

Information Material Regarding Bond-type Class Shares

Feb 27, 2024

Rakuten Group, Inc.



Features of Bond-type Class Shares

- The holders of the Bond-type Class Shares do not have the rights to vote or to convert the Bond-type Class Shares into Common Shares
- We envision a product whereby the full amount of funds raised will be recorded as capital for accounting purposes and 50% may be eligible for equity credit from rating agencies*1. In principle, we may acquire the shares after the lapse of five years from the issuance*2

Rights to Vote	No rights to vote	No dilution of Common Shares	
Rights to Convert	No rights to convert the Bond-type Class Shares into Common Shares		
TSE Listing	We plan to apply for listing on the Prime Market of the TSE (Tokyo Stock Exchange)	Listing on the Prime Market of the TSE	
Accounting Equity Treatment	We envision that the Bond-type Class Shares will be eligible to be treated as Equity	100% Equity Treatment	
Rating Equity Treatment*1	We anticipate designing the Bond-type Class Shares in such a way that they will be eligible for equity credit (50% of the amount of funds raised) from rating agencies (for approx. 5 years after issuance)	50% Equity Treatment	
Preferred Dividend	Fixed dividend for c.5 years from the issuance (variable dividend thereafter)*3 Senior to dividends to Common Shares, cumulative*4 Non-Participating – no dividend is paid beyond the preferred dividend initially set	Fixed dividend	Variable dividend
Clause for Acquisition in exchange for Cash (Our Option)	In principle, we may acquire the Bond-type Class Shares 5 years after the issuance*1 (Acquisition in the amount equal to the issue price plus unpaid and accrued dividends)		We may acquire the shares in exchange for cash
		Issue date	After c.5years from the Issue date

*1 They may not be eligible for equity credit from rating agencies depending on the amount of funds raised and other factors.

*2 The events other than the above whereby we may acquire the Bond-type Class Shares are expected to be determined by the resolution of the issuance.

*3 the annual dividend rates are:

1: the first five fiscal years elapse after issuance : fixed annual dividend rate

2: from 5 years after the issuance to the fiscal year including the 25 years elapsed : Variable Dividend (benchmark interest rate^a + Initial Credit Spread^b + 25bp)

3: 25 years after the issuance date, and the day after the end of the fiscal year it belongs to : Variable Dividend (benchmark interest rate^a + Initial Credit Spread^b + 100bp)

*4 The Bond-type Class Shares are “cumulative”, meaning that any unpaid preferred dividends shall be carried over to subsequent fiscal years.

*a benchmark interest rate: the interest rate of One-Year JGBs

*b Initial Credit Spread: fixed annual dividend rate – 10-year JGBs with a remaining maturity of about 5-years

Features as a Funding Method

A financing method taking into consideration interests of Common Shareholders more than new issuances of Common Stock

- 1 No dilution of interest of existing shareholders**
- 2 Increase in equity capital**
- 3 Impact on financial indicators is limited**

Interest of existing shareholders

1	Rights to Vote	2	Rights to Convert
	No rights to vote		No rights to convert the Bond-type Class Shares into Common Shares

3 Dividends

Dividends are limited to preferred dividends which are determined at the issuance, and only Common Shareholders have the rights to participate in non-preferred dividends

Capitalization

1	Accounting
	The entire amount of funds raised will be recorded as capital

2 Rating*1

We anticipate designing the Bond-type Class Shares in such a way that they will be eligible for equity credit (50% of the amount of fund raised) from rating agencies

Financial Indicators

1	ROE	2	EPS
	$\frac{\text{Net Income} - \text{preferred dividend}}{\text{Equity Capital (Common Shares)}}$		$\frac{\text{Net Income} - \text{Preferred dividend}}{\text{Number of issued shares (Common Shares)}}$

3 PBR

$\frac{\text{Market Capitalization (Common Shares)}}{\text{Net Assets} - \text{Net Assets (related to Bond-type Class Shares)} - \text{preferred dividend}}$













4 D/E Ratio

$\frac{\text{Interesting Bearing Debt}}{\text{Equity Capital (including Bond-type Class Shares)}}$

R *1 They may not be eligible for equity credit from rating agencies depending on the amount of funds raised and other factors.

Comparison of equity-related financing methods

- Bond-type Class Shares have characteristics of both subordinated bonds and Common Shares and will be tradable in the Prime Market of the Tokyo Stock Exchange after the issuance*1

		Subordinated Bond*2	Perpetual Subordinated Bond*2	Bond-type Class Shares*3	Common Equity
Dilution of voting rights		No Dilution	No Dilution	No Dilution (no rights to vote/rights to convert)	Dilution
Accounting (Debt/Equity) Treatment	Consolidated (IFRS)	 Debt 100%	 Equity 100%	 Equity 100%	 Equity 100%
	Stand-alone (JGAAP)	 Debt 100%	 Debt 100%	 Equity 100%	 Equity 100%
Rating Treatment*4		 Equity 50% Debt 50%	 Equity 50% Debt 50%	 Equity 50% Debt 50%	 Equity 100%
Impact on Financial Indicators (ROE, EPS etc.)		No Impact	Impact is limited (Impact to ROE due to treated as equity on consolidated basis)	Impact is limited (Decrease only for Bond-type Class Shares)	Impacted
Clause for Acquisition/Early Redemption by Issuer		Yes	Yes	Yes	No
Distribution of Dividends on Common Shares (Participating/Non-Participating)		No	Treated as dividend (Non-participating) on consolidated basis and as interest on stand-alone basis	Non-participating	Participating
TSE Listing (Liquidity)		No Listing	Our issued foreign bonds are listed on SGX*5	Plan to apply for listing on the Prime Market of the Tokyo Stock Exchange	Listed Stocks

*1 Assuming that the Bond-type Class Shares will be listed on the Prime Market of the Tokyo Stock Exchange

*2 The ones which we issued in the past solely

*3 The ones which we consider to issue in the future solely

*4 They may not be eligible for equity credit from rating agencies depending on the amount of funds raised and other factors.

*5 Foreign bonds are typically traded over-the-counter, and exchange trading is not conducted, nor is aggregating trading volume etc.

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