

Q&A Regarding Bond-type Class Shares

Please refer to this Q&A that We have prepared as reference material relating to the Bond-type Class Shares that we announced in our press release titled “Announcement Regarding Partial Amendment to Articles of Incorporation and Shelf Registration of Series 1 Bond-type Class Shares” on February 27, 2024.

Feb 27, 2024

Rakuten Group, Inc.



Q&A Regarding Bond-type Class Shares(1/6)

Question	Answer
1 . Questions related to Features	
<p>1 What is the purpose of amendments to the Articles of Incorporation for the Bond-type Class Shares?</p>	<ul style="list-style-type: none"> • The purpose of amendments to the Article of Incorporation is to diversify its potential financing resource for scheduled bond redemption in the future(including hybrid bonds). • Regarding early redemption of hybrid bonds, we place importance on the relationship with the market, therefore we are fully prepared for early redemption of hybrid bonds. Furthermore, we have completed early redemption of subordinated bond at 1st call date (Dec 2023). • While we focus on further expansion of such mobile business, we aim to maintain mid-term financial soundness. We are committed to implementing disciplined financial policies, and believe it is desirable to strengthen its financial base through reducing interesting-bearing debt by equity-related financings and conduct proactive control of debt maturity schedule, etc. • We have not yet determined any specific issuance timing as of now.
<p>2 What are the characteristics of Bond-type Class Shares?</p>	<ul style="list-style-type: none"> • While the Bond-type Class Shares are shares provided for in the Companies Act, we anticipate a product nature that has a “bond” features, to take into consideration of Common Shareholders. • Specifically, these Bond-type Class Shares have no right to vote at shareholders meetings and no right of conversion into Common Shares, and these Bond-type Class Shares are “non-participation type” class shares, for which no dividends will exceed the initially specified amount of preferred dividends.
<p>3 What are the similar characteristics to hybrid bonds?</p>	<ul style="list-style-type: none"> • In principal, we anticipate making them have characteristics similar to hybrid bonds so that they can be certified as having capital nature^{*1} (to constitute 50% of the financed amount) from rating agencies (Rating and Investment Information Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), and S&P Global Ratings Japan Inc. (S&P)) • Initially, fixed dividends will be distributed for approximately five years from issuance, and in principal, we may acquire (call) the Bond-type Class Shares after the elapse of 5 years from the issuance, in exchange for cash in an amount equal to the issue price plus adjustments for accrued dividend, etc. • Regarding the Bond-type Class Shares, we anticipate that the entire amount of issuance will be treated as equity on accounting basis, and we believe that it will contribute to strengthening our financial soundness from this perspective.

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

Q&A Regarding Bond-type Class Shares(2/6)

Question	Answer
1 . Questions related to Features	
<p>4 What are the differences between hybrid bonds and the Bond-type Class Shares?</p>	<ul style="list-style-type: none"> • The Bond-type Class Shares differentiate largely to general hybrid bonds, we envision that the full amount of issued funds will be certified as equity for accounting basis. • In addition, the Bond-type Class Shares which we are considering to issue at this time, will be a product which will be available for investment by a wide range of investors including individual investors, raising awareness through listing on the Prime Market of the Tokyo Stock Exchange and provide trading opportunities.
<p>5 What is the expected role of hybrid capital in the financial strategy and positioning in the capital structure?</p>	<ul style="list-style-type: none"> • While we focus on the operation of mobile business, we aim to maintain mid-term financial soundness, through the Issuance of Bond-type Class Shares, we expect to contribute to the enhancement of financial soundness as capital buffer without diluting the voting rights of Common Shareholders. • We believe that the issuance will lead to securing a variety of financing resources, and is a useful method for pursuing optimal financing options for our future business and financial strategies.
<p>6 Will the Bond-type Class Shares cause any disadvantages to the Common Shareholders?</p>	<ul style="list-style-type: none"> • These Bond-type Class Shares have no right to vote at shareholders meetings and no right of conversion into Common Shares and will not lead to dilution of the voting rights of Common Shareholders. • These Bond-type Class Shares are “non-participation type” class shares, for which no dividends will exceed the initially specified amount of preferred dividends. The participation right for dividends exceeding preferred dividends will only belong to Common Shareholders. • The terms and conditions of the existing bonds issued by us may impose restrictions on the payment of dividends by us. If we do not redeem the existing bonds within a certain period of time after the issuance of the Bond-type Class Shares, we may be restricted from paying dividends on the Bond-type Class Shares, which may affect the dividends on the Common Shares. As stated in the shelf registration statement, we intend to use the proceeds from the issuance of the Bond-type Class Shares to redeem existing bonds and intend to avoid such restrictions as appropriate. • We believe that the Bond-type Class Shares are financial instruments that focus more on the impact on dilution, ROE, EPS etc., compared to an equity increase by the issuance of the Common Shares, and we believe that their issuance will lead to the strengthening of our financial base.
<p>7 What is the planned issuance format?</p>	<ul style="list-style-type: none"> • As of now, the issuance is not yet decided, however in the case of the issuance, we anticipate to purchase by a wide range of investors(including individual investors) through domestic public offering. And we anticipate for our Common Shareholders to be able to purchase as well.

