.

Schedule of Maturity and Interest Rate of Borrowings

	December 31, 2014		December 31, 2015	
	Maturity	Interest rate	Maturity	Interest rate
Short-term debt	—	0.22% ~3.0%	—	0.155% ~1.975%
Long-term debt				
Floating-rate debt	1 year to 8 years	0.48364% ~2.09%	2 years to 8 years	0.57091% ~2.04%
Fixed-rate debt	2 years to 25 years	0.528% ~4.38%	1 year to 25 years	0.1% ~4.38%
Commercial paper	—	0.2% ~0.6%	—	0.3% ~0.45%

Maturities of short-term debt and commercial paper are less than one year, and thus the description is omitted.

The nominal interest rates applied for each borrowing are stated in the “Interest rate” column, and they differ from the effective interest rates. In addition, floating-rate debt includes the underlying hedged items of cash flow hedges where floating rate debt is swapped for fixed rate debt, and the interest rates stated in the “Interest rate” column incorporate the effect of the cash flow hedges.

22. Other Financial Liabilities

Breakdown of Other Financial Liabilities

(Millions of Yen)

	December 31, 2014	December 31, 2015
Other payables	¥99,747	¥109,056
Accrued expenses	28,360	36,494
Deposits received	90,504	92,383
Margin deposits received	3,135	5,589
Others	20,870	24,926
Total other financial liabilities	242,616	268,448

Other financial liabilities are measured at amortized cost.

23. Provisions

(1) Schedule of Changes in Provisions

(Millions of Yen)

	Provision for customer points	Others	Total
January 1, 2014	¥34,580	¥6,440	¥41,020
Increases during the period (provisions made)	39,292	1,595	40,887
Increases during the period (others)	287	367	654
Decreases during the period (provisions used)	(34,388)	(2,752)	(37,140)
Decreases during the period (others)	(244)	(1,208)	(1,452)
December 31, 2014	39,527	4,442	43,969
Increases during the period (provisions made)	49,120	3,059	52,179
Increases during the period (others)	6	223	229
Decreases during the period (provisions used)	(39,415)	(2,544)	(41,959)
Decreases during the period (others)	(73)	(216)	(289)
December 31, 2015	49,165	4,964	54,129

(2) Provision for Customer Points

The Group Companies operate point programs, including the Rakuten Super Points program, for the purpose of promoting members' transactions within the Group Companies, whereby members are granted points for their purchase of goods at Rakuten Ichiba shops, use of services such as Rakuten Travel, use of Rakuten Card, various membership registrations within the Group Companies and customer referrals. Members are able to exchange accumulated points for products and services, obtain discounts, or transfer their points to point programs of other companies. Points have an expiry date and once they expire a member forfeits the right to use them.

In anticipation of the future use of such points by members, the Group Companies recorded a provision for customer points at an estimated amount based on historical experience. These are estimates and there is an inherent uncertainty regarding the extent of usage of such points by members.

(3) Other Provisions

Other provisions include asset retirement obligations and provision for loss on interest repayments.

These provisions are attributable to transactions in the ordinary course of business, and, are not individually significant.

24. Policy Reserves and Others for Insurance Business

(1) Breakdown of policy reserves and others for insurance business

(Millions of Yen)

	December 31, 2014	December 31, 2015
Reserve for outstanding claims	¥1,863	¥1,878
Liability reserves	17,984	19,757
Total policy reserves and others for insurance business	19,847	21,635

Regarding the funding method for liability reserves, the method stipulated in the Notification No. 48 of the Ministry of Finance, 1996 is applied for contracts subject to standard liability reserves, and the level premium method is applied for contracts not subject to standard liability reserves. Mortality rates based on Standard Mortality Table 2007 (Standard Mortality Table 1996 for contracts with an effective date on or before March 31, 2007) and a product crediting rate of 1.0% (1.5% for contracts with a policy inception date on or before March 31, 2013 and 2.0% for contracts with an effective date on or before March 31, 2001) are used for the calculation of liability reserves.

The breakdown of changes in policy reserves is as follows.

(Millions of Yen)

		December 31, 2014	December 31, 2015
Balance at the beginning of the year		¥18,852	¥19,847
Insurance premium (net)	(Note 1)	14,570	15,091
Insurance claims and other payments		(10,165)	(10,156)
Other changes	(Note 2)	(3,410)	(3,147)
Balance at the end of the year		19,847	21,635

(Notes) 1 The amount is calculated by deducting costs allocated to the operation of the insurance business from insurance revenue, etc.

2 The amount includes interest on liability reserves, mortality gain, etc.

(2) Liability Adequacy Test for Insurance Contracts

The Group Companies perform a liability adequacy test for insurance contracts taking into consideration estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows, such as insurance claims and benefits and operating expenses. As a result of testing, the amount of the liability was considered to be adequate, and no additional recognition of liability and expense was recognized.

(3) Insurance Risk

For sound and appropriate insurance business operations, it is important to accurately comprehend and adequately manage increasingly diversified and complex risks. Therefore, a cross-organizational risk management framework was developed, and the role and process at departments responsible for risk management were clarified. The Group Companies ensure appropriate business operations by having all employees and officers fully understand the importance of risk management. Specifically, the Group Companies established a cross-organizational "Risk Management Committee," and undertake the following overall risk management activities: appointing departments responsible for risk management according to the type of risk; developing a risk management framework; comprehending, analyzing and assessing risk status; and instructing operational departments.

Concerning insurance underwriting risk as a major risk in the insurance business, the Group Companies have identified and analyzed risks through regular monitoring of the frequency of insured events and surrender ratio. In developing new products, risk analysis is carried out in consideration of an appropriate balance with profitability.

Under Japanese laws and regulations, life insurance companies are required to calculate risks associated with payments of insurance claims and benefits and risks associated with asset management in preparation for the occurrence of various risks to which life insurance companies are exposed on a scale beyond a normally predictable level. The amounts equivalent to risks before tax are as follows, which are recognized as representing the impact on the Consolidated Statements of Income in the event of occurrence of such risks. The confidence level of risk quantity is generally assumed to be 95%, with variance depending on the type of risk.

(Millions of Yen)

	December 31, 2014	December 31, 2015
Insurance risk impact amount	¥378	¥390
Third-sector insurance risk impact amount	912	891
Product crediting rate risk impact amount	3	3
Minimum guarantee risk impact amount	—	—
Investment risk impact amount	1,108	1,142
Minimum business risk impact amount	48	49

The Group Companies only handle standard insurance products, and insured events are mainly death (first sector product), hospitalization and surgery, etc. (third sector product). The policy period of insurance products is mainly 10 years and lifetime, and the insurance liabilities vary with the acquisition of new contracts, occurrence of insured events and contract cancellations, etc.

In future periods covered by the liability adequacy test it is expected that insurance revenues will exceed the associated insurance costs.

25. Income Tax Expense

The deferred tax assets and liabilities as of December 31, 2014 and 2015 include the following:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Deferred tax assets		
Tax losses carried forward	¥17,329	¥23,114
Allowance for doubtful accounts	4,190	4,208
Provision for customer points	14,150	16,167
Others	14,643	17,901
Total	50,312	61,390
Deferred tax liabilities		
Gains and losses of financial assets measured at FVTOCI	(1,479)	(6,130)
Intangible assets	(20,191)	(27,332)
Assets arising from contract costs	—	(9,324)
Others	(6,073)	(10,769)
Total	(27,743)	(53,555)
Net amount of deferred tax assets		
Deferred tax assets	35,006	28,252
Deferred tax liabilities	(12,437)	(20,417)
Net	22,569	7,835

Deferred tax assets related to tax losses carried forward as of December 31, 2014 and 2015 are mainly recognized by one of the Company's subsidiaries, Rakuten Bank, Ltd. In Rakuten Bank, Ltd., due to non-performing loans and investment securities, which gave rise to tax losses carried forward in the past, being reduced to controllable levels, and an environment under which it can steadily produce continuous and stable earnings made possible through various initiatives aimed toward capturing customers and ensuring stable performance as a result of joining the Group Companies, tax losses carried forward were partially deducted in calculating Rakuten Bank's taxable income for the years ended December 31, 2014 and 2015. In addition, it is considered to be highly probable that future taxable income will be available.

The changes in net deferred tax assets and liabilities were as follows:

For the year ended December 31, 2014

(Millions of Yen)

	January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2014
Tax losses carried forward	¥17,380	¥(574)	¥431	¥92	¥—	¥17,329
Allowance for doubtful accounts	4,032	158	—	—	—	4,190
Provision for customer points	13,113	1,037	—	—	—	14,150
Gains and losses of financial assets measured at FVTOCI	(3,555)	—	2,076	—	—	(1,479)
Intangible assets	(14,926)	2,287	(1,239)	(6,313)	—	(20,191)
Others	6,427	1,483	(175)	734	101	8,570
Total	22,471	4,391	1,093	(5,487)	101	22,569

For the year ended December 31, 2015

(Millions of Yen)

	January 1, 2015	Cumulative effects of changes in accounting policies	Recognized in profit or loss	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2015
Tax losses carried forward	¥17,329	¥—	¥1,968	¥(479)	¥4,296	¥—	¥23,114
Allowance for doubtful accounts	4,190	—	18	—	—	—	4,208
Provision for customer points	14,150	—	2,017	—	—	—	16,167
Gains and losses of financial assets measured at FVTOCI	(1,479)	—	—	(4,651)	—	—	(6,130)
Intangible assets	(20,191)	—	(355)	515	(7,301)	—	(27,332)
Assets arising from contract costs	—	(7,305)	(2,019)	—	—	—	(9,324)
Others	8,570	—	(2,242)	439	(335)	700	7,132
Total	22,569	(7,305)	(613)	(4,176)	(3,340)	700	7,835

The breakdown of deductible temporary differences, tax losses carried forward and tax credits carried forward for which no deferred tax asset is recognized in the consolidated statements of financial position is as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Deductible temporary differences	¥8,434	¥1,250
Unused tax losses carried forward	33,391	35,936
Tax credits carried forward	75	54
Total	41,900	37,240

Deferred tax assets associated with the above are not recognized, as it is unlikely that future taxable income necessary for the Group Companies to utilize their benefits would be generated.

Tax losses carried forward for which no deferred tax asset is recognized in the consolidated statements of financial position, if unutilized, will expire as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
One year or less	¥643	¥1,235
Over one year to five years	2,703	2,039
Over five years	30,045	32,662
Total	33,391	35,936

There are no deductible temporary differences with an expiry date or significant temporary differences associated with investments in subsidiaries and associates accounted for using the equity method for which there are unrecognized deferred tax liabilities. There will be no significant impact on the Group Companies' tax payment, even if the retained earnings of the subsidiaries or associates are remitted to the Group Companies in the future.

Breakdown of income tax expense recognized through income is as follows:

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Current tax expense		
Income tax expense for net income	¥37,533	¥47,094
Subtotal	37,533	47,094
Deferred tax expense		
Generation and reversal of temporary difference	(4,965)	(351)
Changes in unused tax losses carried forward	574	(1,968)
Impact of changes in tax rates, etc. due to tax reform (Note 2)	—	2,932
Subtotal	(4,391)	613
Total income tax expense	33,142	47,707

(Notes) 1 The Company is mainly subject to income taxes, inhabitant tax and deductible enterprise tax, and the statutory tax rates calculated based on these taxes were 38.0% for the previous fiscal year, and 36.0% for the current fiscal year.

2 Following the promulgation of the "Act on Partial Revision of the Income Tax Act, etc." and "Act on Partial Revision of the Local Tax Act, etc." on March 31, 2015, the statutory tax rate used for calculating deferred tax assets and deferred tax liabilities for the current fiscal year (only for those expected to be recovered or settled on or after January 1, 2016) has been changed from 36.0% to 33.0% for those expected to be recovered or settled between January 1, 2016 and December 31, 2016, and to

32.2% for those expected to be recovered or settled on or after January 1, 2017. Gain or loss on reversal of deferred tax assets and liabilities (net) at the Company and its consolidated subsidiaries due to the aforementioned changes in tax rates, etc. is separately stated.

Reconciliations between the statutory tax rates in Japan and effective tax rates on income tax expense as presented in the Consolidated Statements of Income are as follows:

(%)

	Year ended December 31, 2014	Year ended December 31, 2015
Statutory tax rate in Japan	38.0	36.0
(Reconciliations)		
Permanent non-deductible items	3.7	1.6
Permanent non-taxable items	(2.4)	(0.4)
Impact of changes in tax rates, etc. due to tax reform	—	3.2
Effect from assessing recoverability of deferred tax assets	(4.3)	2.1
Differences due to statutory tax rate of subsidiaries (Note 1)	1.8	(2.4)
Impairment of goodwill (Note 2)	—	12.3
Extinguishment of deferred tax Liabilities related to tax deductible losses due to transfer of shares (Note 3)	(7.1)	—
Others	2.1	(0.5)
Effective tax rate on income tax expense	31.8	51.9

(Notes) 1 The difference is due to difference in the statutory tax rate of Japan, where the Company is located, and that of the other jurisdictions where certain subsidiaries are located.

2 Please refer to impairment of goodwill and intangible assets with indefinite useful lives in Note 18.

3 This represents the amount of an extinguishment of deferred tax liabilities following the merger between the Company and former Rakuten Travel, Inc.

26. Common Stock, Capital Surplus, Retained Earnings and Treasury Stock

Common Stock

Schedule of shares authorized to be issued and total number of shares issued.

(Thousands of shares)

	Total number of authorized shares (Common stock with no par value)	Total number of shares issued (Common stock with no par value)
January 1, 2014	3,941,800	1,323,863
Changes during the period: Increase due to issuance of common stock	—	4,740
December 31, 2014	3,941,800	1,328,603
Changes during the period: Increase due to issuance of common stock (Note)	—	101,771
December 31, 2015	3,941,800	1,430,374

(Note) Increase due to issuance of common stock is primarily for the following reason.

In order to strengthen the financial base in preparation for sustained future growth and enhance flexibility of financial strategies, the Company made a resolution at the meeting of the Board of Directors held on June 4, 2015, for the issuance of 99,607 thousand new shares in the form of public offerings in Japan as well as offering in the overseas markets (which, in the United States however, is restricted to sales to qualified institutional investors in accordance with Rule 144A under the U.S. Securities Act of 1993), and received the proceeds from the issuance on June 30, 2015.

Capital Surplus

The Companies Act of Japan (hereinafter referred to as the “Companies Act”) requires that at least 50% of the proceeds of certain issues of common shares be credited to common stock, while the remainder of the proceeds be credited to capital reserve included in capital surplus. The Companies Act permits, upon approval at the General Shareholders’ Meeting, the transfer of amounts from capital reserve to common stock.

Retained Earnings

The Companies Act requires that an amount equal to 10% of dividends of retained earnings be appropriated as capital reserve (within capital surplus) or as legal reserve (within retained earnings) until the aggregate amount of the capital reserve and the legal reserve equals to 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the General Shareholders’ Meeting.

Retained earnings available for dividends under the Companies Act are based on the amount recorded in the Company’s general accounting records prepared in accordance with JGAAP.

