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(Securities Code 4755)
March 12, 2021

To Shareholders with Voting Rights:

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

NOTICE OF THE 24TH ANNUAL GENERAL SHAREHOLDERS' MEETING

Dear Shareholders,

We are pleased to announce that the 24th Annual General Shareholders' Meeting of Rakuten, Inc. (the "Company") will be held for the purposes described below.

In order to prevent the spread of COVID-19, we strongly request you to refrain from attending the General Shareholders' Meeting in person this year. In lieu of attending the meeting in person, you may exercise your voting rights in advance in writing or via the internet. Please review the reference documents of the General Shareholders' Meeting (described hereinafter) and exercise your voting rights by 6:00 P.M. (Japan Standard Time) Monday, March 29, 2021.

The General Shareholders' Meeting will be streamed live via the internet, so that you may watch the proceedings of the meeting in real time, even if you do not attend the meeting.

Prior to the meeting, the Company will also accept questions in advance regarding the agenda items of this General Shareholders' Meeting. For details, please refer to the "Information concerning live streaming via the internet and advance questions" (described hereinafter).

1. Date and Time: Tuesday, March 30, 2021, at 10:00 A.M. Japan Standard Time

2. Place: Hiten Main Banquet Hall,
Grand Prince Hotel Shin Takanawa,
3-13-1 Takanawa, Minato-ku, Tokyo, Japan

3. Meeting Agenda:

Matters to be reported: 1. Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements for the 24th Fiscal Year (January 1, 2020 - December 31, 2020)
2. Results of Audits of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board

Proposals to be resolved:

Proposal No.1 : Partial Amendments to the Articles of Incorporation

Proposal No.2 : Election of Nine Directors

Notice on Measures in Response to COVID-19

In order to prevent the spread of COVID-19, and in consideration of the safety of our shareholders as our first priority, we have decided to adopt the following policy for holding the General Shareholders' Meeting.

- Please refrain from coming to the venue of the General Shareholders' Meeting in person on the day of the meeting if possible, regardless of your health condition.
- The General Shareholders' Meeting will be streamed live via the internet so that you may watch the proceedings of the meeting in real time. Please exercise your voting rights for this General Shareholders' Meeting in advance in writing sent by post or via the internet.
- Questions regarding the agenda items of this General Shareholders' Meeting will be accepted in advance via the internet.
- There is a possibility that we may not be able to secure enough seats for our shareholders at the venue for this General Shareholders' Meeting, as we need to have wide space between seats. In consideration of the safety of our shareholders, please be advised that we may refuse admission to the venue for the General Shareholders' Meeting.
- Please be sure to wear a mask when you visit the venue of the General Shareholders' Meeting. Also, please cooperate with the use of hand sanitizer before entering the venue.
- We will check your temperature before entering the venue. If you have a temperature of 37.5 degrees Celsius or higher, or if you are considered to be in poor health, you may be refused admission or ordered to leave the venue.
- Administrative staff members will be wearing masks on the day of the event.
- No food or drink will be allowed in the venue of the General Shareholders' Meeting. In addition, the distribution of beverages will be suspended on the day of the meeting.
- Please be aware that no gifts will be provided to shareholders attending the General Shareholders' Meeting.
- If there are any major changes in the operation of the General Shareholders' Meeting due to factors such as the status of the spread of COVID-19 or the details of announcements made by the government, etc. by the day of the General Shareholders' Meeting, we will post a notice to that effect on our website.

Rakuten website: https://corp.rakuten.co.jp/investors/stock/meeting.html

Corporate Mission

Empowering individuals and society through innovation and entrepreneurship

Rakuten Group's corporate mission is to empower individuals and society through innovation and entrepreneurship. We strive to contribute to the enrichment of society through innovation, and empowering many to achieve their goals, and provide services that deliver high standards of satisfaction to users, partners and other stakeholders.

Message from CEO

Dear Shareholders,

On behalf of the Rakuten Group, I would like to express my deepest sympathies and condolences to those who have been affected by the global pandemic. 2020 was a year of many dramatic changes for the world, for Japan and for the Rakuten Group. As the world felt the attack of the unprecedented and tragic spread of COVID-19, people's values and behaviors shifted significantly, digital transformation accelerated, and we also saw some new business opportunities.

In the mobile business, we launched full-scale commercial 4G and 5G services using a fully virtualized cloud-native mobile network. The number of applications for subscriptions to our Rakuten UN-LIMIT service plan topped 2 million as of December 31, 2020. In January 2021, we announced Rakuten UN-LIMIT VI, providing a single plan with a simple fee structure that flexibly adjusts to everyone's needs and the number of applications has accelerated since then. We are also looking forward to further expanding our lineup of services to offer our customers innovative mobile services never before available in the market. We are also set to make major strides into the global telecommunications industry with the Japan-built fully virtualized technology of the Rakuten communication platforms.

In the internet services business, domestic e-commerce gross merchandise sales saw major year-on-year growth of 19.9%. This was driven by growth in our e-commerce business anchored by Rakuten Ichiba, boosted by the successful introduction of a unified free shipping threshold for participating merchants, and the strengthening of our logistics infrastructure, as well as the increasing demand for online shopping due to the progress of digital transformation, etc.

In the FinTech business, we achieved major milestones including Rakuten Card's membership base surpassing 21 million cardholders, the number of Rakuten Bank accounts surpassing 9 million, and the number of Rakuten Securities accounts surpassing 5 million in 2020. Boosted by Japanese government initiatives promoting cashless payments and changes in the way people behave under the new normal, our customer base also expanded in payment businesses including Rakuten Pay, Rakuten Edy and Rakuten Point Card.

Internationally, businesses such as Rakuten Viber, Rakuten Viki and Rakuten Kobo are steadily expanding their customer base. At the same time, we reviewed our business portfolio and exited some of our loss-making businesses.

As a result of these efforts, the Rakuten Group's global user base expanded to around 1.5 billion and global gross transaction value grew to ¥22 trillion. In 2020, Group revenue showed strong growth, reaching approximately ¥1.5 trillion, up 15.2% year-on-year. The Rakuten Group recorded Non-GAAP operating losses of ¥102.7 billion due to investment in future growth such as accelerated network expansion in the mobile business, which is proceeding ahead of schedule, and the further buildout of our logistics infrastructure. We will continue to make upfront investments in the mobile business going forward in order to provide high-quality services to our customers, as the addition of the mobile business will also further strengthen and evolve the Rakuten Ecosystem.