Q&A Regarding Bond-type Class Shares(3/6)

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<p>8 When is the planned timing of the issuance of the Series 1 Bond-type Class Shares and how much is the scheduled amount of issuance?</p>	<ul style="list-style-type: none"> We have not yet determined any specific issuance timing as of now, however if the amendment to the Articles of Incorporation is approved at the Common Shareholder meeting, we plan to determine the specific timing of the issuance while comprehensively considering the scheduled amount of issuance and the expected annual dividend rate to calculate the specific dividend amount for the Bond-type Class Shares, confirming that we can expect stable generation of profits to be used as dividend sources, the status of procurement of other non-interest-bearing liabilities, the balance with the use of procured funds, our future financial strategy, market environment, etc. Regarding issuance of Series 1 Bond-type Class Shares, we plan to decide up to 100 billion yen by issuance resolution. 																																																																						
<p>9 Use of proceeds of Series 1 Bond-type Class Shares are planned to be used for bond redemption, what kind of bonds are scheduled for redemption during the period?</p>	<ul style="list-style-type: none"> As of the submission date of Shelf Registration(February 27,2024), the bonds that will reach their redemption date by the expiring date of Shelf Registration(March 5,2026) are as follows. <table border="1" data-bbox="937 705 2440 1110"> <thead> <tr> <th>Bond Name</th> <th>Issue Date</th> <th>Maturity Date (Payment Date)</th> <th>Term</th> <th>Outstanding Amount</th> <th>Initial Coupon Rate</th> <th>Investment Unit</th> </tr> </thead> <tbody> <tr> <td>8th Unsecured Bond</td> <td>June 6,2017</td> <td>June 25,2024</td> <td>7 Years</td> <td>JPY 20bn</td> <td>0.32%</td> <td>JPY 100m</td> </tr> <tr> <td>11th Unsecured Bond</td> <td>June 25,2019</td> <td>June 25,2024</td> <td>5 Years</td> <td>JPY 10bn</td> <td>0.25%</td> <td>JPY 100m</td> </tr> <tr> <td>USD-denominated Unsecured Bond due November 2024</td> <td>November 27,2019</td> <td>November 27,2024</td> <td>5 Years</td> <td>USD 434m</td> <td>1.62730% *2</td> <td>*1</td> </tr> <tr> <td>USD-denominated Unsecured Bond due November 2024</td> <td>November 30,2022</td> <td>November 30,2024</td> <td>2 Years</td> <td>USD 351m</td> <td>5.30275% *3</td> <td>*1</td> </tr> <tr> <td>15th Unsecured Bond</td> <td>December 2,2021</td> <td>December 2,2024</td> <td>3 Years</td> <td>JPY 75bn</td> <td>0.50%</td> <td>JPY 100m</td> </tr> <tr> <td>22nd Unsecured Bond</td> <td>February 10,2023</td> <td>February 10,2025</td> <td>2 Years</td> <td>JPY 250bn</td> <td>3.30%</td> <td>JPY 0.5m</td> </tr> <tr> <td>21st Unsecured Bond</td> <td>June 13,2022</td> <td>June 13,2025</td> <td>3 Years</td> <td>JPY 150bn</td> <td>0.72%</td> <td>JPY 0.5m</td> </tr> <tr> <td>4th Subordinated Bond</td> <td>November 4,2020</td> <td>November 4,2025</td> <td>35 Years</td> <td>JPY 50bn</td> <td>1.81%</td> <td>JPY 100m</td> </tr> <tr> <td>2nd Subordinated Bond</td> <td>December 13,2018</td> <td>December 13,2025</td> <td>37 Years</td> <td>JPY 26bn</td> <td>2.61%</td> <td>JPY 100m</td> </tr> </tbody> </table> <p>*1 Investment Unit : USD 200k and integral multiples of USD 1k in excess thereof *2 Coupon Rate after Currency Swap (Nominal Coupon: 3.546%) *3 Coupon Rate after Currency Swap (Nominal Coupon: 10.250%)</p>	Bond Name	Issue Date	Maturity Date (Payment Date)	Term	Outstanding Amount	Initial Coupon Rate	Investment Unit	8th Unsecured Bond	June 6,2017	June 25,2024	7 Years	JPY 20bn	0.32%	JPY 100m	11th Unsecured Bond	June 25,2019	June 25,2024	5 Years	JPY 10bn	0.25%	JPY 100m	USD-denominated Unsecured Bond due November 2024	November 27,2019	November 27,2024	5 Years	USD 434m	1.62730% *2	*1	USD-denominated Unsecured Bond due November 2024	November 30,2022	November 30,2024	2 Years	USD 351m	5.30275% *3	*1	15th Unsecured Bond	December 2,2021	December 2,2024	3 Years	JPY 75bn	0.50%	JPY 100m	22nd Unsecured Bond	February 10,2023	February 10,2025	2 Years	JPY 250bn	3.30%	JPY 0.5m	21st Unsecured Bond	June 13,2022	June 13,2025	3 Years	JPY 150bn	0.72%	JPY 0.5m	4th Subordinated Bond	November 4,2020	November 4,2025	35 Years	JPY 50bn	1.81%	JPY 100m	2nd Subordinated Bond	December 13,2018	December 13,2025	37 Years	JPY 26bn	2.61%	JPY 100m
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Q&A Regarding Bond-type Class Shares(4/6)