Treasury Stock

Schedule of Changes in Treasury Stock

(Thousands of shares)

	Year ended December 31, 2014	Year ended December 31, 2015
January 1	6,008	6,008
Acquisition	—	1
Disposal	—	—
December 31	6,008	6,009

Stocks of the Company Held by Subsidiaries or Associates

Schedule of Changes in Stocks of the Company Held by Subsidiaries or Associates

(Thousands of shares)

	Year ended December 31, 2014	Year ended December 31, 2015
January 1	79	79
Acquisition	—	—
Others (Note)	—	(79)
December 31	79	—

(Note) Others for the year ended December 31, 2015 is due to the exclusion from the scope of consolidation of a company holding 79,000 shares of the Company during the third quarter of the current fiscal year.

27. Revenue

(1) Breakdown of Revenue

1) Revenue Arising from Contracts with Customers and Other Sources

(Millions of Yen)

	Year ended December 31, 2015
Revenue arising from contracts with customers	¥565,357
Revenue arising from other sources	148,198
Total	713,555

Revenue arising from other sources includes interest and dividend income and other such income recognized in accordance with IFRS 9 and insurance revenues recognized in accordance with IFRS 4.

2) Relationship between Breakdown of Revenue and Segment Revenue
For the year ended December 31, 2015

(Millions of Yen)

		Segment			
		Internet Services	FinTech	Others	Total
Main service lines	Rakuten Ichiba and Rakuten Travel	¥189,517	¥—	¥—	¥189,517
	Ebates	40,808	—	—	40,808
	Kenko.com	23,265	—	—	23,265
	Rakuten Books	24,028	—	—	24,028
	Rakuten Card	—	92,199	—	92,199
	Rakuten Bank	—	53,174	—	53,174
	Rakuten Securities	—	47,534	—	47,534
	Rakuten Life Insurance	—	32,245	—	32,245
	Rakuten Communications	—	—	22,109	22,109
	Tohoku Rakuten Golden Eagles	—	—	10,949	10,949
	Others	152,970	10,480	14,277	177,727
	Total	430,588	235,632	47,335	713,555
	Revenue arising from contracts with customers	430,588	87,434	47,335	565,357
	Revenue arising from other sources	—	148,198	—	148,198

* Amounts are after eliminations of intercompany transactions.

Interest and dividend income and other such income attributable to FinTech are recorded as revenue in accordance with IFRS 9, and proceeds from the insurance business are also recorded as revenue in accordance with IFRS 4. Rakuten Card, Rakuten Bank and Rakuten Securities recorded revenue of ¥58,780 million, ¥38,485 million and ¥18,309 million, respectively, in accordance with IFRS 9. Rakuten Life Insurance recorded revenue of ¥31,928 million in accordance with IFRS 4.

The Group Companies are comprehensive internet service providers engaged in Internet Services, FinTech and Others, and operate in multiple businesses including the core EC business. Revenues arising from these businesses are recognized based on contracts with customers. There are no material revenues which are subject to variable consideration. In addition, the amount of a promised consideration does not include significant financial elements.

Internet Services

With regard to the Internet Services segment, the Group Companies engage in EC businesses such as Rakuten Ichiba, Rakuten Travel, Ebates, Kenko.com, Rakuten Books and a variety of other Internet businesses. The primary revenues in the Internet Services segment are described below.

Rakuten Ichiba and Rakuten Travel

A fundamental characteristic of marketplace model EC services including Rakuten Ichiba and travel booking services such as Rakuten Travel is to provide EC platforms for trading to customers, and the Group Companies provide merchants and travel-related businesses with services including EC platform services, transaction related services, advertising related services to promote the expansion of sales through the Group Companies, and payment agency services related to settlements between merchants or travel-related businesses and consumers. The nature of the services and the related rights and obligations are stipulated in various agreements with customers. Performance obligations are identified based on whether services are distinct or not, and the pattern of transfer to the customer. Revenues from major performance obligations are recognized as described below.

The Group Companies have obligations based on agreed terms to provide services to match merchants and travel-related businesses with Rakuten users, and to enable the resultant transactions to be processed appropriately. These performance obligations are satisfied when the individual transaction between merchants or travel-related businesses and Rakuten users is completed. Revenues are recognized at the point of satisfaction of these performance obligations, based on the gross amount of merchandise sales (monthly sales of merchants and travel-related businesses) of completed transactions multiplied by the specified ratio stipulated separately for each service, plan, or amount of gross merchandise sales. The related payments are receivable approximately within three months of the completion of the transaction.

With regard to advertising-related services, the Group Companies have obligations to provide fixed-term advertisements to customers. The advertising related services are provided by displaying the advertisement over the contracted term, and the progress of providing the service is measured based on the passage of time. Therefore, performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contract term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are, in principle, paid by the end of the second subsequent month after the month that includes the advertising commencement date.

With regard to payment agency services, based on credit card settlement agreements, the Group Companies have obligations to provide payment agency services between merchants and travel-related businesses and users of the Group Companies. These services are to process data for authorization, settlement and cancellation of credit card transactions. Commission revenues arising from these transactions are primarily recognized based on the amount stipulated in the agreement when customers use their credit cards, because the performance obligations are satisfied at that point. Commission are received within one month and a half after the invoice date set out for each payment category, following the satisfaction of performance obligations.

With regard to EC platform services, the Group Companies have obligations to provide services for merchants to open and operate on our EC platform and related consulting services and other similar services for a contracted term. These services are provided over time, and so these performance obligations are satisfied as time passes. Accordingly, the revenue is recognized over the contracted term on a monthly basis based on the amount stipulated in the agreement for each type of shop. Furthermore, consideration for a transaction is received at the time of contract in the form of advance payment for the period of three months, six months or one year, prior to the satisfaction of performance obligations.

Ebates

Ebates provides various services such as services for promoting Ebates members' purchase at the websites of the retailers (customers) through offering cash back to the Ebates members (hereinafter "cash back service"), web advertising and targeting mail services for individual consumers. As for its core service, cash back service, Ebates is contractually obligated to promote Ebates members' purchase at the retailers' websites. Thus, such performance obligations are considered to be satisfied at the point of purchase by Ebates members. Upon confirmation of the purchase by an Ebates member, an amount calculated by multiplying the purchase amount by a certain rate is recorded as commission revenue, and cash back expenses for the Ebates member are recorded simultaneously. Revenue and expenses arising from the provision of this service are recorded on a gross basis, as Ebates has the right to enforce discretionary control of the customers and Ebates members over the transactions including pricing. Payments of fees are received approximately within three months from the end of the month in which the order is completed and performance obligations are satisfied.

Kenko.com and Rakuten Books

In the Internet Services segment, when the Group Companies provide goods mainly for Rakuten users of Internet shopping sites, such as Kenko.com and Rakuten Books, the Group Companies are the principal in the sales contracts. In these direct selling services, revenue is recognized when goods are delivered to the customer. In addition, payments are received approximately within two months after the delivery of goods when performance obligations are satisfied. For Japanese book sales through Rakuten Books, revenues are recognized on a net basis after deducting costs of sales, because the role of the Group Companies in these transactions has the nature of an agent given the resale price maintenance system in Japan.

<u>FinTech</u>

With regard to the FinTech segment, the Group Companies engage in financial services businesses such as Rakuten Card, Rakuten Bank, Rakuten Securities and Rakuten Life Insurance, and recognize the primary revenues as follows.

Rakuten Card

With regard to Rakuten Card, the Group Companies engage in the credit card business, and receive interchange fees for settlement services between credit card users and member shops as well as, revolving payment commissions, installment commissions, and commissions arising from cash advances. With regard to interchange fees, the performance obligation, which is the provision settlement services, is satisfied at the time of the sales data transfer from a member shop to Rakuten Card as a result of a credit card purchase. Therefore, commission revenues which are at fixed rates of the settlement amounts are recognized at that point in time. In addition, basic points worth 1% of the transaction price are granted to the card members, and the expenses associated with the granting of these points are deducted from the interchange fees. As the Company collects credit card payments from the card members once a month, in principle, on a predetermined date, the payments are in substance received approximately within two months after the satisfaction of the performance obligations. For revolving payment commissions, installment commissions and commissions for cash advances with a finance element, the respective commissions, which are at fixed rates of the revolving balance, the number of payment installments or the amount of the cash advance are recognized as revenue over the period when the interest accrues in accordance with IFRS 9.

Rakuten Bank

With regard to Rakuten Bank, the Group Companies provide a wide range of services including Internet banking (deposits, loans and foreign exchange) and other services. With regard to loans, the Group Companies handle loans such as personal loans, “Rakuten Super Loans,” and housing loans, “Rakuten Bank home loans (flexible interest rate),” and earn interest income thereon. Interest income is also earned from investing activities such as interest on securities. This income, such as loan interest and interest earned on securities is recognized over the period in accordance with IFRS 9. With regard to foreign exchange, commission revenue is recognized when the foreign exchange transactions are executed because the performance obligation is satisfied at the point of processing the transaction.

Rakuten Securities

With regard to Rakuten Securities, the Group Companies engage in financial instruments transaction services and other associated services. Sources of revenue include commissions arising from these transactions, net trading gains, and interest, etc. There is a wide range of financial instruments transactions, including domestic stock transactions, foreign stock transactions, and sales of investments, and the commission structure for each transaction differs. For brokerage transactions, margin transactions and sales of investments, performance obligations are satisfied when trades are concluded on the trade date or other appropriate date, therefore revenues arising from brokerage transactions are recognized at that point in time. Commissions from spot transactions of shares are received within three business days in principle after the satisfaction of the performance obligations, while commissions from margin transactions and future transactions are received approximately within the period from six months to one year during which open contracts are settled. The Group Companies record revenue and operating expenses measured at fair value on foreign exchange margin transactions, and income received on open contracts of domestic margin transactions, in accordance with IFRS 9.

Rakuten Life Insurance

With regard to Rakuten Life Insurance, the Group Companies engage in the life insurance business, and recognize fund management revenues which are primarily insurance premiums and interest on securities. This insurance revenue arises from protection-based life insurance contracts for individuals, which are the primary products for Rakuten Insurance. Revenue from insurance premiums paid by policy holders calculated by using the rate stipulated in the respective contract is recognized in accordance with IFRS 4. Also, interest income is recognized as revenue over the period in accordance with IFRS 9.

Others

With regard to the Others segment, the Group Companies engage in communication services, professional baseball team management and other various services, and the significant revenues are recognized as follows.

Rakuten Communications
With regard to Rakuten Communications, the Group Companies provide telephone related services to subscribers such as telephone relay services, Internet connection services and other services. For telephone related services, maintaining utilizable telephone circuits at all times and providing telephone communication service using the circuits based on the respective contract are identified as performance obligations. The performance obligation for maintaining utilizable telephone circuits is satisfied over the period, and the performance obligation for providing telephone communication service is satisfied when the telephone circuits are utilized. Therefore, revenues arising from providing telephone circuits are recognized evenly over the contract term, while for the provision of telephone communication service, subscriber fees according to the actual usage of telephone circuits are recognized on monthly basis. For Internet connection service, providing users with Internet access over the contract terms is identified as a performance obligation, and therefore, Internet connection revenues are recognized on monthly basis. Payments of the amounts recorded as monthly revenues are received in accordance with the settlement method selected by the user within a short period of time, after the satisfaction of performance obligations subject to the payment terms and conditions set out separately by the credit card companies, etc.

Tohoku Rakuten Golden Eagles
With regard to Tohoku Rakuten Golden Eagles, the Group Companies engage in ticket and merchandise sales for Tohoku Rakuten Golden Eagles, and provide adverting services. For ticket sales, revenues are recognized when each baseball game is held because the performance obligation is considered to be satisfied at that point. Payments for tickets are received in accordance with the settlement method selected by the purchaser after the application for reservation is completed, subject to the payment terms and conditions set out separately by the credit card companies, etc. For sales of goods, revenues are recognized when goods are delivered because the performance obligation is satisfied at the point of delivery. Payments for goods are received at the time of delivery when the performance obligation is satisfied. For adverting services, the performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contract term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are paid within four months, in principle, after the commencement of the contract period.

(2) Accounts arising from contracts

Information on the beginning and ending balances of components of accounts arising from contracts of the Group Companies for the year ended December 31, 2015 is as follows:

(Millions of Yen)

	January 1, 2015	December 31, 2015
Receivables arising from contracts with customers		
Notes and accounts receivable — trade	¥88,871	¥104,011
Accounts receivable based on installment contracts, etc. (Note)	566,124	699,694
Other financial assets	55,970	41,824
Total	710,965	845,529
Contract liabilities	14,290	17,715

(Note) This represents accounts receivable arising from the use of credit cards by customers based on installment contracts, etc., which are recorded under "Loans for credit card business" in the Consolidated Statements of Financial Position. Such accounts receivable include commissions.

Of the revenues recognized in the current fiscal year, ¥13,861 million was included in the balance of contract liabilities as of January 1, 2015. In addition, the amount of revenues recognized during the current fiscal year from satisfying (or partially satisfied) performance obligations in past periods was immaterial.

(3) Transaction Price Allocated to the Remaining Performance Obligations

The Group Companies retain no significant transactions for which individual estimated contract period exceeding one year. In addition, considerations arising from contracts with customers do not comprise any significant amount that is not included in transaction price.

(4) Assets Recognized from the Costs to Obtain or Fulfill Contracts with Customers

(Millions of Yen)

	December 31, 2015
Assets recognized from costs to obtain a contract	¥23,593
Assets recognized from costs to fulfill a contract	5,238
Total	28,831

The Group Companies recognize the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable, and record them in "Other assets" in the Consolidated Statements of Financial Position. Incremental costs of obtaining contracts are those costs that the Group Companies incur to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

Incremental costs of obtaining contracts recognized as assets by the Group Companies are mainly the initial costs incurred related to the new memberships in the acquisition of customers. Costs incurred in fulfilling contracts with customers mainly comprise costs for issuing Rakuten Cards. Such costs arise from the granting of Rakuten Super Points to new Rakuten Card holders and would not have been incurred if the contracts had not been obtained. These costs are recognized as an asset to the extent they are considered recoverable based on the estimated active card member ratio. The related asset is amortized evenly over ten years based on the estimated contract terms, during which performance obligations are satisfied through the provision of settlement services following the members' use of their Rakuten Cards.

Also, the Group Companies assess collectability of assets arising from contract costs on recognition and at the end of each quarterly period. In making this assessment, the Group Companies consider whether the carrying amounts of such assets exceed the balance of the consideration which the Group Companies expect to be entitled to from the interchange for the relevant credit card related services over the estimated period of the contracts with the card members, less any unrecognized costs directly related to the provision of such services. Such accounting estimates and assumptions could have a significant impact on the amount of assets arising from contract costs recorded through the recognition of impairment losses should circumstances presumed change. Therefore, the Group Companies regard these accounting estimates and assumptions are significant.

Amortization associated with the assets arising from contract costs in the current fiscal year was ¥4,246 million.

28. Operating Expenses

Breakdown of operating expenses for the years ended December 31, 2014 and 2015 is as follows:

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Advertising and promotion expenditures	¥83,884	¥100,554
Employee benefits expenses	108,898	133,919
Depreciation and amortization	30,140	40,122
Communication and maintenance expenses	19,055	19,327
Consignment and subcontract expenses	31,343	35,099
Allowance for doubtful accounts charged to expenses	16,964	22,119
Cost of sales of merchandise and services rendered	101,367	134,166
Interest expense for finance business	5,590	6,289
Commission fee expense for finance business	6,399	7,653
Insurance claims and other payments, and provision of policy reserves and others for insurance business	15,963	16,601
Others	71,676	85,152
Total	491,279	601,001

Employee expenses (employee benefits expenses) are as follows:

1) Schedule of Employee Expenses

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Wages and salaries	¥92,745	¥113,517
Retirement benefits	4,733	4,893
Legal welfare expenses	6,088	7,759
Stock option expenses relating to directors and employees (Note)	1,942	3,999
Other salaries	3,390	3,751
Total	108,898	133,919

(Note) Please refer to Note 35. Share-based Payments.