Rakuten, Inc. is celebrating its 25th year since establishment. Subject to approval by our shareholders at the General Shareholders' Meeting, we are preparing to change our company name from Rakuten, Inc. to Rakuten Group, Inc.

This year, we will continue to strive to increase our corporate value and shareholder value by driving the evolution of an ecosystem that enables sustainable growth in partnership with all of our stakeholders, as expressed by our corporate slogan, "Walk Together."

Thank you for your continued understanding and support.

Hiroshi Mikitani
Representative Director, Chairman, President and CEO
Rakuten, Inc.

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

Information concerning the exercise of voting rights:

For those exercising voting rights in advance in writing sent by post: (Recommended)

Please indicate your votes for or against each of the proposals on the Voting Rights Exercise Form enclosed in the original Japanese version, and return the form so that it is received by the Company by:

Deadline for exercise of voting rights: 6:00 P.M. (Japan Standard Time) Monday, March 29, 2021

For those exercising voting rights in advance via the internet: (Recommended)

Please refer to the guide on exercising voting rights in advance via the internet on the next page and enter your votes for or against each of the proposals by following the instructions on the screen.

Deadline for exercise of voting rights: 6:00 P.M. (Japan Standard Time) Monday, March 29, 2021

For those attending the Shareholders' Meeting in person

Please bring the Voting Rights Exercise Form, enclosed in the original Japanese version, and present it at the reception desk. You may exercise your voting rights by appointing another shareholder to act as your proxy. In such cases, please be advised to submit documentation to prove proxy rights.

Date: Tuesday, March 30, 2021 at 10:00 A.M. (Japan Standard Time)

Regarding the handling of exercise of voting rights

- (1) If voting rights have been exercised both in writing and via the internet, the internet vote will be treated as valid.
- (2) In cases where voting rights are exercised multiple times via the internet, the last exercise of voting rights shall be treated as valid.
- (3) The fees charged by providers and communications companies when using the internet to exercise voting rights in advance shall be borne by the shareholder.

For institutional investors

In addition to the method to exercise voting rights via the internet, you may exercise your rights using an electronic exercise of voting rights platform provided by ICJ, Inc. Please note that this service is only available for those who request it in advance.

Guide to exercising voting rights in advance via the internet

Deadline for exercise of voting rights: 6:00 P.M. (Japan Standard Time) Monday, March 29, 2021

Procedure for “Smart Voting®” using a smartphone, etc.

By using your smartphone to scan the QR Code® you can access the page without having to enter your exercise of voting rights code or password.

STEP 1 Scan the QR Code®

Use a smartphone or tablet to scan the QR Code®, which is indicated on the enclosed Voting Rights Exercise Form.

STEP 2 Please follow the on-screen instructions to vote for or against each of the proposals

* You may exercise your voting rights only once with Smart Voting®. If you wish to change your vote after voting, please refer to the “Procedure for exercising voting rights using a computer, mobile phone, or any other electronic device” below.

Procedure for exercising voting rights using a computer, mobile phone, or any other electronic device

STEP 1 Access the website

URL of website for exercise of voting rights: <https://www.web54.net>



The website may also be accessed by scanning the QR Code® on the right using a device equipped with barcode reading function.

QR Code®

STEP 2 Log in by entering the code for exercising voting rights

Your code for exercising voting rights is indicated on the enclosed Voting Rights Exercise Form.

STEP 3 Enter your password and click NEXT

Your password is indicated on the enclosed Voting Rights Exercise Form.

STEP 4 Enter your votes for or against each of the proposals by following the instructions on the screen

* If a password is entered incorrectly more than a certain number of times, it will no longer be available for use. If you wish to request a new password, please follow the instructions on the screen.

Information concerning live streaming via the internet and acceptance of questions in advance

With the safety of our shareholders as our top priority, we will provide live streaming of the proceedings of the General Shareholders' Meeting so that you may watch the proceedings in real time via the internet. Prior to the meeting, the Company will also accept questions in advance regarding the agenda items of this General Shareholders' Meeting.

How to watch the live streaming

Date and time: Tuesday, March 30, 2021 at 10:00 A.M. Japan Standard Time (You may join the live streaming starting at 9:30 A.M. Japan Standard Time)

STEP 1 Access the website

Dedicated website URL: <https://r10.to/kabu>

After accessing the dedicated website, please go to the login page from "For those who wish to watch and ask questions in advance of the 24th Annual General Shareholders' Meeting."

STEP 2 Log in by entering your ID (shareholder number) and password

Please log in with your ID (shareholder number) and password as indicated on the enclosed "Information on Shareholder Special Benefit Website for the 24th Annual General Shareholders' Meeting of Rakuten, Inc. and ID and Password."

STEP 3 Apply for live streaming

Click on the "Apply to join" button to apply for live streaming.

STEP 4 Watch the live streaming

When the time comes, click the "Join" button to watch the live streaming.

Information on the acceptance of questions in advance

Deadline for questions: 6:00 P.M. Japan Standard Time on Tuesday, March 23, 2021

Click on the "Ask a question in advance" button that is displayed in STEP 3 above, and enter your question and send it.

Notes on live streaming and the acceptance of questions in advance

- Shareholders who watch the live streaming will not be able to participate in the resolutions on the day of the General Shareholders' Meeting. You are kindly requested to exercise your voting rights in advance in writing sent by post or via the internet.
- Watching the live streaming and the acceptance of questions will be limited to the shareholders themselves.
- IDs (shareholder numbers) and passwords are important information for confirming the identity of shareholders, so we ask that shareholders manage them carefully on their own. In addition, the provision of IDs (shareholder numbers) and passwords to third parties is strictly prohibited.
- Please note that it is not possible to log in with the same ID (shareholder number) from multiple terminals.
- During the live streaming, in consideration of the privacy of the shareholders attending the General Shareholders' Meeting, we will try to avoid filming the appearance of the shareholders to the extent possible. However, please understand that there may be cases where it is unavoidable for us to capture your image.
- Please refrain from filming, recording, saving the live streaming, or posting it on social media.
- Please note that there will be no on-demand streaming after the live streaming ends.
- Please note that you may not be able to watch the live streaming depending on your device or the communication environment.
- The fees charged by providers and communications companies for watching the live streaming and accepting advance questions shall be borne by the shareholder.
- On the day of the General Shareholders' Meeting, we will answer the questions received in advance that we determine to be of particular interest to shareholders and to be helpful for exercising the voting rights. For the other questions, their answers will be posted on the Company's website after the General Shareholders' Meeting. In addition, please note that not all questions will be answered. If your question does not relate to agenda items of this General Shareholders' Meeting, if your question is redundant, or if answering your question may infringe on the rights or interests of customers, employees, or others, we will refrain from answering it. Please note that we will not be able to provide individual responses.
- If you lose the enclosed "Information on Shareholder Special Benefit Website for the 24th Annual General Shareholders' Meeting of Rakuten, Inc. and ID and Password," you may request a replacement by calling the Live Streaming of the General Shareholders' Meeting and Shareholder Special Benefits Helpline. However, please note that passwords will not be notified orally for security reasons, and they will be sent by post.