Question	Answer
1 . Questions related to Features	
10 While multiple series of the Bond-type Class Shares are provided for in the Articles of Incorporation, what are your thoughts on the specific issuances?	<ul style="list-style-type: none"> Regarding issuance of Series 1 Bond-type Class Shares, we mentioned scheduled period for issuance from March 6,2024 to March 5,2026 on the Shelf Registration, however, we have not yet decided specific timing of issuance as of now. As of now, the issuance of Series 2 Bond-type Class Shares and further issuance is undecided. While we continue to focus on disciplined financial approach, we will consider appropriate issuing conditions. If we acquire (call) the Bond-type Class Shares in exchange for cash, in principal, we recognize the need to acquire by equity-related financing, at an equivalent amount or more. Due to the acquirement, we may issue Series 2 Bond-type Class Shares hereafter.
11 What are your thoughts on annual dividend rate range?	<ul style="list-style-type: none"> As of now, we have not yet decided on the issuance timing and range of annual dividend rate. We will consider the annual dividend rate based on market conditions as at the issuance resolution and the product nature of the position between equity and debt.
12 Why are you considering listing on the Prime Market of the Tokyo Stock Exchange?	<ul style="list-style-type: none"> In order to make the Bond-type Class Shares available for investment by a wide range of investors, we believe it is important to increase recognition of the shares and provide trading opportunities by listing them on the Prime Market of the Tokyo Stock Exchange.
13 Is it planned to acquire (call) the Bond-type Class Shares in exchange for cash after five years from the issuance?	<ul style="list-style-type: none"> Whether we acquire (call) the Bond-type Class Shares in exchange for cash, will be comprehensively determined depending on the business/financial strategy and market conditions. Regarding early redemption of hybrid bonds(including Bond-type Class Shares), we place importance on the relationship with the market. Therefore, we are fully prepared for early redemption of hybrid bonds. In addition, we completed early redemption of subordinated bond at 1st call date (Dec 2023).