2) Number of Employees

	December 31, 2014	December 31, 2015
Number of employees	11,723	12,981

(Note) Number of employees represents the number of persons employed at the Group Companies.

29. Other Income and Other Expenses

(1) Breakdown of Other Income

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Foreign exchange gain	¥3,133	¥923
Gain on step acquisition	1,437	18
Gain on sales of stocks of associates	—	2,593
Valuation gains on securities	—	22,016
Others	2,154	1,441
Total	6,724	26,991

(2) Breakdown of Other Expenses

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Disposal of property, plant and equipment, and intangible assets	¥968	¥1,907
Restructuring loss (Note)	2,875	—
Office relocation expenses	—	1,675
Others	1,469	3,139
Total	5,312	6,721

(Note) This represents losses due to changes in the strategies of certain subsidiaries.

30. Financial Income and Financial Expenses

(1) Breakdown of Financial Income

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Interest income	¥184	¥90
Dividend income	46	8
Others	—	10
Total	230	108

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Interest expense	¥2,758	¥3,607
Commission fee	228	189
Total	2,986	3,796

31. Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to owners of the Company by the weighted average number of common stock outstanding during the year. The weighted average number of common stock outstanding during the year does not include treasury stock.

Diluted earnings per share is calculated on the assumption of full conversion of potentially dilutive common stock, adjusted for the weighted average number of common stock outstanding.

The Company has potential common stock related to stock options. The number of shares that may be acquired through these stock options is calculated at fair value (annual average stock price of the Company) based on the value of the stock acquisition rights that would be granted to unexercised stock options.

The net income attributable and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Year ended December 31, 2014			Year ended December 31, 2015		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net income attributable to owners of the Company (Millions of Yen)	¥70,614	¥(6)	¥70,608	¥44,436	¥—	¥44,436
Weighted average number of shares (Thousands of shares)	1,320,627	7,815	1,328,442	1,374,536	10,328	1,384,864
Earnings per share (yen)	¥53.47	¥(0.32)	¥53.15	¥32.33	¥(0.24)	¥32.09

The following potential shares were not included in the calculation of diluted earnings per share because there would be no dilutive effects.

Year ended December 31, 2014	Year ended December 31, 2015
—	Subscription Rights to Shares of the Company Stock options in accordance with the provisions of Article 236, Article 238 and Article 239 of the Companies Act March 27, 2015 Resolution at General Shareholders' Meeting 2,180 thousand shares

There were no transactions during the period from December 31, 2015 to the date of approval of the consolidated financial statements that materially impacted the calculation of earnings per share.

32. Assets Pledged as Collateral and Assets Received as Collateral

(1) Assets Pledged as Collateral

The Group Companies pledge assets mainly to secure debts from borrowing contracts, e-money deposits, margin trading and security lending transactions conducted under normal terms and conditions, and as monetary deposits in derivative transactions.

The carrying amounts of assets pledged as collateral for liabilities and contingent liabilities by the Group Companies are as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Cash and cash equivalents	¥1,125	¥4,915
Loans for credit card business (Note)	45,803	59,105
Investment securities	6,827	6,823
Total	53,755	70,843

(Note) Loans for credit card business include securitized receivables.

In addition to the above, investment securities for banking business, pledged as collateral for foreign exchange settlements, derivative trading and other transactions, and for commitment lines as of December 31, 2014 and 2015 amounted to ¥51,157 million and ¥131,157 million, respectively.

Within financial assets for securities business, short-term guarantee deposits as of December 31, 2014 and 2015, were ¥58,886 million and ¥56,466 million, respectively.

For assets pledged as collateral, the counterparty has no right to sell or to repledge the collateral.

(2) Assets Received as Collateral

The Group Companies receive securities pledged as collateral in lieu of guarantee deposits and collateral for other transactions, which are conducted under normal terms and conditions. The Group Companies hold the rights to sell or repledge the received assets, provided that the securities are returned at the time the relevant transactions are completed. The fair values of securities received by the Group Companies as collateral to which the Group Companies held the right to sell or repledge the collateral as of December 31, 2014 and 2015 were ¥728,713 million and ¥757,618 million, respectively. Within such collateral, the fair values of the collateral actually sold or pledged as of December 31, 2014 and 2015 were ¥195,346 million and ¥201,136 million, respectively.

33. Hedge Accounting

(1) Fair Value Hedges

In order to offset the risk of fair value fluctuation on certain fixed rate bonds as a result of fluctuations in interest rates, subsidiaries of the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as fair value hedges. The fair values of the interest rate swaps as hedging instruments are stated in Note 12. Derivative Assets and Derivative Liabilities.

Gains or losses from remeasuring such interest rate swaps at fair value were a loss of ¥257 million in the year ended December 31, 2014 and a gain of ¥31 million in the year ended December 31, 2015. Additionally, gains or losses on the underlying hedged items due to the hedged risks were a gain of ¥257 million for the year ended December 31, 2014 and a loss of ¥31 million for the year ended December 31, 2015.

(2) Cash Flow Hedges

In order to offset the risk of fluctuations on future cash flows from floating rate borrowings, subsidiaries of the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as cash flow hedges. The purpose of these hedges is to hedge the risk of future fluctuations of cash flows from borrowings by effectively converting floating rate borrowings into fixed rate borrowings. As a result of these hedges, it will become possible to offset the fluctuations of cash flows from floating rate borrowings with the fluctuations of cash flows from the interest rate swaps. Existing hedging relationships are expected to continue to the year ending December 31, 2020.

The fair values of the interest rate swaps used as the hedging instruments are stated in Note 12. Derivative Assets and Derivative Liabilities.

Schedule of changes in the amounts recognized in other comprehensive income

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
January 1	¥(321)	¥(522)
Changes for the period	1,235	(325)
Reclassification to net income	174	361
Reclassification to initial carrying amount of non-financial assets or non-financial liabilities	(1,610)	—
December 31	(522)	(486)

(Note) The amounts reclassified to net income are included in “Revenue” in the Consolidated Statements of Income.

34. Contingent Liabilities and Commitments

(1) Commitment Line Lending Contracts and Guarantee Obligations

Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards.

Since these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the limits on the loan amounts, the unused balance of these loans would not necessarily have a material impact on the Group Companies' cash flows.

Certain consolidated subsidiaries are engaged in the credit guarantee business providing general customers with guarantees on liabilities corresponding to loans which such customers have received from business partners of other subsidiaries.

The balances of the unused lending commitment lines and guarantee obligations given in the credit guarantee business stated above are as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Lending commitment lines	¥2,312,745	¥2,560,942
Financial guarantee contracts	14,806	12,335
Total	2,327,551	2,573,277

(2) Commitment Line Borrowing Contracts

The Company and certain consolidated subsidiaries have entered into commitment line borrowing contracts with multiple financial institutions and the balances of the unused portions of such commitment lines available are as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Total commitment line borrowings	¥137,639	¥221,600
Amounts borrowed	30	1,878
Unused commitment lines	137,609	219,722

(3) Commitments (Contracts)

As of December 31, 2014 and 2015, there were no significant capital expenditures (commitments) for which contracts had been entered into and which were unrecognized in the consolidated financial statements.

35. Share-based Payments

Employee expenses relating to stock options recognized by the Group Companies during the years ended December 31, 2014 and 2015 were ¥1,942 million and ¥3,999 million, respectively. The Group Companies have elected to apply the exemption under IFRS 1 for the stock options with the vesting date prior to the date of transition to IFRSs (January 1, 2011), whereas the stock options with the vesting date thereafter are accounted for in accordance with IFRS 2.

The Company has granted equity-settled stock options to its executives and employees, its subsidiaries, and associates. Rakuten Kobo Inc. has granted stock options with a cash alternative option to executives and employees of Rakuten Kobo Inc. and its subsidiaries. Conditions for vesting of the stock options require that those who received stock options continue to be employed by the Company, its subsidiaries or associates from the grant date to the vesting date.

On July 1, 2012, the Company implemented a 100-for-1 share split. The number of stock options issued for each year has been adjusted for the share split. The following is a summary of the Company's stock options.

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
2005 stock option 1)	December 15, 2005	March 30, 2009	¥913	0	From March 31, 2009 to March 29, 2015
2005 stock option 2)	February 13, 2006	March 30, 2009	1,038	0	From March 31, 2009 to March 29, 2015
2006 stock option 1)	April 20, 2006	March 30, 2010	1,002	807,800	From March 31, 2010 to March 29, 2016
2006 stock option 2)	December 14, 2006	March 30, 2010	555	122,200	From March 31, 2010 to March 29, 2016
2008 stock option	January 19, 2009	March 27, 2012	559	691,300	From March 28, 2012 to March 26, 2018
2009 stock option	February 12, 2010	March 27, 2013	701	353,600	From March 28, 2013 to March 26, 2019
2012 stock option 1) A	April 20, 2012	April 19, 2014	0.01	3,400	From April 20, 2014 to April 20, 2022
2012 stock option 1) B	April 20, 2012	April 19, 2015	0.01	3,300	From April 20, 2015 to April 20, 2022
2012 stock option 1) C	April 20, 2012	April 19, 2016	0.01	41,600	From April 20, 2016 to April 20, 2022
2012 stock option 2)	July 1, 2012	March 29, 2016	0.01	244,100	From March 30, 2016 to March 28, 2022
2012 stock option 3)	August 1, 2012	March 29, 2016	0.01	88,900	From March 30, 2016 to March 28, 2022
2012 stock option 4)	August 20, 2012	March 29, 2016	0.01	400	From March 30, 2016 to March 28, 2022
2012 stock option 5) A	November 21, 2012	November 20, 2014	0.01	—	From November 21, 2014 to November 21, 2022
2012 stock option 5) B	November 21, 2012	November 20, 2015	0.01	—	From November 21, 2015 to November 21, 2022
2012 stock option 5) C	November 21, 2012	November 20, 2016	0.01	—	From November 21, 2016 to November 21, 2022
2013 stock option 1)	February 1, 2013	March 29, 2016	0.01	1,106,100	From March 30, 2016 to March 28, 2022

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
2013 stock option 2)	March 1, 2013	March 29, 2016	0.01	276,100	From March 30, 2016 to March 28, 2022
2013 stock option 3) A	March 1, 2013	March 29, 2016	0.01	399,400	From March 30, 2016 to March 28, 2022
2013 stock option 3) B	March 1, 2013	March 29, 2016	0.01	150,000	From March 30, 2016 to March 28, 2022
2013 stock option 4)	July 1, 2013	March 28, 2017	0.01	839,600	From March 29, 2017 to March 27, 2023
2013 stock option 5)	December 1, 2013	March 28, 2017	0.01	12,000	From March 29, 2017 to March 27, 2023
2014 stock option 1)	February 1, 2014	March 28, 2017	0.01	679,500	From March 29, 2017 to March 27, 2023
2014 stock option 2)	March 1, 2014	March 28, 2017	0.01	318,300	From March 29, 2017 to March 27, 2023
2014 stock option 3)	March 19, 2014	March 28, 2017	0.01	320,200	From March 29, 2017 to March 27, 2023
2014 stock option 4)	May 1, 2014	March 28, 2018	0.01	281,000	From March 29, 2018 to March 27, 2024
2014 stock option 5)	July 1, 2014	March 28, 2018	0.01	869,100	From March 29, 2018 to March 27, 2024
2014 stock option 6)	September 1, 2014	March 28, 2018	0.01	44,500	From March 29, 2018 to March 27, 2024
2014 stock option 7)	September 1, 2014	March 28, 2018	0.01	425,400	From March 29, 2018 to March 27, 2024
2014 stock option 8)	October 1, 2014	March 28, 2018	0.01	135,500	From March 29, 2018 to March 27, 2024
2014 stock option 9)	October 1, 2014	March 28, 2018	0.01	6,000	From March 29, 2018 to March 27, 2024
2014 stock option 10)	November 1, 2014	March 28, 2018	0.01	798,500	From March 29, 2018 to March 27, 2024
2014 stock option 11)	November 1, 2014	March 28, 2018	0.01	663,800	From March 29, 2018 to March 27, 2024
2014 stock option 12)	November 1, 2014	March 28, 2018	0.01	248,700	From March 29, 2018 to March 27, 2024
2015 stock option 1)	February 1, 2015	March 28, 2018	0.01	793,100	From March 29, 2018 to March 27, 2024
2015 stock option 2)	March 1, 2015	March 28, 2018	0.01	84,600	From March 29, 2018 to March 27, 2024
2015 stock option 3)	March 1, 2015	March 28, 2018	0.01	49,700	From March 29, 2018 to March 27, 2024
2015 stock option 4)	March 1, 2015	March 28, 2018	0.01	618,100	From March 29, 2018 to March 27, 2024
2015 stock option 5) A	June 1, 2015	May 31, 2016	0.01	51,500	From June 1, 2016 to June 1, 2025
2015 stock option 5) B	June 1, 2015	May 31, 2017	0.01	69,300	From June 1, 2017 to June 1, 2025
2015 stock option 5) C	June 1, 2015	May 31, 2018	0.01	103,500	From June 1, 2018 to June 1, 2025
2015 stock option 5) D	June 1, 2015	May 31, 2019	0.01	121,500	From June 1, 2019 to June 1, 2025
2015 stock option 6) A	July 1, 2015	June 30, 2016	0.01	14,700	From July 1, 2016 to July 1, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
2015 stock option 6) B	July 1, 2015	June 30, 2017	0.01	20,200	From July 1, 2017 to July 1, 2025
2015 stock option 6) C	July 1, 2015	June 30, 2018	0.01	30,700	From July 1, 2018 to July 1, 2025
2015 stock option 6) D	July 1, 2015	June 30, 2019	0.01	36,600	From July 1, 2019 to July 1, 2025
2015 stock option 7) A	August 1, 2015	July 31, 2016	0.01	81,700	From August 1, 2016 to August 1, 2025
2015 stock option 7) B	August 1, 2015	July 31, 2017	0.01	200,400	From August 1, 2017 to August 1, 2025
2015 stock option 7) C	August 1, 2015	July 31, 2018	0.01	419,600	From August 1, 2018 to August 1, 2025
2015 stock option 7) D	August 1, 2015	July 31, 2019	0.01	841,100	From August 1, 2019 to August 1, 2025
2015 stock option 8)	August 1, 2015	March 27, 2019	0.01	800	From March 28, 2019 to March 26, 2025
2015 stock option 9) A	October 1, 2015	September 30, 2016	0.01	10,600	From October 1, 2016 to October 1, 2025
2015 stock option 9) B	October 1, 2015	September 30, 2017	0.01	14,400	From October 1, 2017 to October 1, 2025
2015 stock option 9) C	October 1, 2015	September 30, 2018	0.01	21,600	From October 1, 2018 to October 1, 2025
2015 stock option 9) D	October 1, 2015	September 30, 2019	0.01	25,200	From October 1, 2019 to October 1, 2025
2015 stock option 10) A	November 1, 2015	October 31, 2016	0.01	98,900	From November 1, 2016 to October 31, 2025
2015 stock option 10) B	November 1, 2015	October 31, 2017	0.01	155,000	From November 1, 2017 to October 31, 2025
2015 stock option 10) C	November 1, 2015	October 31, 2018	0.01	227,000	From November 1, 2018 to October 31, 2025
2015 stock option 10) D	November 1, 2015	October 31, 2019	0.01	288,100	From November 1, 2019 to October 31, 2025

(Note) The balance of outstanding options has been converted into the number of shares.