Contact information:

Contact point for queries on how to log in for live streaming and advance questions

Live Streaming of the General Shareholders' Meeting and Shareholder Special Benefits Helpline
(Telephone) +81 0120-635-203 9:00 - 17:00 (excluding Saturdays, Sundays, and national holidays)

Contact point for queries related to operation of website for exercise of voting rights

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support Helpline
(Telephone) +81 0120-652-031 9:00 - 21:00

Inquiries on other matters

- Shareholders who have an account with a securities company
Shareholders who have an account with a securities company should contact their securities company.
- Shareholders who do not have an account with a securities company (Holders of special accounts)
Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department
(Telephone) +81 0120-782-031 9:00 - 17:00 (excluding Saturdays, Sundays, and national holidays)

Reference Documents for the General Shareholders’ Meeting

Matters to be Resolved and Reference Matters

Proposal No. 1: Partial Amendments to the Articles of Incorporation

Since the establishment of the Company in 1997, we have been developing various businesses centering on e-commerce, as well as FinTech, sports, and mobile, amongst others, in Japan and overseas. With the expansion of our business, we have grown into an organization with many Group Companies.

Against this background, and in light of the business environment surrounding Rakuten Group, in order to further improve capital efficiency and accelerate self-sustaining growth of the Rakuten Ecosystem, this proposal requests the approval for changing the Company’s trade name to Rakuten Group, Inc.

We will improve our competitiveness and agility by further enhancing our services with cutting edge technology.

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
<p>CHAPTER 1 GENERAL PROVISIONS</p> <p>(Trade Name)</p> <p>Article 1 The name of the Company shall be “<u>RAKUTEN KABUSHIKI KAISHA</u>”, and in English it shall be “<u>Rakuten, Inc.</u>”</p> <p style="text-align: center;">(Newly Established)</p>	<p>CHAPTER 1 GENERAL PROVISIONS</p> <p>(Trade Name)</p> <p>Article 1 The name of the Company shall be “<u>RAKUTEN GROUP KABUSHIKI KAISHA</u>”, and in English it shall be “<u>Rakuten Group, Inc.</u>”</p> <p><u>(Supplementary Provision)</u></p> <p>The amendment to Article 1 (Trade Name) shall take effect on April 1, 2021, provided that if the Board of Directors of the Company decides to set a different date as the effective date at the meeting of the Board of Directors to be held on or before March 30, 2021, the amendment shall take effect on the newly determined date. This supplementary provision shall be deleted after the date when the amendment to Article 1 takes effect.</p>

Proposal No. 2: Election of Nine Directors

1. Reasons for the proposal

The terms of office of all seven incumbent Directors will expire at the conclusion of the meeting. Therefore, to further enhance management system, we intent to increase two directors (including one Outside Director). And election of nine Directors (including five Outside Directors) is proposed. If this item is approved as proposed, five of the nine Directors will be appointed as Independent Directors, in accordance with the regulations of Tokyo Stock Exchange, Inc.

2. Our approach towards the Board of Directors

(Measures to Enhance the Effectiveness of Corporate Governance)

Rakuten Group's corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants also discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

(Selection of Candidates for Directors)

The Company selects candidates for Directors who embody the Company's corporate philosophy at a high level and who have high potential to contribute to further development of the Group. By making each Director's term of office one year, the Company upholds the principle of reflecting the will of its shareholders.

In particular, the Board of Directors of the Company selects persons who have extensive experience, professional knowledge, and are able to play a leading role in areas such as IT, finance, corporate management, legal, public administration, and consulting, and who are capable of appropriately guiding and supervising the execution of business at Rakuten Group.

If the proposal on the election of Directors is approved at the 24th Annual General Shareholders' Meeting, nine Directors will be appointed. The Company believes this 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. This is reflected by the appointment of one woman and three foreign nationals as Directors among its nine candidates for Directors, and one woman and two foreign nationals among its five candidates for Outside Directors.

(Independence of Independent Directors and Independent Audit & Supervisory Board Members)

With the aim of ensuring high transparency and strong management supervision, while selecting Independent Directors and Independent Audit & Supervisory Board Members the Company appoints persons who, in principle, do not fall under any of the following

criteria.

- a. Executive of the parent company or a fellow subsidiary of the Company (*1)
- b. A person or entity whose major client is the Company or an executive thereof or a major client (*2) of the Company or an executive thereof
- c. A consultant, accountant or legal professional (or an affiliated person of the said party if it is a legal entity, partnership or other organization) who receives a large amount of monetary consideration or other property from the Company besides receiving compensation as Directors or Audit & Supervisory Board Members
- d. A party who effectively holds 10% or more of the Company's entire voting rights or an executive thereof
- e. A person or party who has recently fallen under any of a) through d) above (*3)
- f. A close relative of a person who falls under any of a) through e) 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 Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)

*1: An executive as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, which includes employees and executive directors.

*2: Refers to cases in which their transactions with the Company exceed 1% of the combined total of the cost of goods sold and the selling, general, and administrative expenses.

*3: Refers to cases which are considered effectively equivalent to the present condition, such as when a party or person falls under any of a) through d) at the time when the contents of the proposal of the General Shareholders' Meeting are determined for the election of such Independent Directors or Independent Audit & Supervisory Board Members as Outside Directors or Outside Audit & Supervisory Board Members.