Q&A Regarding Bond-type Class Shares(5/6)

Question	Answer
1 . Questions related to Features	
14 Will the issuance of the Bond-type Class Shares affect your dividend policy on the Common Shares?	<ul style="list-style-type: none">• These Bond-type Class Shares have no right to vote at shareholders meetings and no right of conversion into Common Shares and will not lead to dilution of the voting rights of Common Shareholders.• These Bond-type Class Shares are “non-participation type” class shares, for which no dividends will exceed the initially specified amount of preferred dividends. The participation right for dividends exceeding preferred dividends will only belong to Common Shareholders.• The terms and conditions of the existing bonds issued by us may impose restrictions on the payment of dividends by us. If we do not redeem the existing bonds within a certain period of time after the issuance of the Bond-type Class Shares, we may be restricted from paying dividends on the Bond-type Class Shares, which may affect the dividends on the Common Shares. As stated in the shelf registration statement, we intend to use the proceeds from the issuance of the Bond-type Class Shares to redeem existing bonds and intend to avoid such restrictions as appropriate.• We believe that the Bond-type Class Shares are financial instruments that focus more on the impact on dilution, ROE, EPS, etc., compared to an equity increase by the issuance of the Common Shares, and we believe that their issuance will lead to the strengthening of our financial base.
15 Is it possible to use the Bond-type Class Shares as takeover protection measures?	<ul style="list-style-type: none">• The Bond-type Class Shares are considered ill-suited for takeover protection measures by their nature owing to the lack of the rights to vote at General Meetings of Shareholders and the lack of the rights to convert them into Common Shares, irrespective of the ownership ratio, and are not anticipated to be used in that manner. The matters which are required to be resolved at General Meetings of Class Shareholders comprised of the holders of the Bond-type Class Shares are more limited than those provided for in the Companies Act. Further, the Bond-type Class Shares are not anticipated to be allotted to the holders of Common Shares by gratis allotment and others.

Q&A Regarding Bond-type Class Shares(6/6)

Question	Answer
2 . Questions related to Financials	
1 Why did you choose the Bond-type Class Shares rather than subordinate bonds or perpetual subordinate bonds?	<ul style="list-style-type: none"> • We are committed to implementing disciplined financial policies, while we are reducing debt through the equity-related financings, we conduct to control debt maturity schedule proactively. • We will amend the Articles of Incorporation to diversify financing resources to fully prepare for bond redemption. Regarding early redemption of hybrid bonds, we place importance on the relationship with the market and intend to address through all possible means.
2 Could you let us know about future financing policies and financing policies for Bond-type Class Shares?	<ul style="list-style-type: none"> • In the Articles of Incorporation, it is set to be possible to issue multiple times. As of now, the issuance of Series 2 Bond-type Class Shares and further issuance is undecided. While we continue to focus on disciplined financial approach, we will consider appropriate issuing conditions.
3 Is it possible to secure the dividend resources stably?	<ul style="list-style-type: none"> • In the Internet Service segment, we continue to grow our Gross Merchandise Sales and sales revenue through the cultivation of royal customers, acquisition of new customers, promoting cross-use and the open strategy of the Rakuten Ecosystem. In the fintech segment, due to the increasing trends towards cashless transactions, the Gross Transaction Volume in the credit card business and cashless payment business is growing robustly, and in the banking business and securities business, the number of accounts are increasing and the customer base is expanding. In the mobile segment, due to the improvement in the network quality, subscribers and ARPU is steadily increasing, and the loss of mobile segment has been decreasing since the peak in the first quarter of the previous year. From these perspectives, we believe that we can stably secure the source of dividends for Common Shares and the Bond-type Class Shares.

This material has been prepared solely for the benefit of the holders of shares of common stock of Rakuten Group, Inc. (the “Company”) in evaluating the proposal of the Company for a partial amendment to the Articles of Incorporation scheduled to be submitted to the Company’s 27th Annual General Meeting of Shareholders (the “General Meeting of Shareholders”) planned to be held on March 27, 2024 and not for the purpose of soliciting investment or engaging in any other similar activities in Japan or any foreign country. This material does not constitute an offer of securities in the United States.

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