The following is a summary of Rakuten Kobo Inc.'s stock options.

Name	Grant date	Vesting date	Exercise price (Canadian dollars)	Balance of outstanding options (Note)	Exercise period
Rakuten Kobo Inc. 2012 stock option 1) A	January 11, 2012	January 10, 2014	$1.00	150,000	From January 11, 2014 to January 11, 2018
Rakuten Kobo Inc. 2012 stock option 1) B	January 11, 2012	January 10, 2015	1.00	739,458	From January 11, 2015 to January 11, 2018
Rakuten Kobo Inc. 2012 stock option 1) C	January 11, 2012	January 10, 2016	1.00	739,458	From January 11, 2016 to January 11, 2018
Rakuten Kobo Inc. 2012 stock option 2) A	February 27, 2012	February 26, 2014	1.00	—	From February 27, 2014 to February 27, 2018
Rakuten Kobo Inc. 2012 stock option 2) B	February 27, 2012	February 26, 2015	1.00	158,334	From February 27, 2015 to February 27, 2018
Rakuten Kobo Inc. 2012 stock option 2) C	February 27, 2012	February 26, 2016	1.00	158,333	From February 27, 2016 to February 27, 2018
Rakuten Kobo Inc. 2012 stock option 3) A	April 9, 2012	April 8, 2014	1.00	—	From April 9, 2014 to April 9, 2018
Rakuten Kobo Inc. 2012 stock option 3) B	April 9, 2012	April 8, 2015	1.00	121,666	From April 9, 2015 to April 9, 2018
Rakuten Kobo Inc. 2012 stock option 3) C	April 9, 2012	April 8, 2016	1.00	121,667	From April 9, 2016 to April 9, 2018
Rakuten Kobo Inc. 2012 stock option 4) A	April 23, 2012	April 22, 2014	1.00	—	From April 23, 2014 to April 23, 2018
Rakuten Kobo Inc. 2012 stock option 4) B	April 23, 2012	April 22, 2015	1.00	—	From April 23, 2015 to April 23, 2018
Rakuten Kobo Inc. 2012 stock option 4) C	April 23, 2012	April 22, 2016	1.00	—	From April 23, 2016 to April 23, 2018
Rakuten Kobo Inc. 2012 stock option 5) A	July 9, 2012	July 8, 2014	1.00	—	From July 9, 2014 to July 9, 2018

Name	Grant date	Vesting date	Exercise price (Canadian dollars)	Balance of outstanding options (Note)	Exercise period
Rakuten Kobo Inc. 2012 stock option 5) B	July 9, 2012	July 8, 2015	1.00	—	From July 9, 2015 to July 9, 2018
Rakuten Kobo Inc. 2012 stock option 5) C	July 9, 2012	July 8, 2016	1.00	—	From July 9, 2016 to July 9, 2018
Rakuten Kobo Inc. 2012 stock option 6) A	October 5, 2012	December 30, 2013	1.00	—	From December 31, 2013 to October 5, 2018
Rakuten Kobo Inc. 2012 stock option 6) B	October 5, 2012	December 30, 2014	1.00	—	From December 31, 2014 to October 5, 2018
Rakuten Kobo Inc. 2013 stock option	January 11, 2013	January 11, 2013	0.01	—	From January 11, 2013 to January 11, 2018

(Note) The balance of outstanding options has been converted into the number of shares.

The number of options and the weighted average exercise price related to stock options granted by the Company are as follows:

	Year ended December 31, 2014		Year ended December 31, 2015	
	Number of options (Note)	Weighted average exercise price (Yen)	Number of options (Note)	Weighted average exercise price (Yen)
Balance at the beginning of the year	13,272,000	¥516	12,951,600	¥276
Granted	5,320,000	0.01	4,704,200	0.01
Forfeited	752,100	55	1,183,600	229
Exercised	4,740,300	659	2,164,000	818
Expired	148,000	755	—	—
Outstanding balance at the end of the year	12,951,600	276	14,308,200	106
Exercisable amount at the end of the year	4,375,100	816	1,981,600	763
Weighted average remaining contract years		6.15 years		7.13 years

(Note) The number of options has been converted into the number of shares.

The number of options and the weighted average exercise price related to stock options granted by Rakuten Kobo Inc. are as follows:

	Year ended December 31, 2014		Year ended December 31, 2015	
	Number of options (Note)	Weighted average exercise price (Canadian dollars)	Number of options (Note)	Weighted average exercise price (Canadian dollars)
Balance at the beginning of the year	21,427,255	$0.90	2,988,916	$1.00
Granted	—	—	—	—
Forfeited	17,518,881	0.88	—	—
Exercised	919,458	1.00	800,000	1.00
Expired	—	—	—	—
Outstanding balance at the end of the year	2,988,916	1.00	2,188,916	1.00
Exercisable amount at end of the year	950,000	1.00	1,169,458	1.00
Weighted average remaining contract years		3.31 years		2.12 years

(Note) The number of options has been converted into the number of shares.

The weighted average stock prices of the Company as of the exercise date were ¥1,417 and ¥1,922 for the years ended December 31, 2014 and 2015, respectively.

The expiration dates and the exercise prices of the outstanding options for stock options granted by the Company are as follows:

	Exercise price (Yen)	Number of options (Note)	
		December 31, 2014	December 31, 2015
2015	¥913~1,038	1,309,900	—
2016	555~1,002	1,521,700	930,000
2018	559	1,028,300	691,300
2019	701	508,400	353,600
2022	0.01	2,525,400	2,313,300
2023	0.01	2,442,100	2,169,600
2024	0.01	3,615,800	5,018,000
2025	0.01	—	2,832,400
Balance at end of the period	—	12,951,600	14,308,200

(Note) The number of options has been converted into the number of shares.

The expiration dates and the exercise prices of the outstanding options related to stock options granted by Rakuten Kobo Inc. are as follows:

	Exercise price (Canadian dollars)	Number of options (Note)	
		December 31, 2014	December 31, 2015
2018	$0.01~1.00	2,988,916	2,188,916
Balance at end of the period	—	2,988,916	2,188,916

(Note) The number of options has been converted into the number of shares.

The Company granted equity-settled stock options to its executives and employees, its subsidiaries, and associates during the year ended December 31, 2015. The fair value of the options granted has been calculated using the Black-Scholes model adjusted for dividends. The fair value and assumptions used in the calculation are as follows.

Expected volatility of the Company has been calculated as an annual rate based on the historical period of stock prices corresponding to the expected remaining period and weekly data (weekly closing price versus volatility of the previous week), assuming 52 weeks in a year.

	December 31, 2015		
	The Company 2015 stock option 1)	The Company 2015 stock option 2), 3), 4)	The Company 2015 stock option 5) A
Weighted average stock prices (Yen)	¥1,642	¥1,992	¥2,060
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	37.50	37.96	32.30
Remaining term (Years)	3.16	3.08	1.01
Expected dividend (Yen)	¥4.00	¥4.00	¥4.50
Risk-free rate (%)	0.02	0.01	(0.00)
Fair value per share (Yen)	¥1,629	¥1,980	¥2,055

	December 31, 2015		
	The Company 2015 stock option 5) B	The Company 2015 stock option 5) C	The Company 2015 stock option 5) D
Weighted average stock prices (Yen)	¥2,060	¥2,060	¥2,060
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	40.38	38,86	35,98
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.00	0.01	0.05
Fair value per share (Yen)	¥2,051	¥2,046	¥2,042

	December 31, 2015		
	The Company 2015 stock option 6) A	The Company 2015 stock option 6) B	The Company 2015 stock option 6) C
Weighted average stock prices (Yen)	¥2,031	¥2,031	¥2,031
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	32.77	39.97	38.87
Remaining term (Years)	1.01	2.01	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.01)	(0.01)	0.02
Fair value per share (Yen)	¥2,026	¥2,022	¥2,017

	December 31, 2015		
	The Company 2015 stock option 6) D	The Company 2015 stock option 7) A	The Company 2015 stock option 7) B
Weighted average stock prices (Yen)	¥2,031	¥1,996	¥1,996
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	36.07	33.25	39.52
Remaining term (Years)	4.01	1.01	2.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.07	(0.00)	0.00
Fair value per share (Yen)	¥2,013	¥1,991	¥1,986

	December 31, 2015		
	The Company 2015 stock option 7) C	The Company 2015 stock option 7) D	The Company 2015 stock option 8)
Weighted average stock prices (Yen)	¥1,996	¥1,996	¥1,996
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	38.81	36.25	36.90
Remaining term (Years)	3.01	4.01	3.66
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.02	0.06	0.05
Fair value per share (Yen)	¥1,982	¥1,978	¥1,979

	December 31, 2015		
	The Company 2015 stock option 9) A	The Company 2015 stock option 9) B	The Company 2015 stock option 9) C
Weighted average stock prices (Yen)	¥1,558	¥1,558	¥1,558
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	35.70	39.42	39.71
Remaining term (Years)	1.01	2.01	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.00	0.00	0.02
Fair value per share (Yen)	¥1,553	¥1,549	¥1,545

	December 31, 2015		
	The Company 2015 stock option 9) D	The Company 2015 stock option 10) A	The Company 2015 stock option 10) B
Weighted average stock prices (Yen)	¥1,558	¥1,688	¥1,688
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	36.73	35.29	35.04
Remaining term (Years)	4.01	1.01	2.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.03	(0.00)	0.00
Fair value per share (Yen)	¥1,540	¥1,683	¥1,678

	December 31, 2015	
	The Company 2015 stock option 10) C	The Company 2015 stock option 10) D
Weighted average stock prices (Yen)	¥1,688	¥1,688
Exercise price (Yen)	¥0.01	¥0.01
Expected volatility (%)	39.69	36.70
Remaining term (Years)	3.01	4.01
Expected dividend (Yen)	¥4.50	¥4.50
Risk-free rate (%)	0.02	0.06
Fair value per share (Yen)	¥1,674	¥1,670

36. Dividends

	Year ended December 31, 2014		Year ended December 31, 2015	
	Dividends per share (Yen)	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Amount of dividends (Millions of Yen)
Dividends paid				
Dividends by resolution at the Board of Directors in the previous year	¥4	¥5,271	¥4.5	¥5,952
Dividends paid during the current year	—	—	—	—
Total dividends paid applicable to the year	4	5,271	4.5	5,952

With the aim of providing shareholders with returns in excess of capital cost, while targeting to maximize 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 the Company's financial base with a view to medium- to long-term growth, and the Company has have been increasing or maintaining its dividend per share. With respect to the required level of 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 Company's financial ratings at a level required for conducting financial business, while sustaining the level of equity in compliance with regulatory requirements

(Note) Cash dividends paid with record date during the year ended December 31, 2015 are as follows:

Date of resolution	Total dividends (Millions of Yen)	Dividends per share (Yen)
Resolution at the Board of Directors on February 12, 2016	¥6,410	¥4.5

37. Classification of Financial Instruments

The Group Companies' financial instruments are classified as follows:

As of December 31, 2014

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Cash and cash equivalents	¥—	¥—	¥428,635	¥428,635
Accounts receivable — trade	—	—	88,871	88,871
Financial assets for securities business	680	—	1,110,208	1,110,888
Loans for credit card business	—	—	692,886	692,886
Investment securities for banking business	17,888	1	204,408	222,297
Loans for banking business	—	—	321,877	321,877
Investment securities for insurance business	—	—	12,205	12,205
Derivative assets	13,927	—	—	13,927
Investment securities	2,378	37,597	10,531	50,506
Other financial assets	1	—	144,282	144,283
Total	34,874	37,598	3,013,903	3,086,375

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	¥—	¥—	¥137,042	¥137,042
Deposits for banking business	—	71,220	1,065,975	1,137,195
Financial liabilities for securities business	—	—	995,141	995,141
Derivative liabilities	11,769	—	—	11,769
Bonds and borrowings	—	—	589,927	589,927
Other financial liabilities	—	—	242,616	242,616
Total	11,769	71,220	3,030,701	3,113,690

As of December 31, 2015

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Cash and cash equivalents	¥—	¥—	¥501,029	¥501,029
Accounts receivable — trade	—	—	104,011	104,011
Financial assets for securities business	1,364	—	1,107,935	1,109,299
Loans for credit card business	—	—	833,820	833,820
Investment securities for banking business	5,230	1	252,538	257,769
Loans for banking business	—	—	444,044	444,044
Investment securities for insurance business	—	—	15,308	15,308
Derivative assets	21,312	—	—	21,312
Investment securities	82,206	58,904	10,127	151,237
Other financial assets	1	—	161,639	161,640
Total	110,113	58,905	3,430,451	3,599,469

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	¥—	¥—	¥162,606	¥162,606
Deposits for banking business	—	48,755	1,318,029	1,366,784
Financial liabilities for securities business	—	—	987,244	987,244
Derivative liabilities	10,623	—	—	10,623
Bonds and borrowings	—	—	649,195	649,195
Other financial liabilities	—	—	268,448	268,448
Total	10,623	48,755	3,385,522	3,444,900

(1) Investments in Equity Instruments Designated as Measured at FVTOCI

Of the shares held by the Group Companies, those held over the long term for the purpose of strengthening business relationships or in anticipation of synergistic effects in business operations are designated as financial assets measured at FVTOCI.

Equity instruments designated as measured at FVTOCI as of December 31, 2014 mainly comprise shares in Pinterest, Inc., with a fair value of ¥25,538 million. Equity instruments designated as measured at FVTOCI as of December 31, 2015 mainly comprise shares in Pinterest, Inc., with a fair value of ¥46,200 million.

During the year ended December 31, 2014, shares of investments from which synergistic effects could no longer be anticipated were sold. The fair value of such investments at the time of sale was ¥7,502 million, and a gain on sales of ¥7,341 million was recognized. Similarly, during the year ended December 31, 2015, shares of investments from which synergistic effects could no longer be anticipated were sold. The fair value of such investments at the time of sales was ¥1,076 million, and a gain on sales of ¥828 million was recognized.

Additionally, during the year ended December 31, 2014, dividend income recognized from shares designated as financial assets measured at FVTOCI was ¥115 million, of which, the amount relating to shares held as of December 31, 2014 was ¥77 million. Furthermore, during the year ended December 31, 2015, dividend income recognized from shares designated as financial assets measured at FVTOCI was ¥102 million, all of which was for dividends relating to shares held as of December 31, 2015.

During the year ended December 31, 2014, the Group Companies reclassified ¥1,179 million in cumulative losses in equity, related to shares designated as financial assets measured at FVTOCI, to retained earnings on the sale of such shares, etc. The cumulative losses in equity that were reclassified as retained earnings during the year ended December 31, 2014 include an amount equivalent to taxes on a gain on sales generated from a transfer of shares between consolidated group companies. During the year ended December 31, 2015, the Group Companies reclassified ¥540 million of cumulative gains in equity, related to shares designated as financial assets measured at FVTOCI, to retained earnings on the sale of such shares, etc.

(2) Financial Liabilities Designated as Measured at FVTPL

The Group Companies classify certain time deposits with special clauses included in “Deposits for banking business” as financial liabilities measured at FVTPL.