3. Candidates for Directorships

The Director candidates are as follows:

No.	Name	Position at the Company	Term of Office	Attendance of the meetings of the Board of Directors
1	Hiroshi Mikitani Reappointment	Representative Director, Chairman, President & CEO	24 years	100% (12 out of 12 meetings)
2	Masayuki Hosaka Reappointment	Representative Director & Vice Chairman	7 years	100% (12 out of 12 meetings)
3	Charles B. Baxter Reappointment	Director	10 years	100% (12 out of 12 meetings)
4	Kentaro Hyakuno New	—	—	—
5	Ken Kutaragi Reappointment Outside Independent	Director	11 years	100% (12 out of 12 meetings)
6	Sarah J. M. Whitley Reappointment Outside Independent	Director	2 years	92% (11 out of 12 meetings)
7	Takashi Mitachi Reappointment Outside Independent	Director	5 years	100% (12 out of 12 meetings)
8	Jun Murai Reappointment Outside Independent	Director	9 years	100% (12 out of 12 meetings)
9	John V. Roos New Outside Independent	—	—	—

Reappointment Candidate for reappointed Director

New New candidate for Director

Outside Candidate for Outside Director

Independent Independent Director based on the stipulations of the stock exchanges, etc.

(Note) The positions of the above candidates for Directors at the Company are as of the date of this General Shareholders' Meeting.

No.1	Name (Date of birth)	Hiroshi Mikitani (March 11, 1965) <u>Reappointment</u>		
Responsibilities at the Company		Representative Director, Chairman, President & CEO Group President of Group Company Division		
Reasons for nominating the candidate		Ever since founding the Company in February 1997, Mr. Mikitani has led the management of the Group as Representative Director for 24 years and has established the "Rakuten Ecosystem," a unique innovative business model. In addition, he is the driving force behind the growth of the entire Group and the Internet Services Segment as Chief Executive Officer and Internet Services Segment Leader. His continued appointment is requested in anticipation of achieving further development of the Group.		
Career summary, positions and responsibilities		Apr.	1988	Joined the Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
		May	1993	Received MBA from Harvard Business School
		Feb.	1996	President & Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)
		Feb.	1997	Founder & President & Representative Director of the Company
		Feb.	2001	Chairman, President, & Representative Director of the Company (current position)
		Mar.	2004	Chief Executive Officer of the Company (current position)
		Apr.	2006	Chairman & Representative Director of Crimson Football Club, Inc. (currently Rakuten Vissel Kobe, Inc.) (current position)
		Jan.	2008	Chairman & Representative Director of Rakuten Baseball, Inc.
		Feb.	2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)
		Oct.	2011	Chairman of Tokyo Philharmonic Orchestra (current position)
		Aug.	2012	Chairman & Representative Director & team owner of Rakuten Baseball, Inc. (current position)
		Aug.	2016	Chairman & Director of Aspyrian Therapeutics, Inc. (currently Rakuten Medical, Inc.)
		Jul.	2017	Chairman & CEO of Rakuten Aspyrian Japan K.K. (currently Rakuten Medical Japan K.K.) (current position)
		Jan.	2018	Chairman & Representative Director of Rakuten Mobile Network, Inc. (currently Rakuten Mobile, Inc.)
		Nov.	2018	Chairman & CEO of Rakuten Aspyrian, Inc. (currently Rakuten Medical, Inc.) (current position)
Jan.	2020	Representative Director, Chairman and CEO of Rakuten Mobile, Inc. (current position)		
Feb.	2020	Director of AST & Science, LLC (current position)		

Significant office(s) concurrently held	Representative Partner of Crimson Group, LLC. Chairman & Representative Director of Rakuten Vissel Kobe, Inc. Representative Director of Japan Association of New Economy Chairman of Tokyo Philharmonic Orchestra Chairman & Representative Director & team owner of Rakuten Baseball, Inc. Chairman & CEO of Rakuten Medical Japan K.K. Chairman & CEO of Rakuten Medical, Inc. Representative Director, Chairman and CEO of Rakuten Mobile, Inc. Director of AST & Science, LLC
Number of shares of the Company held	176,346,300 shares
Attendance of the meetings of the Board of Directors	100% (12 out of 12 meetings)

No.2	Name (Date of birth)	Masayuki Hosaka (July 31, 1954) <u>Reappointment</u>	
Responsibilities at the Company	Representative Director & Vice Chairman President of FinTech Group Company		
Reasons for nominating the candidate	After working for a credit card service company, Mr. Hosaka joined the FinTech start-up business as General Manager of Personal Finance Department of the Company in 2003 and contributed to the rapid growth of the said business. In addition, as the FinTech Segment Leader, he is the driving force behind the growth of this Segment. His continued appointment is requested in anticipation of achieving further development of the Group.		
Career summary, positions and responsibilities	Apr.	1980	Joined ORIX Credit Corporation
	Dec.	2003	General Manager of Personal Finance Department of the Company
	May	2005	Executive Officer of the Company
	Feb.	2006	President & Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.)
	Mar.	2007	Vice Chairman & Director of Rakuten Credit, Inc.
	Apr.	2009	President & Representative Director of Rakuten Credit, Inc. (current position)
	Feb.	2013	Managing Executive Officer of the Company
	Jan.	2014	Executive Vice President of the Company
	Mar.	2014	Representative Director of the Company (current position)
	Apr.	2016	Representative Director & Vice Chairman (current position)
	Jul.	2016	President of Card & Payments Company of the Company (currently FinTech Group Company) (current position)
Significant office(s) concurrently held	President & Representative Director of Rakuten Card Co., Ltd.		
Number of shares of the Company held	211,700 shares		
Attendance of the meetings of the Board of Directors	100% (12 out of 12 meetings)		

No.3	Name (Date of birth)	Charles B. Baxter (April 19, 1965) <u>Reappointment</u>		
Responsibilities at the Company		— (Chairman & Director, Rakuten USA, Inc.)		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of further promotion of the Group's US business based on his expertise in the Internet industry and corporate management, in addition to his contribution as Chairman and Director of Rakuten USA, Inc. since 2012.		
Career summary, positions and responsibilities		Oct.	1998	CEO of eTranslate, Inc.
		Mar.	2001	Director of the Company
		Mar.	2003	Retired as Director of the Company
		Jul.	2004	Chairman of Wineshipping.com LLC (current position)
		Mar.	2011	Director of the Company (current position)
		Feb.	2012	Chairman & Director of Rakuten USA, Inc. (current position)
		Jan.	2015	Chairman of Reysn Holdco, Inc. (current position)
Significant office(s) concurrently held		—		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of 12 meetings)		