Fair values of such deposits of the Group Companies are measured at present value calculated by discounting each portion of future cash flows, classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.

(Millions of Yen)

	December 31, 2014			December 31, 2015		
	Carrying amount (Fair value)	Contractual obligations at maturity	Difference	Carrying amount (Fair value)	Contractual obligations at maturity	Difference
Deposits for banking business	¥71,220	¥68,999	¥2,221	¥48,755	¥47,424	¥1,331
Total	71,220	68,999	2,221	48,755	47,424	1,331

The amount of payment demanded at maturity has been calculated assuming that the liabilities will be repaid on the earliest maturity date on which the repayment can be demanded.

38. Gains and Losses on Financial Instruments

The analysis of the gains and losses on financial instruments held by the Group Companies is as follows:

For the year ended December 31, 2014

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Revenue	¥13,214	¥70	¥311	¥13,595
Operating expenses	—	—	16,964	16,964
Financial income	—	46	—	46
Other comprehensive income	2,286	19,200	—	21,486

Net gains on financial assets measured at fair value include interest income, dividend income and commissions received relating to such assets.

(2) Breakdown of Net Gains and Losses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value		
Revenue	¥—	¥(588)	¥—	¥(588)
Operating expenses	—	556	—	556

(3) Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) Associated With Financial Assets Measured at Amortized Cost or Financial Liabilities Measured at Amortized Cost

(Millions of Yen)

	Total interest income from financial assets measured at amortized cost	Total interest expenses from financial liabilities measured at amortized cost
Revenue	¥84,447	¥—
Operating expenses	—	4,613
Financial income	184	—
Financial expenses	—	2,758
Total	84,631	7,371

(4) Commission Revenue and Commission Fee Expenses from Financial Assets Measured at Amortized Cost, Financial Liabilities Measured at Amortized Cost, and Trust and Other Trustee Operations

(Millions of Yen)

	Commission revenue from financial assets measured at amortized cost	Commission fee expenses from financial assets measured at amortized cost	Commission fee expenses from financial liabilities measured at amortized cost	Commission revenue from trust and other trustee operations	Commission fee expenses from trust and other trustee operations
Financial expenses	¥—	¥—	¥228	¥—	¥—

(5) Impairment Loss (or Reversal of Impairment Loss) by Type of Financial Asset

(Millions of Yen)

	Impairment loss (or reversal of impairment loss)
Accounts receivable — trade	¥585
Financial assets for securities business	(77)
Loans for credit card business	16,211
Investment securities for banking business	37
Loans for banking business	145
Other financial assets	63
Total	16,964

(6) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Investment securities for Insurance business	¥54	¥—

Reason for Derecognition

Rakuten Life Insurance Co., Ltd. derecognized certain investment securities for the insurance business due to the sale of such assets to adjust its investment portfolios to reflect the modified forecast duration.

For the year ended December 31, 2015

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Revenue	¥7,046	¥94	¥105	¥7,245
Operating expenses	—	13	21,974	21,987
Other income	22,016	—	—	22,016
Financial income	10	8	—	18
Financial expenses	0	—	—	0
Other comprehensive income	93	22,603	—	22,696

Net gains on financial assets measured at fair value include interest income, dividend income and commissions received relating to such assets.

(2) Breakdown of Net Gains and Losses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measured at fair value	Financial liabilities designated as being measured at fair value		
Revenue	¥—	¥891	¥—	¥891
Operating expenses	—	361	—	361

(3) Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) Associated With Financial Assets Measured at Amortized Cost or Financial Liabilities Measured at Amortized Cost

(Millions of Yen)

	Total interest income associated with financial assets measured at amortized cost	Total interest expenses associated with financial liabilities measured at amortized cost
Revenue	¥102,494	¥—
Operating expenses	—	5,883
Financial income	90	—
Financial expenses	—	3,607
Total	102,584	9,490

(4) Commission Revenue and Commission Fee Expenses relating to Financial Assets Measured at Amortized Cost, Financial Liabilities Measured at Amortized Cost, and Trust and Other Trustee Operations

(Millions of Yen)

	Commission revenue from financial assets measured at amortized cost	Commission Fee Expenses relating to financial assets measured at amortized cost	Commission Fee Expenses relating to financial liabilities measured at amortized cost	Commission revenue from trust and other trustee operations	Commission Fee Expenses relating to trust and other trustee operations
Financial expenses	¥—	¥—	¥189	¥—	¥—

(5) Impairment Loss (or Reversal of Impairment Loss) by Type of Financial Asset

(Millions of Yen)

	Impairment loss (or reversal of impairment loss)
Accounts receivable — trade (Note)	¥693
Financial assets for securities business	242
Loans for credit card business (Note)	20,652
Investment securities for banking business	(17)
Loans for banking business	321
Other financial assets	83
Total	21,974

(Note) The amount of impairment loss recognized for the receivables arising from contracts with customers (Note 27 Revenue) was accounts receivable — trade of ¥693 million and loans for credit card business of ¥7,229 million.

(6) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Investment securities for insurance business	¥136	¥—

Reason for Derecognition

Rakuten Life Insurance Co., Ltd. derecognized certain investment securities for the insurance business due to the sale of such assets to adjust its investment portfolios to reflect the modified forecast duration.

39. Fair Value of Financial Instruments

(1) Fair Value and Carrying Amount of Financial Instruments

The following table provides a comparison between carrying amounts and fair values of the financial instruments held by the Group Companies.

(Millions of Yen)

	December 31, 2014		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
(Financial assets)				
Financial assets for securities business	¥1,110,888	¥1,110,888	¥1,109,299	¥1,109,299
Loans for credit card business	692,886	701,051	833,820	841,976
Investment securities for banking business	222,297	222,606	257,769	257,928
Loans for banking business	321,877	323,275	444,044	445,901
Investment securities for insurance business	12,205	12,807	15,308	15,976
Derivative assets	13,927	13,927	21,312	21,312
Investment securities	50,506	50,762	151,237	151,487
Total	2,424,586	2,435,316	2,832,789	2,843,879
(Financial liabilities)				
Deposits for banking business	1,137,195	1,137,558	1,366,784	1,367,341
Financial liabilities for securities business	995,141	995,141	987,244	987,244
Derivative liabilities	11,769	11,769	10,623	10,623
Bonds and borrowings	589,927	590,105	649,195	652,511
Total	2,734,032	2,734,573	3,013,846	3,017,719

Measurement of Fair Values

- Financial assets for securities business

  As financial assets for securities business are subject to short-term settlement, their fair values approximate their carrying amounts, and thus the fair values are measured at their carrying amounts.

- Loans for credit card business and loans for banking business

  The fair value of loans for credit card business and loans for banking business is measured at present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.

- Investment securities, investment securities for banking business and investment securities for insurance business

  Of these investment securities, fair value of listed shares is measured at the year-end closing market price, while fair value of unlisted shares is measured by using an appropriate valuation technique, such as a method of comparison with similar sectors. The fair value of bonds is measured by reasonable valuation methods based on available information, including reference trading statistics and brokers' quotes.

- Derivative assets and liabilities

  Within derivative assets and liabilities, forward exchange contracts are measured at fair value at the end of year based on forward exchange rates. Fair value of interest rate swaps is measured at the present value calculated by discounting future cash flows for the remaining maturity using the rate of the interest rate swap at the end of year. Since counterparties of interest rate swap contracts are limited to financial institutions with superior credit ratings, consideration of credit risk is not incorporated in the calculation of fair value as it is minimal.
- Deposits for banking business

  For demand deposits of the deposits for banking business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. Fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk. For time deposits with short remaining maturities (one year or less), the carrying amount is deemed as fair value as such fair value approximates the carrying amount.
- Financial liabilities for securities business

  As financial liabilities for securities business are subject to short-term settlement, their fair values approximate their carrying amounts, and thus the fair values are measured at their carrying amounts.
- Bonds and borrowings

  Among bonds and borrowings, fair value of those with longer remaining maturities is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk.

As other financial assets and liabilities are subject to short-term settlement, their fair values approximate their carrying amounts.

(2) Fair Value Hierarchy

The following table shows the fair value measurement classified into one of three levels from Level 1 to Level 3 based on *the fair value hierarchy.*

[Definition of Each Level of Hierarchy]

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value calculated by using inputs that are directly or indirectly observable for assets or liabilities, other than quoted prices included within Level 1

Level 3: Fair value calculated by using the valuation technique including inputs that are unobservable

The Group Companies recognize transfers between each level in hierarchy at the end of the quarter in which the events causing the transfers occur.

Classification by level of assets and liabilities measured at fair value in the Consolidated Statements of Financial Position

For the year ended December 31, 2014

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥680	¥—	¥680
Investment securities for banking business	—	—	17,889	17,889
Investment securities	6,568	—	33,407	39,975
Deposits for banking business	—	71,220	—	71,220
Derivative assets/liabilities	—	2,158	—	2,158

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2014.

For the year ended December 31, 2015

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥1,364	¥—	¥1,364
Investment securities for banking business	—	—	5,231	5,231
Investment securities	9,403	—	131,707	141,110
Deposits for banking business	—	48,755	—	48,755
Derivative assets/liabilities	—	10,689	—	10,689

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2015.

Classification by level of assets and liabilities not measured at fair value in the consolidated statements of financial position

For the year ended December 31, 2014

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥1,110,149	¥59	¥1,110,208
Loans for credit card business	—	—	701,051	701,051
Investment securities for banking business	97,887	—	106,830	204,717
Loans for banking business	—	—	323,275	323,275
Investment securities for insurance business	11,362	—	1,445	12,807
Investment securities	7,083	800	2,904	10,787
Deposits for banking business	—	1,066,338	—	1,066,338
Financial liabilities for securities business	—	995,141	—	995,141
Bonds and borrowings	—	590,105	—	590,105

For the year ended December 31, 2015

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥1,107,833	¥102	¥1,107,935
Loans for credit card business	—	—	841,976	841,976
Investment securities for banking business	138,198	—	114,499	252,697
Loans for banking business	—	—	445,901	445,901
Investment securities for insurance business	13,875	—	2,101	15,976
Investment securities	7,073	1,000	2,304	10,377
Deposits for banking business	—	1,318,586	—	1,318,586
Financial liabilities for securities business	—	987,244	—	987,244
Bonds and borrowings	—	652,511	—	652,511

(3) Reconciliation of Level 3 of the Hierarchy

The following reconciliation table indicates changes in the balances, from the beginning to the end of each year, of the financial instruments classified as Level 3, with one or more significant inputs not supported by observable market data.

For the year ended December 31, 2014

(Millions of Yen)

	Investment securities for banking business	Investment securities	Total
January 1, 2014	¥34,954	¥13,883	¥48,837
Gains or losses			
Net income	223	16	239
Other comprehensive income	0	17,260	17,260
Acquisition	—	1,745	1,745
Disposal	(1,676)	(313)	(1,989)
Issuance	—	—	—
Settlement	—	—	—
Redemption	(15,612)	—	(15,612)
Others	—	3,376	3,376
Transfer to Level 3	—	—	—
Transfer from Level 3 (Note)	—	(2,560)	(2,560)
December 31, 2014	17,889	33,407	51,296
Total net income on financial instruments held at the end of previous fiscal year	233	16	249

(Note) Transfers were due to significant inputs used to measure fair value becoming observable.

Gains or losses included in net income during the year ended December 31, 2014 are included in “Revenue.”

For the year ended December 31, 2015

(Millions of Yen)

	Investment securities for banking business	Investment securities	Total
January 1, 2015	¥17,889	¥33,407	¥51,296
Gains or losses			
Net income	(155)	22,014	21,859
Other comprehensive income	0	19,398	19,398
Acquisition	—	64,666	64,666
Disposal	—	(992)	(992)
Issuance	—	—	—
Settlement	—	—	—
Redemption	(12,503)	(0)	(12,503)
Others	—	(6,029)	(6,029)
Transfer to Level 3	—	—	—
Transfer from Level 3 (Note)	—	(757)	(757)
December 31, 2015	5,231	131,707	136,938
Total net income on financial instruments held at the end of current fiscal year	(208)	21,237	21,029

(Note) Transfers were due to significant inputs used to measure fair value becoming observable.

Gains or losses included in net income during the year ended December 31, 2015 are included in "Revenue" and "Other Income".

The fair values of unlisted shares are measured in accordance with rules specified by the administrative department independent of the sales department. In measuring fair value, the Group Companies employ different valuation models that can most appropriately assess the property, characteristics and risks of each asset. The grounds for the employment of valuation models and fair value measurement processes are reported to sections in charge of risk management with the aim of ensuring the utilization of appropriate fair value measurement policies and procedures.

The fair values of investment securities for banking business are measured by the Risk Management Department in accordance with the official standard of market value calculation. Prices presented by transacting financial institutions and others are categorized by types of investment securities. To validate the consistency of changes in these prices, movements in important data that may affect a change in the market value of these categories of investment securities are carefully monitored. Validation results are reported to the Risk Management Committee, Management Meetings and the Board of Directors on a monthly basis.

For investment securities for banking business classified as Level 3, if each input were to be changed to reasonable alternative assumptions, any resulting changes in fair value are not expected to be significant. Additionally, for other financial assets classified as Level 3, significant changes in fair value are not anticipated if each input were to be changed to reasonable alternative assumptions.

40. Offsetting of Financial Assets and Financial Liabilities

The Group Companies' gross amount prior to offsetting of recognized financial assets and financial liabilities that are presented on net basis after offsetting in the consolidated statements of financial position, the offsetting amount and the net balance after offsetting are as follows. Additionally, the potential effect of offsetting legally enforceable master netting arrangements or similar agreements relating to recognized financial assets or financial liabilities are disclosed for amounts that are not presented on a net basis after offsetting.

As of December 31, 2014
(Financial assets that are presented on a net basis after offsetting in the consolidated statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position
Derivative assets	Derivatives	¥17,122	¥(3,655)	¥13,467
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	312,607	—	312,607
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	530,505	(253,173)	277,332
Other financial assets	Accounts receivable — other, etc.	27,874	(24,468)	3,406

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts that are not presented on a net basis after offsetting in the consolidated statement of financial position		Net amount
		Financial instruments	Collateral received	
Derivatives	¥13,467	¥(10,053)	¥—	¥3,414
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	312,607	(312,406)	—	201
Accounts receivable, etc. relating to investment securities and other transactions, etc.	277,332	(275,488)	—	1,844
Accounts receivable — other, etc.	3,406	—	—	3,406

(Financial liabilities that are presented on a net basis after offsetting in the consolidated statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position
Derivative liabilities	Derivatives	¥14,223	¥(3,655)	¥10,568
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	183,157	—	183,157
	Accounts payable, etc. relating to investment securities and other transactions, etc.	836,375	(253,173)	583,202
Other financial liabilities	Accounts payable — other, etc.	34,773	(24,468)	10,305

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts that are not presented on a net basis after offsetting in the consolidated statement of financial position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	¥10,568	¥(8,349)	¥(500)	¥1,719
Repurchase agreements, investment securities lending agreements and similar agreements	183,157	(177,955)	—	5,202
Accounts payable, etc. relating to investment securities and other transactions, etc.	583,202	(376,460)	—	206,742
Accounts payable — other, etc.	10,305	—	—	10,305

As of December 31, 2015

(Financial assets that are presented on a net basis after offsetting in the consolidated statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position
Derivative assets	Derivatives	¥20,999	¥(2,335)	¥18,664
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	327,331	—	327,331
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	417,205	(190,715)	226,490
Other financial assets	Accounts receivable — other, etc.	33,885	(29,704)	4,181

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts that are not presented on a net basis after offsetting in the consolidated statement of financial position		Net amount
		Financial instruments	Collateral received	
Derivatives	¥18,664	¥(8,571)	¥(8,922)	¥1,171
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	327,331	(327,331)	—	0
Accounts receivable, etc. relating to investment securities and other transactions, etc.	226,490	(196,596)	—	29,894
Accounts receivable — other, etc.	4,181	—	—	4,181

(Financial liabilities that are presented on a net basis after offsetting in the consolidated statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position
Derivative liabilities	Derivatives	¥11,825	¥(2,335)	¥9,490
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	185,606	—	185,606
	Accounts payable, etc. relating to investment securities and other transactions, etc.	719,938	(190,715)	529,223
Other financial liabilities	Accounts payable — other, etc.	44,885	(29,704)	15,181

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts that are not presented on a net basis after offsetting in the consolidated statement of financial position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	¥9,490	¥(8,663)	¥(827)	¥—
Repurchase agreements, investment securities lending agreements and similar agreements	185,606	(182,210)	—	3,396
Accounts payable, etc. relating to investment securities and other transactions, etc.	529,223	(295,098)	—	234,125
Accounts payable — other, etc.	15,181	—	—	15,181

The right to offset recognized financial assets and liabilities subject to a legally enforceable master netting agreement or other similar agreements that are not presented on a net basis after offsetting in the statement of financial position becomes enforceable and affects the realization or settlement of individual financial assets and liabilities only following a default or other specified circumstances not expected to arise in the normal course of business.

41. Financial Risk Management

The objective of Group Companies' investment activities is to protect the principal and ensure the efficient use of funds, fully taking into account various risks including credit risk, market risk and liquidity risk. In addition, in view of factors such as the current economic environment, the Group Companies' fund-raising activities are based on the best conceivable choice of the alternative options among direct as well as indirect financing methods.

The Group Companies' subsidiaries engage in the banking business with a primary focus on deposit-taking, foreign exchange business, and lending to individual customers, and they offer ordinary deposits, time deposits and foreign currency deposits to individual customers as well as corporate customers. In addition, using such financial liabilities as major resources, the subsidiaries provide unsecured card loans and residential mortgages to individual customers, as well as acquiring investment securities and monetary claims, establishing monetary trusts, engaging in market transactions such as call loans, along with derivative transactions and foreign exchange transactions associated with the sales of financial instruments to customers. The subsidiaries are always aware of the significance of a bank's social responsibility and public mission, which strictly restrains it from entering into investment transactions beyond its management capacity in the undue pursuit of profit, and emphasis is placed on investing deposits entrusted by customers with full consideration of safety. Furthermore, to ensure an optimum asset and liability structure along with appropriate capital adequacy over the entire financial operations from funding to investment, the subsidiaries engage in Asset and Liability Management (ALM) focused on interest rate sensitivity, funding liquidity and market liquidity.

The Group Companies' subsidiaries engaged in the securities business primarily focus on stock brokerage activities for individual investors, segregate the deposits and guarantee deposits received from customers in trusts for the separate management of deposit money and securities, under the Financial Instruments and Exchange Act, and invest in accordance with laws and regulations. When utilizing funds, importance is placed on the safety of investments, such as bank deposits and financial assets with high liquidity, while fund-raising is conducted mainly by borrowing from financial institutions.

The Group Companies' subsidiaries engaged in the credit card business (including the comprehensive credit purchase intermediation business, individual credit purchase intermediation business, credit guarantee business and loan business) restrict their investment of funds to short-term deposits, while obtaining funding through borrowings from banks and other financial institutions and through direct financing by issuance of commercial paper and securitization of receivables.

The Group Companies' subsidiaries engaged in the insurance business consider ensuring safety and profitability as their priority mission in asset management, in order to honor their commitment to the reliable payment of insurance claims and benefits over the years to come. Their policy in asset management is to invest mainly in domestic public and corporate bonds seeking to disperse risks, focusing primarily on government bonds and industrial bonds with superior credit ratings with an aim to receive consistent investment yields over the medium- to long-term, in an effort to develop a safety-first liquidity-oriented investment portfolio.

Under the corporate policy, derivative transactions are handled responsibly, never to be treated as speculative instruments. Derivative transactions include foreign exchange margin transactions conducted by the securities business. In an effort to mitigate market risks associated with these transactions with clients, the Group Companies enter into cover deals with counterparties.

These financial assets are well diversified both in terms of the investees' types of business and their geographical locations, avoiding particular concentration of credit risk.

(1) Credit Risk

1) Outline of Credit Risk Associated with Financial Instruments

Financial assets held by the Group Companies are mainly accounts receivable — installment, operating loans, investment securities, banking business-related assets held by the subsidiaries engaged in the banking business, securities business-related assets held by the subsidiaries engaged in the securities business and insurance business-related assets held by the subsidiaries engaged in the insurance business.

Accounts receivable — installment and operating loans include credit card receivables, loan receivables, consumer loans and secured loans held by the subsidiaries engaged in the credit card business, all of which are presented as loans for credit card business. These are exposed to credit risk associated with respective debtors.

Investment securities include debt instruments, which are exposed to credit risk.

Banking business-related assets include investment securities for banking business and loans for banking business. Investment securities for banking business mainly include securities in shares, domestic bonds and foreign bonds, as well as trust beneficiary rights. Such securities are exposed to credit risk subject to the financial position of issuers, while trust beneficiary rights are exposed to credit risk of the issuers as well as underlying assets. Loans for banking business include unsecured card loans and residential mortgages for individual customers that are exposed to credit risk of individual customers.

Securities business-related assets include cash segregated as deposits for securities business and margin transaction assets, which are presented as financial assets for securities business. Cash segregated as deposits for securities business are primarily trust segregated for customer's money, which are invested in bank deposits, thus exposed to the credit risk of the deposit-taking financial institutions. Margin transaction assets are exposed to customers' credit risk.

Insurance business-related assets include investment securities for insurance business. Investment securities for insurance business mainly include government bonds, municipal bonds and corporate bonds, and are exposed to credit risk related to the financial position of issuers.

2) Management System of Credit Risks Associated with Financial Instruments

Specific methods and systems to manage various risks within the Group Companies are set out under various risk management regulations established at each Group Company.

Credit risks are managed under the above regulations, through establishing individual credit limits, understanding the credit status of individual customers, and controlling due dates and loan balances on a regular basis, while efforts are made on early detection and mitigation of the risk of default resulting from deterioration of borrowers' financial conditions and other factors. Meanwhile, derivative transactions are managed based on "the Detailed Regulations for Hedge Trading Management." Derivative transactions are exposed to the risk of financial loss resulting from a counterparty's contractual default, though credit risk is deemed to be minimal, because counterparties are mainly financial institutions with superior credit ratings.

3) Exposure to Credit Risks

The Group Companies' maximum exposure to credit risk is as follows:

The maximum credit risk exposure (gross) represents the maximum exposure to credit risk without taking into account the collateral held by the Group Companies and any other credit enhancement. The maximum credit risk exposure (net) represents the maximum credit risk exposure, after reflecting the amount of credit risk mitigation through the collateral held by the Group Companies and any other credit enhancement. The amount of credit risk mitigation through the collateral held by the Group Companies and any other credit enhancement does not include part of the amount of collateral and others stated in "Note 40. Offsetting of Financial Assets and Financial Liabilities."

The maximum exposure to credit risk (gross) associated with financial assets stated as on-balance sheet items recognized in the Statements of Financial Position in the following table, are the same as their carrying amounts. The maximum exposure to credit risk associated with the provision of financial guarantees stated as off-balance sheet items in the following table, are the maximum amount payable in the event that exercise of the guarantee is requested. Meanwhile, the maximum exposure to credit risk associated with commitment line agreements is the unused portion of such commitment lines.

As of December 31, 2014

(Millions of Yen)

	Classification by creditworthiness							
	Financial assets neither past due nor impaired	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)	Total amount of collateral and credit enhancement	Maximum credit risk exposure (net)
Items recognized in the Statement of Financial Position:								
Cash and cash equivalents	¥428,635	¥—	¥—	¥428,635	¥—	¥428,635	¥—	¥428,635
Accounts receivable — trade	79,930	8,945	2,148	91,023	(2,152)	88,871	—	88,871
Financial assets for securities business	1,110,648	157	1,230	1,112,035	(1,147)	1,110,888	312,607	798,281
Loans for credit card business	677,273	12,055	23,921	713,249	(20,363)	692,886	—	692,886
Investment securities for banking business	222,389	—	—	222,389	(92)	222,297	—	222,297
Loans for banking business	322,067	755	16	322,838	(961)	321,877	—	321,877
Investment securities for insurance business	12,205	—	—	12,205	—	12,205	—	12,205
Derivative assets	13,927	—	—	13,927	—	13,927	—	13,927
Investment securities	12,909	—	—	12,909	—	12,909	—	12,909
Other financial assets	143,836	143	776	144,755	(472)	144,283	—	144,283
Total of items recognized in the Consolidated Statement of Financial Position:	3,023,819	22,055	28,091	3,073,965	(25,187)	3,048,778	312,607	2,736,171
Items not recognized in the Statement of Financial Position:								
Commitment lines	—	—	—	—	—	2,312,745	—	2,312,745
Financial guarantee agreements	—	—	—	—	—	14,806	—	14,806
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	2,327,551	—	2,327,551
Total	3,023,819	22,055	28,091	3,073,965	(25,187)	5,376,329	312,607	5,063,722

As of December 31, 2015

(Millions of Yen)

	Classification by creditworthiness							
	Financial assets neither past due nor impaired	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)	Total amount of collateral and credit enhancement	Maximum credit risk exposure (net)
Items recognized in the Statement of Financial Position:								
Cash and cash equivalents	¥501,029	¥—	¥—	¥501,029	¥—	¥501,029	¥—	¥501,029
Accounts receivable — trade	88,959	14,828	2,838	106,625	(2,614)	104,011	—	104,011
Financial assets for securities business	1,109,073	211	1,481	1,110,765	(1,466)	1,109,299	327,320	781,979
Loans for credit card business	814,419	14,395	29,978	858,792	(24,972)	833,820	—	833,820
Investment securities for banking business	257,844	—	—	257,844	(75)	257,769	—	257,769
Loans for banking business	444,249	1,028	182	445,459	(1,415)	444,044	—	444,044
Investment securities for insurance business	15,308	—	—	15,308	—	15,308	—	15,308
Derivative assets	21,312	—	—	21,312	—	21,312	—	21,312
Investment securities	10,128	—	—	10,128	—	10,128	—	10,128
Other financial assets	161,252	149	451	161,852	(212)	161,640	—	161,640
Total of items recognized in the Consolidated Statement of Financial Position:	3,423,573	30,611	34,930	3,489,114	(30,754)	3,458,360	327,320	3,131,040
Items not recognized in the Statement of Financial Position:								
Commitment lines	—	—	—	—	—	2,560,942	—	2,560,942
Financial guarantee agreements	—	—	—	—	—	12,335	—	12,335
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	2,573,277	—	2,573,277
Total	3,423,573	30,611	34,930	3,489,114	(30,754)	6,031,637	327,320	5,704,317

Classification of creditworthiness of loans for banking business and investment securities for banking business is based on a determination of borrower's repayment capability considering their financial condition, cash flow and earnings capacity, and the respective financial assets are managed based on the probability of recovery from each borrower as well as the extent of associated impairment risks.

Classification of creditworthiness of loans for credit card business is based on consideration of the delinquency status and the repayment capability of each borrower.

4) Aging Analysis of Past Due But Not Impaired Financial Assets

Aging analysis of past due but not impaired financial assets is as follows.

In the following aging analysis, amounts of financial assets, for which the payment terms have been extended or payment has not been made since the contractual due dates, are classified according to the length of the overdue period from the respective due dates for each fiscal year.

As of December 31, 2014

(Millions of Yen)

	Six months or less	Over six months to one year	Over one year
Accounts receivable — trade	¥8,581	¥244	¥120
Financial assets for securities business	96	6	55
Loans for credit card business (Note)	9,073	2,982	—
Loans for banking business	755	—	—
Other financial assets	99	1	43
Total	18,604	3,233	218

(Note) Among the loans for credit card business, those past due for three months or less is ¥6,569 million, while those past due between three and six months is ¥2,504 million.

As of December 31, 2015

(Millions of Yen)

	Six months or less	Over six months to one year	Over one year
Accounts receivable — trade	¥13,842	¥537	¥449
Financial assets for securities business	150	9	52
Loans for credit card business (Note)	10,787	3,608	—
Loans for banking business	1,028	—	—
Other financial assets	58	13	78
Total	25,865	4,167	579

(Note) Among the loans for credit card business, those past due for three months or less is ¥7,872 million, while those past due between three and six months is ¥2,915 million.

5) Financial Assets Individually Assessed as Impaired

Analysis of the financial assets individually assessed as impaired is as follows:

As of December 31, 2014

(Millions of Yen)

	Carrying amount	Allowance for doubtful accounts	Carrying amount less allowance for doubtful accounts
Accounts receivable — trade	¥2,148	¥(1,320)	¥828
Financial assets for securities business	1,230	(1,147)	83
Loans for credit card business	23,921	(12,325)	11,596
Loans for banking business	16	(16)	—
Other financial assets	776	(239)	537
Total	28,091	(15,047)	13,044

As of December 31, 2015

(Millions of Yen)

	Carrying amount	Allowance for doubtful accounts	Carrying amount less allowance for doubtful accounts
Accounts receivable — trade	¥2,838	¥(1,621)	¥1,217
Financial assets for securities business	1,481	(1,466)	15
Loans for credit card business	29,978	(15,677)	14,301
Loans for banking business	182	(67)	115
Other financial assets	451	(212)	239
Total	34,930	(19,043)	15,887

(2) Liquidity Risk

1) Outline of Liquidity Risk Associated with Financial Instruments

Within financial liabilities held by the Group Companies, borrowings are mainly exposed to market risks, and banking business-related liabilities are exposed to liquidity risk.

2) Management of Liquidity Risk Associated with Financial Instruments

Methods to control liquidity risk associated with funding include a cash management plan to ensure adequate liquidity on hand in accordance with regulations established by each Group Company. Liquidity risk arising from factors, such as holding investment securities, is managed by limiting the acquisition of securities to the amount necessary from a business standpoint, and carefully evaluating the financial conditions of issuers.

3) Analysis of Maturity of Financial Liabilities

The balances by maturity of financial liabilities (including derivatives) are as follows:

As of December 31, 2014

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	¥137,042	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	959,769	9,125	19,782	13,499	6,453	135,139
Financial liabilities for securities business	995,141	—	—	—	—	—
Bonds and borrowings	264,599	78,447	89,741	50,358	41,736	75,403
Other financial liabilities	219,867	21,378	780	445	146	—
Derivative liabilities	10,238	408	302	209	146	236
Derivatives associated with cover deals of special time deposits	(1,308)	(783)	(847)	(340)	(216)	(5,300)
Off-balance sheet items						
Commitment lines	2,312,745	—	—	—	—	—
Financial guarantee agreements	14,806	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as “One year or less.” “Deposits for banking business” include ¥628,330 million of demand deposits.