No.4	Name (Date of birth)	Kentaro Hyakuno (June 6, 1967) <u>New appointment</u>		
Reasons for nominating the candidate		After working for an automobile manufacturer, Mr. Hyakuno joined the Company in 2007 and contributed to the development and enhancement of the Group Company Division, which oversees the Company's international businesses, corporate strategies, human resources, and public relations on a Group-wide basis. In addition, he oversees the operation of the Group Operation Division as Chief Operating Officer (COO) of the Company from 2016. He is nominated for the appointment in anticipation of achieving further development of the Group.		
Career summary, positions and responsibilities		Jun.	1990	Joined Toyota Motor Corporation
		Feb.	2007	Executive Officer of the Company
		Nov.	2008	Director of Rakuten USA, Inc. (current position)
		Jul.	2009	Managing Executive Officer of the Company
		Mar.	2013	Director & Managing Executive Officer of the Company
		Apr.	2016	Managing Executive Officer of the Company
		Apr.	2017	Executive Vice President of the Company (current position)
		Apr.	2019	Director of Rakuten Mobile Inc. (current position)
		Apr.	2019	Director of Rakuten Card Co., Ltd. (current position)
		Apr.	2019	Director of Rakuten Payment, Inc. (current position)
		Jun.	2019	Director of Rakuten Socio Business, Inc. (current position)
		Sep.	2019	Director of Rakuten Medical, Inc. (current position)
		Aug.	2020	Director of Rakuten Tokyu Planning Co., Ltd. (current position)
		Feb.	2021	Director of Rakuten Vissel Kobe, Inc. (current position)
Significant office(s) concurrently held		—		
Number of shares of the Company held		311,300 shares		
Attendance of the meetings of the Board of Directors		—		

No.5	Name (Date of birth)	Ken Kutaragi (August 2, 1950) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management. He is an incumbent Outside Director of the Company and will have served for that position for eleven years at the conclusion of this meeting.		
Career summary, positions and responsibilities		Apr.	1975	Joined Sony Corporation
		Nov.	1993	Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Apr.	1999	President & Representative Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2000	Director of Sony Corporation
		Nov.	2003	Director, Executive Vice President & COO of Sony Corporation
		Dec.	2006	Chairman, Representative Director & Group CEO of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2007	Honorary Chairman of Sony Computer Entertainment Inc. Senior Technology Advisor of Sony Corporation
		Oct.	2009	President, Representative Director & CEO of Cyber AI Entertainment Inc. (current position)
		Mar.	2010	Outside Director of the Company (current position)
		Jan.	2018	Outside Director of GA technologies Co., Ltd (current position)
		Apr.	2019	Outside Director of SmartNews, Inc. (current position)
		Aug.	2020	Representative Director & CEO of Ascent Robotics Inc. (current position)
Significant office(s) concurrently held		President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of GA technologies Co., Ltd Outside Director of SmartNews, Inc. Representative Director & CEO of Ascent Robotics Inc.		
Number of shares of the Company held		17,300 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of 12 meetings)		

No.6	Name (Date of birth)	Sarah J. M. Whitley (August 6, 1958) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		Her appointment is requested in anticipation of her advice to the management of the Company to enhance its corporate value based on her many years of experience in observing the Company and other Japanese companies as an investor. Although she has not directly participated in the company management, the Company believes that she will be able to perform Outside Director's responsibilities for the above reasons. She is an incumbent Outside Director of the Company and will have served for that position for two years at the conclusion of this meeting.		
Career summary, positions and responsibilities		Sep.	1980	Joined Baillie Gifford & Co.
		May	1986	Partner of Baillie Gifford & Co.
		Apr.	2018	Retired from Baillie Gifford & Co.
		Mar.	2019	Outside Director of the Company (current position)
		May	2019	Trustee of Foundation Scotland (current position)
		May	2019	Chair of Edinburgh International Festival Endowment Fund (current position)
		Jun.	2019	Trustee of The Royal Scottish Academy Foundation (current position)
Significant office(s) concurrently held		Trustee of Foundation Scotland Chair of Edinburgh International Festival Endowment Fund Trustee of The Royal Scottish Academy Foundation		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		92% (11 out of 12 meetings)		

No.7	Name (Date of birth)	Takashi Mitachi (January 21, 1957) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>	
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his expert knowledge and experience as a management consultant. He is an incumbent Outside Director of the Company and will have served for that position for five years at the conclusion of this meeting.	
Career summary, positions and responsibilities		Apr.	1979 Joined Japan Airlines Co., Ltd.
		Jun.	1992 Received MBA from Harvard Business School
		Oct.	1993 Joined the Boston Consulting Group
		Jan.	1999 Vice President of the Boston Consulting Group
		Jan.	2005 Japan Co-chair of the Boston Consulting Group
		Apr.	2011 Board Member of Japan Association for the World Food Programme
		Apr.	2013 Adjunct Professor of Graduate School of Management of Kyoto University
		Jan.	2016 Senior Partner & Managing Director of The Boston Consulting Group
		Mar.	2016 Outside Director of the Company (current position)
		Jun.	2016 Outside Director of Lotte Co., Ltd. (current position)
		Mar.	2017 Outside Director of DMG MORI CO., LTD. (current position)
		Mar.	2017 Outside Director of FiNC Inc. (currently FiNC Technologies Inc.)
		Mar.	2017 Outside Director of Unicharm Corporation (current position)
		Apr.	2017 Board Member of Ohara Museum of Art (current position)
		Jun.	2017 Outside Director of Tokio Marine Holdings, Inc. (current position)
		Oct.	2017 Senior Advisor of The Boston Consulting Group (current position)
		Mar.	2018 Chief Executive Director of Ronald McDonald House Charities Japan (current position)
		Apr.	2019 Distinguished Professor of Graduate School of Management of Kyoto University (current position)
Significant office(s) concurrently held		Outside Director of DMG MORI CO., LTD. Outside Director of Unicharm Corporation Board Member of Ohara Museum of Art Outside Director of Tokio Marine Holdings, Inc. Senior Advisor of The Boston Consulting Group Chief Executive Director of Ronald McDonald House Charities Japan Distinguished Professor of Graduate School of Management of Kyoto University	
Number of shares of the Company held		0 shares	
Attendance of the meetings of the Board of Directors		100% (12 out of 12 meetings)	