“Derivatives associated with cover deals of special time deposits” are related to “Deposits for banking business.”

As of December 31, 2015

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	¥162,606	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	1,180,098	30,510	21,834	5,784	5,695	140,955
Financial liabilities for securities business	987,244	—	—	—	—	—
Bonds and borrowings	258,328	101,284	68,762	120,967	42,689	66,895
Other financial liabilities	259,082	2,266	739	524	5,073	764
Derivative liabilities	9,293	398	283	202	151	111
Derivatives associated with cover deals of special time deposits	(859)	(909)	(408)	(281)	(287)	(4,805)
Off-balance sheet items						
Commitment lines	2,560,942	—	—	—	—	—
Financial guarantee agreements	12,335	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as “One year or less.” “Deposits for banking business” include ¥731,644 million of demand deposits.

“Derivatives associated with cover deals of special time deposits” are related to “Deposits for banking business.”

(3) Market Risk

1) Outline of Market Risk Associated with Financial Instruments

The Group Companies’ activities are exposed mainly to risks associated with changes in the economic environment and the financial market environment. Risks associated with changes in the financial market environment are specifically, exchange rate risk, interest rate risk and price fluctuation risk.

Financial assets held by the Group Companies exposed to market risks are mainly investment securities, investment securities for banking business, and investment securities for insurance business. Investment securities include shares that are exposed to price fluctuation risk. Investment securities for banking business mainly include investment securities such as shares, government bonds, municipal bonds and foreign securities, with exposure to interest rate risk and exchange rate risk, along with exposure to price fluctuation risk which, however, is minimal as the Group Companies do not hold any listed shares. Investment securities for insurance business mainly include government bonds, municipal bonds and corporate bonds, for which exposure to price fluctuation risk is minimal.

Within the financial liabilities held by the Group Companies, those exposed to market risks are mainly borrowings and banking business-related liabilities, which are exposed primarily to interest rate risk. Banking business-related liabilities include ordinary deposits, time deposits and foreign currency deposits for individual and corporate customers. Although new types of time deposits are exposed to interest rate risk, such risk is hedged by entering into corresponding interest rate swap transactions. Although foreign currency deposits are exposed to exchange rate risk, such risk is hedged by entering into corresponding forward exchange contracts.

2) Management of Market Risks Associated with Financial Instruments

Within the financial instruments associated with market risks, investment securities are subject to investment decisions based on consultation with the Board of Directors, as part of the management to ensure that such investment securities are appropriately evaluated according to internal regulations. With regard to foreign currency receivables arising from sales to customers, the Group Companies' own positions are regulated by establishing position limits and maximum allowable losses for the prevention of any loss in excess of certain levels, in addition to the monitoring of daily sales conditions. With regard to financial assets held by subsidiaries engaged in the banking business, such financial assets and liabilities are measured at fair value assuming certain fluctuations in interest rates and exchange rates, and the effects on the net balance after offsetting such financial assets and liabilities (referred to as the "present value") are used in a quantitative analysis to manage interest rate risk and exchange rate risk.

3) Interest Rate Risk (Excluding the Subsidiaries Engaged in Banking Business)

The Group Companies' main financial liabilities are borrowings from financial institutions, of which borrowings at floating interest rates are exposed to interest rate risk.

Exposures associated with the Group Companies' financial liabilities are as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Bonds and borrowings	¥589,927	¥649,195
Floating interest rate	340,720	373,511
Fixed interest rate	249,207	275,684

In respect of the above exposures, given all the risk variables remaining constant, except for interest rate risk, if all the key interest rates increased by 10 basis points (0.1%) for the year ended December 31, 2014, income and equity would be negatively impacted by ¥269 million. Conversely, in the event a decrease of 0.1%, income and equity would be positively impacted by ¥269 million compared to the amounts reported as of December 31, 2014. Similarly, given all the risk variables remaining constant, except for interest rate risk, if all the key interest rates increased by 10 basis points (0.1%) for the year ended December 31, 2015, income and equity would be negatively impacted by ¥300 million. Conversely, in the event a decrease of 0.1%, income and equity would be positively impacted by ¥300 million compared to the amounts reported as of December 31, 2015.

Within borrowings with floating interest rates, the Group Companies have implemented interest rate swap transactions to reduce interest rate fluctuation risk, and the balances of borrowings were ¥72,098 million and ¥73,590 million as of December 31, 2014 and 2015, respectively.

4) Price Fluctuation Risk

Of the equity instruments held by the Group Companies, marketable equity instruments are exposed to share price fluctuation risk. The Group Companies regularly check the market prices of their equity instruments and financial conditions of their issuers.

The Group Companies carried out a sensitivity analysis as follows, based on the price risk of equity instruments at the end of the year.

In the event of a 5% rise in share prices, accumulated other comprehensive income (before tax effect) would increase by ¥327 million for the year ended December 31, 2014 due to changes in fair value. Conversely, in the event of a 5% fall, it would decrease by ¥327 million. Similarly, in the event of a 5% rise in share prices, accumulated other comprehensive income (before tax effect) would increase by ¥470 million for the year ended December 31, 2015 due to changes in fair value. Conversely, in the event of a 5% fall, it would decrease by ¥470 million.

5) Management of Market Risks for Subsidiaries Engaged in Banking Business

(Interest Rate Risk)

At the Group Companies' subsidiaries engaged in the banking business, financial assets exposed to interest rate risk, which is a significant risk variable, are mainly investment securities for banking business and loans for banking business.

Financial liabilities exposed to interest rate risk include, ordinary deposits, time deposits, and foreign currency deposits for individual and corporate customers, as well as interest rate swap transactions as part of derivative transactions.

For subsidiaries engaged in the banking business, the effect of present value of these financial assets and liabilities, given certain fluctuations in interest rates, is used in quantitative analysis as part of the process to manage interest rate risk.

In calculating the effect of the present value, the corresponding financial assets and financial liabilities are classified into a fixed rate group and a floating rate group, and then the balance of each group is allocated to an appropriate period based on maturity with a fluctuation range of the interest rate for the period. Specifically, given all the other risk variables remaining constant, except for the interest rate risk, when all the key interest rates increase 10 basis points (0.1%) for the year ended December 31, 2014, the present value as of December 31, 2014 would decrease by ¥2,736 million. Conversely, in the case a decrease of 10 basis points (0.1%), it would increase by ¥2,736 million. Similarly, given all the other risk variables remaining constant, except for the interest rate risk, when all the key interest rates increase 10 basis points (0.1%) for the year ended December 31, 2015, the present value as of December 31, 2015 would decrease by ¥1,186 million. Conversely, in the case of a decrease of 10 basis points (0.1%), it would increase by ¥1,186 million.

These effects do not take into account correlations between interest rates and other risk variables, further foreign currency-denominated assets and liabilities are calculated in Japanese yen as translated by the exchange rates on December 31, 2014 and 2015. Additionally, the effects of a 10 basis point decline leading to negative interest rates in certain periods have not been excluded.

(Exchange Rate Risk)

For the Group Companies' subsidiaries engaged in the banking business, financial assets exposed to exchange rate risk, which is a significant risk variable, are foreign securities and foreign exchange transactions.

Financial liabilities exposed to exchange rate risk include, foreign currency ordinary deposits and foreign currency time deposits of all deposits, and forward exchange contracts as part of derivative transactions.

For the subsidiaries engaged in the banking business, the effect of the present value of these financial assets and liabilities from exchange fluctuations is used for a quantitative analysis as part of the process to manage exchange rate risk.

In calculating the effect of the present value, the corresponding financial assets and financial liabilities are classified by currency and the respective currency's fluctuation range is used as the basis for analysis. Specifically, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2014 would decrease by ¥14 million. Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥14 million. Similarly, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2015 would decrease by ¥12 million. Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥12 million.

These effects do not take into account correlations between exchange rates and other risk variables, while the effect of the present value by currency is calculated in Japanese yen as translated by the exchange rates on December 31, 2014 and 2015.

6) Management of Market Risks for Subsidiaries Engaged in Securities Business

(Exchange Rate Risk)

For the Group Companies' subsidiaries engaged in the securities business, financial assets and liabilities exposed to exchange rate risk, a significant risk variable, are mainly derivative assets and liabilities arising from foreign exchange margin transactions.

The subsidiaries conduct a quantitative analysis on the effect of the present value of these financial assets and liabilities, given certain fluctuations in exchange rate.

In calculating the effect on the present value, the corresponding financial assets and financial liabilities are classified by currency and the respective currency's fluctuation range is used as the basis for analysis. Specifically, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2014 would decrease by ¥17 million. Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥17 million. Similarly, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2015 would decrease by ¥55 million. Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥55 million.

These effects do not take into account correlations between exchange rates and other risk variables, while the effect of the present value by currency is calculated in Japanese yen as translated by the exchange rates on December 31, 2014 and 2015.

42. Capital Management

The Group Companies' capital structure is as follows:

(Millions of Yen)

	December 31, 2014	December 31, 2015
Total liabilities	¥3,252,609	¥3,605,940
Less: Cash and cash equivalents	428,635	501,029
Net liabilities	2,823,974	3,104,911
Total equity	428,086	664,013

Certain subsidiaries of the Group Companies are required to maintain their capital-to-risk ratio and net assets, etc. above a certain level in accordance with the Japanese Financial Instruments and Exchange Act and other laws and regulations of a similar nature in foreign jurisdictions. Principal laws and regulations in each country and region applicable to the major subsidiaries are described in the chart as follows.

Country and region	Company name	Laws and regulations	Requirements
Japan	Rakuten Bank, Ltd.	Banking Law	Maintenance of minimum required equity ratio, etc.
	Rakuten Securities, Inc.	Financial Instruments and Exchange Act	Maintenance of minimum required capital-to-risk ratio, etc.
	Rakuten Life Insurance Co., Ltd.	Insurance Business Act	Maintenance of solvency margin ratio
Hong Kong	FXCM Asia Limited	Securities and Futures Ordinance (Cap. 571)	Maintenance of minimum required capital, etc.

Each subsidiary adequately meets the capital requirements under the laws and regulations of each country and region.

43. Related Parties

Related party transactions and their corresponding outstanding balances of receivables and payables between the Group Companies and other related parties are as follows. Although the consolidated subsidiaries are related parties of the Company, such transactions and the corresponding outstanding balances with subsidiaries are not subject to disclosure as they are eliminated for the purpose of consolidated financial statements.

(1) Related Party Transactions

(Millions of Yen)

	For the year ended December 31, 2014			For the year ended December 31, 2015		
	Associates	Executives	Total	Associates	Executives	Total
Revenue	¥1,354	¥—	¥1,354	¥2,236	¥—	¥2,236
Operating expenses	1,402	19	1,421	2,179	—	2,179
Accounts receivable — trade (Note 1)	104	—	104	104	—	104
Deposits for banking business	—	207	207	—	158	158
Financial liabilities for securities business	—	—	—	—	17	17
Common stock	—	617	617	—	183	183
Capital reserve	—	617	617	—	183	183

(Notes) 1. An allowance for doubtful accounts of ¥72 million has been recorded against accounts receivable—trade at December 31, 2014. An allowance for doubtful accounts of ¥80 million has been recorded against accounts receivable—trade at December 31, 2015.

2. There are no transactions involving collateral and guarantees.

(2) Transactions with Companies in which Majority of Voting Rights are Held by the Group Companies' Principal Shareholders (Individuals) and their Close Relatives

(Millions of Yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Revenue (Note 1)	¥27	¥—
Operating expenses (Note 2)	444	57
Other assets (Note 3)	28	—
Deposits for banking business	24	—
Accounts payable — other (Note 4)	—	11
Accounts payable — trade (Note 5)	3	—

(Notes) 1 Revenue for the year ended December 31, 2014 is from commissions on ticket sales, and ticket sales are entrusted by Crimson Football Club, Inc. Commissions on ticket sales are determined in a similar manner as general business terms and conditions. Chairman and President and Representative Director of the Company, Hiroshi Mikitani indirectly owned 100% of the voting rights in Crimson Football Club, Inc. Crimson Football Club, Inc. became a wholly owned subsidiary of the Company as of January 5, 2015. The above transactions occurred up to the year ended December 31, 2014.

2 Operating expenses for the year ended December 31, 2014 are sponsorship fees payable to Crimson Football Club, Inc. for planning and organizing football matches and other events. The amount of sponsorship fees is determined in view of the past transactions at other football clubs.

Operating expenses for the year ended December 31, 2015 are advertising expenses paid to Tokyo Philharmonic Orchestra, which are determined based on general transaction terms.

3 Other assets for the year ended December 31, 2014 are prepaid expenses resulting from advertising transactions. These receivables are unsecured in effect, charging no interest. Allowance for doubtful accounts is not recorded for the receivables from related parties.

4 Accounts payable — other for the year ended December 31, 2015 are co-sponsor fees for the Tokyo Philharmonic Orchestra. Co-sponsor fees are determined based on general transaction terms in the same manner as transactions involving independent third parties and are conducted for the purpose of social contribution. Hiroshi Mikitani, Chairman and President and Representative Director of the Company is concurrently serving as Chairman of the Tokyo Philharmonic Orchestra.

5 Accounts payable — trade for the year ended December 31, 2014 is accounts payable resulting from advertising transactions, due one month after the purchase date. No interest is charged to these payables.

(3) Executive Compensation

Executive compensation is as follows:

(Millions of Yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Short-term employee benefits (Note)	¥801	¥883
Share-based payments	107	209
Total	908	1,092

(Note) Short-term employee benefits include salaries and bonuses for those employees who serve concurrently as employees and Directors.

44. Business Combinations

For the year ended December 31, 2014

Business Combination with VIBER MEDIA LTD.

(1) Outline of the business combination is as follows:

1) Name of the Acquiree and Business Description

Name of the Acquiree: VIBER MEDIA LTD.

Description of the Business: Mobile messaging service and VoIP service operator

2) Reason for the Business Combination

The Company operates three main businesses on a global scale: e-commerce, financial services, and digital contents. VIBER MEDIA LTD. is a worldwide operator of mobile messaging and VoIP services called “Viber.” By making VIBER MEDIA LTD. a subsidiary, the Company aims to utilize Viber’s broad customer base and strengthen its platform for providing EC services and digital contents which operate worldwide.

3) Acquisition Date: March 11, 2014

4) Type of the Business Combination: Acquisition of shares

5) Name after the Business Combination: No change in the name of the company after the business combination

6) Ratio of Acquired Voting Rights: 100.0%

7) Rationale for Determining That the Company is the Acquirer

The Company acquired all the shares in VIBER MEDIA LTD. in exchange for cash consideration.

(2) Information on Consideration Paid for Acquiree

	(Millions of Yen)
Consideration paid:	
Cash	¥81,654
Total consideration paid	81,654

(3) Costs directly associated with the acquisition were ¥110 million presented as “Operating expenses.”

(4) The amount of, and reason for goodwill recognition are as follows:

1) Amount of goodwill: 824 million U.S. dollars

2) Reason for goodwill recognition: Goodwill has been recognized based on a reasonable estimation of the excess earnings power anticipated in association with future business development.

(5) Assets acquired and liabilities assumed at the acquisition date are as follows:

(Millions of U.S. dollars)

	Fair Value
Assets	
Cash and cash equivalents	$7
Intangible assets	77
Others	9
Total assets	93
Liabilities	
Accounts payable — other	21
Borrowings	82
Others	17
Total liabilities	120

(6) The impact on the Group Companies' revenue and net income on the assumption that the business combination had taken place on January 1 would be insignificant, and thus the description is omitted.

Business Combination with Ebates Inc.

(1) Outline of the business combination is as follows:

1) Name of the Acquiree and the Description of its Business

Name of the Acquiree: Ebates Inc.

Description of the Business: Operator of membership-based online cash-back sites

2) Reason for the Business Combination

Ebates Inc., founded in 1999, is a pioneer and major operator of membership-based online cash-back sites. The company has established and provides a robust platform to support the growth of e-commerce business for major retailing stores. Its network has spread to more than 2,600 enterprises across a variety of type of business types and product categories, ranging from major e-commerce websites, bricks and mortar retailers increasing their focus on e-commerce operations to online travel agencies, etc. Ebates Inc. also has 2.5 million active loyal members, and the purchase amount per member is steadily increasing. The Company believes that Ebates Inc. has a high affinity for Rakuten's business model as both companies' business models are membership-based businesses. By integrating the two companies, the Company intends to create an attractive and innovative membership-based marketplace with particular emphasis on point programs. Through this share acquisition, the Group Companies aim to dramatically improve its global e-commerce strategy and lead the global e-commerce market.

3) Acquisition Date: October 9, 2014

4) Type of Business Combination: Acquisition of shares

5) Name after Business Combination: No change in the name of the company after the business combination

6) Ratio of Acquired Voting Rights: 100.0%

7) Rationale for Determining That the Company is the Acquirer

The Company acquired shares of Ebates Inc. in exchange for cash consideration.

(2) Information on Consideration Paid for Acquiree

	(Millions of Yen)
Consideration paid:	
Cash	¥99,401
Total consideration paid	99,401

(3) Costs directly associated with the acquisition were ¥872 million presented as "Operating expenses."

(4) The amount of, and reason for goodwill recognition are as follows:

1) Amount of Goodwill: 806 million U.S. dollars

2) Reason for goodwill recognition: Goodwill has been recognized based on a reasonable estimation of excess earning power anticipated in association with the future business development.

(5) Assets acquired and liabilities assumed at the acquisition date are as follows:

(Millions of U.S. dollars)

	Fair Value
Assets	
Cash and cash equivalents	$52
Intangible assets	119
Others	118
Total assets	289
Liabilities	
Accounts payable — other	96
Others	87
Total liabilities	183

(6) The impact on the Group Companies' revenue and net income on the assumption that the business combination had taken place on January 1 would be insignificant, and thus the description is omitted.

For the year ended December 31, 2015

Business Combination with OverDrive Holdings, Inc.

(1) Outline of the business combination is as follows:

1) Name of the Acquiree: OverDrive Holdings, Inc.

2) Description of the Business: A full-service digital distributor of eBooks, audio books and other content for libraries and educational institutions

3) Reason for the Business Combination

The Company regards digital content services as one of the pillars of its future growth strategy, following the Internet Services and FinTech, and has been constantly expanding its eBook business since the acquisition of Kobo Inc. (currently Rakuten Kobo Inc.) in 2012. The acquisition of OverDrive Holdings, Inc. will strengthen platforms, brands and innovative product development at both companies and is expected to accelerate their growth on a global scale, driven primarily by the well-established positioning of OverDrive Holdings, Inc., as well as tangible and intangible assets accumulated over the years, along with Rakuten Kobo Inc.'s proven achievements of technology innovation, overseas expansion and solid global relationships with publishers.

4) Acquisition Date: April 27, 2015

5) Type of Business Combination: Acquisition of shares

6) Name after the Business Combination: No change in the name of the company after the business combination

7) Ratio of Acquired Voting Rights: 100.0%

8) Rationale for Determining That the Company is the Acquirer

The Company acquired all the shares in OverDrive Holdings, Inc. in exchange for cash consideration.

(2) Information on Consideration Paid for Acquiree

	(Millions of Yen)
Consideration paid:	
Cash	¥50,218
Total consideration paid	50,218

(3) Costs directly associated with the acquisition were ¥208 million presented as "Operating expenses."

(4) The amount of, and reason for goodwill recognition are as follows:

1) Amount of goodwill: 312 million U.S. dollars

* The amount of goodwill is tentatively calculated since allocation of acquisition cost has not been completed.

2) Reason for goodwill recognition: Goodwill has been recognized based on a reasonable estimation of the excess earnings power anticipated in association with future business development.

(5) Assets acquired and liabilities assumed at the acquisition date are as follows:

(Millions of U.S. dollars)

	Fair Value
Assets	
Cash and cash equivalents	$17
Intangible assets	135
Others	35
Total assets	187
Liabilities	
Accounts payable — other	3
Others	78
Total liabilities	81

(6) The impact on the Group Companies' revenue and net income on the assumption that the business combination had taken place on January 1 would be insignificant, and thus the description is omitted.

45. Major Subsidiaries

(1) Major Subsidiaries

Major subsidiaries of the Group Companies are as follows:

Name	Location	Capital	December 31, 2014		December 31, 2015		Notes
			Voting rights ratio	Ownership	Voting rights ratio	Ownership	
Internet Services Segment:							
RAKUTEN MARKETING LLC	U.S.	1 U.S. dollar	100%	100%	100%	100%	(Note 4)
RAKUTEN COMMERCE LLC	U.S.	11 million U.S. dollars	100%	100%	100%	100%	(Note 5)
PRICEMINISTER S.A.S.	France	356 thousand euros	100%	100%	100%	100%	
Rakuten Auction, Inc.	Tokyo	¥1,650	60.0%	60.0%	60.0%	60.0%	
LinkShare Japan K.K.	Tokyo	¥259	100%	100%	100%	100%	
Rakuten Kobo Inc.	Canada	858 million Canadian dollars	100%	100%	100%	100%	(Note 3)
Kenko.com, Inc.	Fukuoka	¥2,208	56.8%	56.8%	56.7%	56.7%	(Note 2)
VIKI, Inc.	U.S.	1 U.S. dollar	100%	100%	100%	100%	
Ebates Inc.	U.S.	0.1 U.S. dollar	100%	100%	100%	100%	(Note 6)
OverDrive Holdings, Inc.	U.S.	1 U.S. dollar	—	—	100%	100%	(Note 7)
FinTech Segment:							
Rakuten Card Co., Ltd.	Tokyo	¥19,324	100%	100%	100%	100%	
Rakuten Securities, Inc.	Tokyo	¥7,496	100%	100%	100%	100%	
Rakuten Bank, Ltd.	Tokyo	¥25,954	100%	100%	100%	100%	
Rakuten Edy, Inc.	Tokyo	¥1,840	100%	100%	100%	100%	
Rakuten Life Insurance Co., Ltd.	Tokyo	¥2,500	100%	100%	100%	100%	
Others Segment:							
Rakuten Communications Corp.	Tokyo	¥2,026	55.0%	55.0%	100%	99.6%	(Note 1)
Rakuten Baseball, Inc.	Miyagi	¥400	100%	100%	100%	100%	
VIBER MEDIA LTD.	Cyprus	71 thousand U.S. dollars	100%	100%	100%	100%	(Note 6)

(Notes)
1. The discrepancy between the voting rights ratio and ownership of Rakuten Communications Corp. is due primarily to the fact that Rakuten Communications Corp. holds treasury stock. Rakuten Communications Corp. changed its name from Fusion Communications Corporation on December 1, 2015.
2. The discrepancy between the voting rights ratio and ownership of Kenko.com, Inc. is due primarily to the fact that Kenko.com, Inc. holds treasury stock.
3. Rakuten Kobo Inc. changed its name from Kobo Inc. on July 1, 2014.
4. LinkShare Corporation was renamed RAKUTEN MARKETING LLC on July 31, 2014. RAKUTEN MARKETING LLC changed its name from LinkShare Corporation on July 31, 2014.

5 RAKUTEN COMMERCE LLC changed its name from Buy.com Inc. on July 31, 2014.

6 Ebates Inc. and VIBER MEDIA LTD. have become consolidated subsidiaries of the Company from the year ended December 31, 2014.

7 OverDrive Holdings, Inc. has become a consolidated subsidiary of the Company from the year ended December 31, 2015.

(2) Changes in Ownership

For the year ended December 31, 2014

The Group Companies acquired control over VIBER MEDIA LTD. on March 11, 2014 and Ebates Inc. on October 9, 2014, making them consolidated subsidiaries. The transactions associated with these acquisitions are described in Note 44. Business Combinations.

For the year ended December 31, 2015

The Group Companies acquired control over OverDrive Holdings, Inc. on April 27, 2015, making it a consolidated subsidiary. The transactions associated with the acquisition are described in Note 44. Business Combinations.

46. Structured Entities

Consolidated Structured Entities

The Group Companies consolidate certain structured entities as trusts for securitizing receivables.

These trusts for securitization and other funds are structured entities, which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these entities.

The Group Companies have the right to direct the investment or servicing activities of these structured entities. In addition, the Group Companies, by holding subordinated beneficial interests collateralized by entrusted assets, will be exposed to variability of investment returns. Accordingly, it is determined that the Group Companies have control over these structured entities.

In accordance with the contractual arrangements with the structured entities, use of assets and settlement of liabilities of these consolidated structured entities are restricted to the purposes for which they are structured.

The carrying amounts of assets and liabilities of the consolidated structured entities are as follows:

Carrying amounts of assets and liabilities of the consolidated structured entities

(Millions of Yen)

	December 31, 2014	December 31, 2015
Assets		
Loans for credit card business	¥28,832	¥29,474
Others	1,280	1,260
Total assets	30,112	30,734
Liabilities		
Bonds and borrowings	11,000	11,000
Others	125	23
Total liabilities	11,125	11,023

Unconsolidated Structured Entities

The Group Companies engage in investment activities involving structured entities as part of their banking business and other businesses. These structured entities handle securitized products that are set up by third parties and collateralized assets including monetary claims such as auto loans, consumer loans, bonds and short-term bonds, various real estates, credit derivatives, and other bonds. The Group Companies have interests in these structured entities as a result of holding bonds issued by such entities and through trust beneficiary interests. The risks of these products are managed regularly on an individual basis under the group management regulations for the banking business and other businesses, for early recognition and mitigation of the risk of default resulting from deterioration of the debtors' financial conditions and other factors.

Additionally, the Group Companies set up investment trust funds that are provided to meet the needs of investors as part of their investment management business. However, the Group Companies do not hold interests in such investment trust funds. Certain subsidiaries that are not categorized as investment management business provide investment trust services, but the Group Companies do not hold interests in such trusts.

The Group Companies do not provide any guarantee or commitment to these structured entities. As a result, the maximum exposure to loss associated with the Group Companies' interests in these unconsolidated structured entities is limited to the carrying amount of the investments in bonds and trust beneficiary interests held therein. The maximum exposure to loss represents the potential maximum loss the Group Companies could incur and does not reflect the likelihood of such a loss being incurred.

The following table shows the summary of the Group Companies' maximum exposure to loss from its interests in these structured entities by class of asset held therein.

Carrying amount of unconsolidated structured entities and maximum exposure to loss from interests in such entities

(Millions of Yen)

Consolidated statements of financial position	Class of asset held by structured entities	December 31, 2014	December 31, 2015
Investment securities for banking business	Securitization products set up by third parties		
	Public and corporate bonds	¥2,500	¥10,503
	Commercial paper	—	25,000
	Monetary claims for individual customers	23,502	26,386
	Others	3,520	4,100
Others		1,400	2,024
Total		30,922	68,013

47. Subsequent Events

Not applicable.

48. Classification of Current and Non-current

As of December 31, 2014

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥428,635	¥—	¥428,635
Accounts receivable — trade	88,042	829	88,871
Financial assets for securities business	1,110,788	100	1,110,888
Loans for credit card business	482,267	210,619	692,886
Investment securities for banking business	118,919	103,378	222,297
Loans for banking business	13,653	308,224	321,877
Investment securities for insurance business	268	11,937	12,205
Derivative assets	9,197	4,730	13,927
Investment securities	6,465	44,041	50,506
Other financial assets	124,781	19,502	144,283
Investments in associates and joint ventures	—	8,932	8,932
Property, plant and equipment	—	34,811	34,811
Intangible assets	—	490,679	490,679
Deferred tax assets	—	35,006	35,006
Other assets	20,762	4,130	24,892
Total assets	2,403,777	1,276,918	3,680,695
Liabilities			
Accounts payable — trade	137,042	—	137,042
Deposits for banking business	958,461	178,734	1,137,195
Financial liabilities for securities business	995,141	—	995,141
Derivative liabilities	10,270	1,499	11,769
Bonds and borrowings	261,371	328,556	589,927
Other financial liabilities	221,335	21,281	242,616
Income taxes payable	27,129	—	27,129
Provisions	42,037	1,932	43,969
Policy reserves and others for insurance business	—	19,847	19,847
Deferred tax liabilities	—	12,437	12,437
Other liabilities	34,802	735	35,537
Total liabilities	2,687,588	565,021	3,252,609

As of December 31, 2015

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥501,029	¥—	¥501,029
Accounts receivable — trade	102,795	1,216	104,011
Financial assets for securities business	1,109,222	77	1,109,299
Loans for credit card business	583,630	250,190	833,820
Investment securities for banking business	187,286	70,483	257,769
Loans for banking business	14,872	429,172	444,044
Investment securities for insurance business	10	15,298	15,308
Derivative assets	18,461	2,851	21,312
Investment securities	6,981	144,256	151,237
Other financial assets	142,284	19,356	161,640
Investments in associates and joint ventures	—	16,912	16,912
Property, plant and equipment	—	48,442	48,442
Intangible assets	—	514,752	514,752
Deferred tax assets	—	28,252	28,252
Other assets	26,528	35,598	62,126
Total assets	2,693,098	1,576,855	4,269,953
Liabilities			
Accounts payable — trade	162,606	—	162,606
Deposits for banking business	1,168,207	198,577	1,366,784
Financial liabilities for securities business	987,244	—	987,244
Derivative liabilities	9,324	1,299	10,623
Bonds and borrowings	255,018	394,177	649,195
Other financial liabilities	258,618	9,830	268,448
Income taxes payable	24,718	—	24,718
Provisions	49,699	4,430	54,129
Policy reserves and others for insurance business	—	21,635	21,635
Deferred tax liabilities	—	20,417	20,417
Other liabilities	37,935	2,206	40,141
Total liabilities	2,953,369	652,571	3,605,940

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of Yen, unless otherwise stated)

(Cumulative period)	1Q	2Q	3Q	Year ended December 31, 2015
Revenue	¥158,819	¥332,006	¥514,711	¥713,555
Income before income tax	28,808	54,084	80,862	91,987
Net income	14,290	27,714	42,537	44,280
Basic earnings per share (Yen)	¥10.73	¥20.97	¥31.41	¥32.33

(Each quarter)	1Q	2Q	3Q	4Q
Basic earnings per share (Yen)	¥10.73	¥10.24	¥10.45	¥1.25

Building a better
working world

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Independent Auditor's Report

The Board of Directors
Rakuten, Inc.

We have audited the accompanying consolidated financial statements of Rakuten, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rakuten, Inc. and its consolidated subsidiaries as at December 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which describes Rakuten, Inc. and its consolidated subsidiaries adopted IFRS15 Revenue from contracts with customers. Our opinion is not qualified in respect of this matter.

Ernst & Young ShinNihon LLC

March 30, 2016

Rakuten

Annual Report | Fiscal Year Ended December 31, 2015

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