No.8	Name (Date of birth)	Jun Murai (March 29, 1955) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his knowledge and experience as an academic expert in internet technology. He is an incumbent Outside Director of the Company and will have served for that position for nine years at the conclusion of this meeting.		
Career summary, positions and responsibilities		Aug.	1984	Assistant at Information Processing Center of Tokyo Institute of Technology
		Mar.	1987	Received Ph. D in Engineering from Keio University
		Apr.	1987	Assistant at Large-scale Computer Center of the University of Tokyo (currently Information Technology Center, the University of Tokyo)
		Apr.	1990	Associate Professor of Faculty of Environment and Information Studies of Keio University
		Apr.	1997	Professor of Faculty of Environment and Information Studies of Keio University
		May	2005	Vice-President of Keio Gijuku Educational Corporation
		Oct.	2009	Professor of Faculty of Environment and Information Studies of Keio University
		Sep.	2011	Outside Director of Broadband Tower, Inc. (current position)
		Mar.	2012	Outside Director of the Company (current position)
		Oct.	2017	Dean of the Graduate School of Media and Governance of Keio University
		Jun.	2018	Outside Director of LAC Co., Ltd. (current position)
		Nov.	2019	Outside Director of HAPS Mobile Inc. (current position)
		Apr.	2020	Professor of Keio University (current position)
		Apr.	2020	Dean of the API Institute of Geo-economics Studies and API Senior Fellow of Asia Pacific Initiative (current position)
Oct.	2020	Special Advisor to the Cabinet (current position)		
Significant office(s) concurrently held		Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd. Outside Director of HAPS Mobile Inc. Professor of Keio University Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative Special Advisor to the Cabinet		
Number of shares of the Company held		5,500 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of 12 meetings)		

No.9	Name (Date of birth)	John V. Roos (February 14, 1955) <u>New appointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His appointment is requested in anticipation of his advice to the management of the Company based on his extensive knowledge and experience including as CEO of a leading law firm that has strengths in the area of technology and U.S. Ambassador to Japan.		
Career summary, positions and responsibilities		Oct.	1980	Associate of O'Melveny & Myers LLP
		Feb.	1985	Associate of Wilson Sonsini Goodrich & Rosati
		Feb.	1988	Partner of Wilson Sonsini Goodrich & Rosati
		Feb.	2000	Managing Director of Professional Services of Wilson Sonsini Goodrich & Rosati
		Feb.	2005	CEO of Wilson Sonsini Goodrich & Rosati
		Aug.	2009	U.S. Ambassador to Japan
		Sep.	2013	Outside Director of Salesforce.com, Inc. (current position)
		Oct.	2013	CEO of The Roos Group, LLC (current position)
		Dec.	2013	Global Advisory Board Member of Mitsubishi UFJ Financial Group, Inc. (current position)
		Apr.	2014	Senior Advisor of Centerview Partners LLC (current position)
		Jun.	2014	Outside Director of Sony Corporation
		May	2015	Co-Founding Partner of Geodesic Capital (current position)
		Dec.	2015	Advisor of Toyota Research Institute, Inc. (current position)
		Jul.	2016	Member of the Board of Directors of The Maureen and Mike Mansfield Foundation (current position)
Oct.	2018	Advisory Board Member of Stanford Center for Asian Health Research and Education (current position)		
Significant office(s) concurrently held		Outside Director of Salesforce.com, Inc. CEO of The Roos Group, LLC Global Advisory Board Member of Mitsubishi UFJ Financial Group, Inc. Senior Advisor of Centerview Partners LLC Co-Founding Partner of Geodesic Capital		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		—		

- (Notes)
1. Hiroshi Mikitani is Chairman of Tokyo Philharmonic Orchestra and Representative Director of Japan Association of New Economy, and the Company makes financial contributions and pays membership fees to both organizations. The ratio of such payments in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also Chairman & CEO of Rakuten Medical Japan K.K., which has a business relationship including provision of services with the Company. The ratio of transactions between Rakuten Medical Japan K.K. and the Company in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
 2. Jun Murai is Professor of Keio University; the university shares a role in operating an international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2020 was both less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. In addition, he is Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative, and the Company pays membership fees to the organization. The ratio of fees in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
 3. John V. Roos is Outside Director of Salesforce.com, Inc., which has a business relationship including provision of services with the Company. The ratio of transactions between Salesforce.com, Inc. and the Company in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
 4. Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai and John V. Roos are candidates for Outside Directors.
 5. The Company stipulates under its current Articles of Incorporation that it can conclude with each Director who is a non-executive Director, etc. a liability limitation agreement, which restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit, pursuant to the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into the said liability limitation agreement with the five incumbent Directors of the Company, namely, Charles B. Baxter, Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, and Jun Murai. The liability limitation agreement will be renewed with the five incumbent Directors subject to the approval of their reappointment. If the appointment of John V. Roos is approved, the Company plans to conclude the same agreement with him.
 6. In the event that each candidate assumes the office of Director, the Company will enter into an indemnity agreement with each Director, with the effect that the Company will indemnify each Director for the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the loss stipulated in Paragraph 1, Item 2 of the same article to the extent provided for by laws and regulations.
 7. The Company has entered into directors and officers liability insurance contract with an insurance company, designating all Directors as insureds, which will cover damage that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. However, there are exemptions, such as not being covered for any damage caused by intention or gross negligence. In the event that each candidate assumes the office of Director, he or she will become the insured under the relevant insurance contract and the relevant insurance contract will be renewed during the term of office.
 8. If the reappointment of Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, and Jun Murai and the appointment of John V. Roos are approved, they will be appointed to the position of Independent Director specified by the regulations of Tokyo Stock Exchange, Inc.

Business Report

(From January 1, 2020 to December 31, 2020)

Part 1 Present Situation of the Rakuten Group

1. Business Progress and Results

Revenue	Non-GAAP operating loss	IFRS operating loss	Net loss attributable to owners of the Company
¥1,455.5 billion	¥102.7 billion	¥93.8 billion	¥114.2 billion
(15.2% increase YoY)	(¥197.8 billion decrease YoY)	(¥166.6 billion decrease YoY)	(¥82.3 billion decrease YoY)

Application of International Financial Reporting Standards: Starting from the fiscal year ended December 31, 2013, Rakuten Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

The Rakuten Group discloses consolidated business results in terms of both its internal measures which management relies upon in making decisions (hereinafter the “Non-GAAP financial measures”) and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting unusual items and other adjustments as prescribed by the Rakuten Group. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as share based compensation expenses and amortization of acquisition-related intangible assets.

(Note) For disclosure of Non-GAAP financial measures, the Rakuten Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

■ Business Results for the Fiscal Year Ended December 31, 2020 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2020 remains severe due to the spread of COVID-19, but is beginning to recover. The Japanese economy is also expected to follow in the footsteps of the world economy, mainly due to the effects of various policy measures. On the other hand, trends such as effects of COVID-19 in Japan and elsewhere, along with financial market changes require us to remain vigilant. Against this backdrop, Japan’s Ministry of Health, Labour and Welfare is requesting that people practice a “New Lifestyle” to prevent the spread of COVID-19, including shopping online and utilizing electronic payments. IT companies provide the Internet services and online financial services that enable people to purchase products and enjoy services while reducing contact with others, and the social role expected of IT companies is

further increasing.

Under such an environment, the Rakuten Group continued to develop businesses that bring together membership, data, and branding, along with the development and operation of services that proactively leverage AI, in addition to working to diversify business risks from the impact of COVID-19 through business management that leverages the Rakuten Ecosystem, which consists of more than 70 diverse services in Japan and overseas.

In the Internet Services Segment, transaction volumes showed major growth in domestic e-commerce services. For example, factors such as the success of unified measures for free shipping threshold on “Rakuten Ichiba”, the internet shopping mall, and the impact of stay-at-home consumption amid the COVID-19 pandemic, drove its annual gross merchandise sales to exceed ¥3 trillion for the first time. In the FinTech Segment, transaction volume of credit card shopping with Rakuten Card exceeded ¥11 trillion for the fiscal year ended December 31, 2020, as the customer base for each service continues to grow. In the Mobile Segment, the expansion of the areas covered under its own network lines, along with various marketing strategies proved successful, and the cumulative number of applications for subscription topped 2 million in December 2020. As a result, the Rakuten Group recorded revenue of ¥1,455,538 million, up 15.2% year-on-year, but due to ongoing prior investments in the Mobile Segment, such as the installment of its own base stations, it recorded Non-GAAP operating losses of ¥102,667 million, compared to Non-GAAP operating income of ¥95,129 million in the previous fiscal year.

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

For the fiscal year ended December 31, 2020, amortization of intangible assets of ¥9,502 million and share based compensation expenses of ¥10,612 million were excluded from Non-GAAP operating income. One-off items listed for the fiscal year ended December 31, 2020 include a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million, losses on investments in the filmmaking business of ¥3,277 million, and impairment of fixed assets due to the closure of a U.S. based business. For the previous fiscal year, one-off items including an impairment loss on property, plant and equipment in the U.S. etc., of ¥3,483 million were recorded.

■ Operating Results for the Fiscal Year Ended December 31, 2020 (IFRS basis)

For the fiscal year ended December 31, 2020, the Rakuten Group recorded revenue of ¥1,455,538 million, up 15.2% year-on-year, and an IFRS operating loss of ¥93,849 million, compared with IFRS operating income of ¥72,745 million in the fiscal year ended December 31, 2019, and net loss attributable to owners of the Company of ¥114,199 million, compared with net loss of ¥31,888 million in the fiscal year ended December 31, 2019.

(Millions in yen)

	Fiscal year ended December 31, 2019 (23rd)	Fiscal year ended December 31, 2020 (24th)	Amount Change YoY	% Change YoY
Revenue	1,263,932	1,455,538	191,606	15.2%
Non-GAAP operating income (loss)	95,129	(102,667)	(197,796)	—
Amortization of intangible assets	(8,764)	(9,502)	(738)	—
Share based compensation expenses	(10,137)	(10,612)	(475)	—
Nonrecurring items (loss)	(3,483)	28,932	32,415	—
IFRS operating income (loss)	72,745	(93,849)	(166,594)	—
Net loss attributable to owners of the Company	(31,888)	(114,199)	(82,311)	—

■ Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss is presented on a Non-GAAP operating income basis. To enhance collaboration and synergy between digital content services and mobile services, some businesses and subsidiaries have been transferred to other segments from the fiscal year ended December 31, 2020. The main change was made to businesses that operate digital content sites, including Rakuten Kobo Inc. in the Internet Services Segment, which were transferred to the Mobile Segment. Segment information for the previous fiscal year has been restated accordingly.

Internet Services Segment

Sales composition ratio (excluding adjustments): 50.5%
(Billions in yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Segment Revenue	743.3	820.1
Segment Profit	107.2	40.1

Main businesses: Domestic e-commerce (Rakuten Ichiba, Rakuten Travel, etc.), Overseas e-commerce (Rakuten Rewards (former Ebates), Rakuten France, etc.), Investment (Rakuten Capital), Advertising (Rakuten Advertising, etc.), Professional sports (Rakuten Eagles, Vissel Kobe, etc.)

This fiscal year, in domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, and further opening up the Rakuten Ecosystem. The Rakuten Group works to mitigate the medium- to long-term impact of volume limits and increases in shipping fees and enhances the convenience of both customers and merchants who use Rakuten services by carrying out reinforcement of its logistics network and introducing a unified free shipping threshold. These efforts include increasing capacity of the Rakuten Group's logistics facilities to accept products for stores on the Rakuten marketplace and expanding the last mile delivery area covered by the Rakuten Group based on the One Delivery concept of providing comprehensive logistics services. Services such as the Internet shopping mall "Rakuten Ichiba" and "Rakuten 24", which sells medical supplies and daily necessities, etc. by mail order, saw an uplift in transaction volume due to increased demand for online shopping following the growth in so-called "stay-at-home consumption" triggered by the voluntary restraints on outings intended to prevent the spread of COVID-19. The online travel booking service, Rakuten Travel, was affected by a slump in reservations and a series of cancellations due to factors including the voluntary restraint on outings and the declaration of a state of emergency. However, revenue improved particularly in the third quarter onward, benefiting mainly from the government's "Go To Travel" program launched in July 2020. Income improved as a result of measures including cost efficiency improvements. On the other hand, in December 2020, the government announced the suspension of the program to prevent the resurgence of COVID-19, which has since negatively impacted accommodation booking services in particular. In services for professional sporting events, revenue decreased as the number of visitors was restricted in professional baseball's regular-season games and soccer's league competitions, but income improved amid the gradual relaxation of restrictions.

As a result, revenue for the Internet Services Segment rose to ¥820,115 million, a 10.3% year-on-year increase, while segment profit stood at ¥40,114 million, down 62.6% from the previous fiscal year.

FinTech Segment

Sales composition ratio (excluding adjustments): 35.5%

(Billions in yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Segment Revenue	486.4	576.2
Segment Profit	69.3	81.3

Main businesses: Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Life Insurance, Rakuten General Insurance, Rakuten Pay

This fiscal year, in credit card related services of the FinTech Segment, Rakuten Card's membership base continued to expand after the number of its members topped 20 million in June 2020 and 21 million in November 2020, and while consumption remains constrained in lodging and dining services, the growth in transaction volume mainly in online shopping contributed to increases in revenue and profit, which leads transaction value of credit card shopping with Rakuten Card exceeded ¥11 trillion for the fiscal year ended December 31, 2020. In banking services as well, the number of newly acquired bank accounts rose steadily after the total number of accounts exceeded 9 million in June 2020, leading to increased income from service transactions, etc. and contributing to revenue growth. Similarly, in securities services as well, the number of newly opened accounts continued to rise significantly, with the total number of cash management accounts topping 5 million in December 2020, and at the same time, domestic shares and FX trading commissions rose. The resulting increase in commission earnings mainly contributed to higher revenue and profit.

As a result, the FinTech Segment recorded ¥576,195 million in revenue, an 18.5% year-on-year increase, while Segment profit stood at ¥81,291 million, a 17.3% year-on-year increase.

Mobile Segment

Sales composition ratio (excluding adjustments): 14.0%

(Billions in yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Segment Revenue	169.1	227.1
Segment Profit	(76.5)	(227.0)

Main businesses: Communication services (Rakuten Mobile, etc.), messaging services (Rakuten Viber), E-book services (Rakuten Kobo)

In the Mobile Segment for the fiscal year ended December 31, 2020, 5G service commenced in September following the launch of full-scale services in April 2020. After the cumulative number of applications for subscription topped 2 million in December 2020, the Rakuten Group made further progress in winning more customers both in and outside the Rakuten Ecosystem. It is accelerating the installment of base stations and expanding its service area with its own network lines while seeking to improve its network quality. The digital contents services, which includes e-book and video streaming services, continues to expand its customer base, fueled by expanding demand for online content services amid the COVID-19 crisis in particular. As a result, revenue for the Mobile Segment rose to ¥227,142 million, up 34.4% year-on-year, but segment losses reached ¥226,976 million, compared to losses of ¥76,524 million in the previous fiscal year as prior investments continued mainly for the installment of the Group's own base stations in the mobile business.

2. Operating Results and Financial Status

Classification		21st (From January 1, 2017 to December 31, 2017)	22nd (From January 1, 2018 to December 31, 2018)	23rd (From January 1, 2019 to December 31, 2019)	24th (From January 1, 2020 to December 31, 2020)
Revenue	(Millions in yen)	944,474	1,101,480	1,263,932	1,455,538
Operating income (loss)	(Millions in yen)	149,344	170,425	72,745	(93,849)
Non-GAAP operating income (loss)	(Millions in yen)	167,010	161,130	95,129	(102,667)
Income (loss) before income tax	(Millions in yen)	138,082	165,423	(44,558)	(151,016)
Net income (loss)	(Millions in yen)	110,488	141,889	(33,068)	(115,838)
Comprehensive income	(Millions in yen)	100,981	124,452	(42,818)	(132,401)
Basic earnings (loss) per share	(Yen)	80.03	105.43	(23.55)	(84.00)
Diluted earnings (loss) per share	(Yen)	79.28	104.38	(23.55)	(84.00)
Total assets	(Millions in yen)	6,184,299	7,345,002	9,165,697	12,524,438
Total equity attributable to owners of the Company	(Millions in yen)	683,181	774,473	735,672	608,738
Equity per share attributable to owners of the Company	(Yen)	507.32	572.83	542.43	446.78
Cash flows from operating activities	(Millions in yen)	162,056	145,615	318,320	1,041,391
Cash flows used in investing activities	(Millions in yen)	(203,718)	(67,569)	(286,290)	(303,347)
Cash flows from financing activities	(Millions in yen)	194,458	208,418	458,340	808,108
ROE	(%)	16.2	19.5	(4.2)	(17.0)
Dividend per share	(Yen)	4.5	4.5	4.5	4.5

(Note) Non-GAAP operating income is operating income under IFRS after deducting nonrecurring items and other adjustments prescribed by Rakuten Group. Management believes disclosure of Non-GAAP financial measures facilitates comparison between Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of Rakuten Group and its business forecast.

3. State of Capital Investments

The total amount of capital investment for the fiscal year was ¥506,317 million, primarily due to the increase in capital investment executed by Rakuten Mobile, Inc. and the increase in right-of-use assets relating to new lease contracts.

4. State of Capital Procurements

Rakuten Group issues bonds as a means of capital procurement. The Company procured ¥120,000 million in November 2020 by issuing yen-denominated subordinated bonds. Rakuten Card Co., Ltd. procured ¥30,000 million in December 2020 by issuing yen-denominated unsecured bonds for individuals. In addition, the Company procured USD 714 million in October 2020 as a result of executing a transaction for a forward sale and purchase contract utilizing shares of Lyft, Inc. held by the Company.

5. Business Re-organization

There are no special matters to be noted.

6. Challenges

As a company group that contributes to society by creating value through innovation and entrepreneurship, our challenges are to respond flexibly to changes in our business environment and to build a framework for continuous growth. Through long-term continuous growth, we aim to maximize corporate and shareholder value of Rakuten Group and continue to be a Global Innovation Company that brings benefits to all of society.

(1) Business strategy

Rakuten Group aims to generate synergistic benefits that include the maximization of the lifetime value of each member, minimization of customer acquisition cost, and maximization of value of the entire Group. We will achieve this by creating an environment in which members worldwide can continuously use multiple services in the “Rakuten Ecosystem,” at the core of which are membership, data, and brand.

In the Internet Services Segment, particularly e-commerce and travel, Rakuten Group is working on various initiatives, including cultivation of loyal customers and acquisition of new customers, promotion of cross-use of services, further expansion of the “Rakuten Ecosystem,” and reinforcement of its logistics network.

We are pursuing even greater growth of FinTech services in such areas as credit cards, banking, securities, insurance, and electronic money services by generating synergistic benefits between businesses, promoting cross-use of services, and integrating technologies including AI and voice recognition. In cashless payments, the Japanese government is promoting cashless payments. Given this, Rakuten Group is working to introduce its payment service in more locations, promote a full range of cashless payments including QR/barcode payments, electronic money, and points. Furthermore, we will continue to focus on enhancing the functions of payment apps which integrate these payment methods, in order to achieve Rakuten Group’s vision for a comprehensive payment services platform.

In the Mobile Segment, where we commenced full-scale services in the mobile communication business in the fiscal year ended December 31, 2020, Rakuten Group received certification in April 2018 from the Ministry of Internal Affairs and Communications for the plan to install specified base stations for rolling out its 4th generation mobile communication system, and received certification in April 2019 for its plan to install specified base stations for rolling out our 5th generation mobile communication system. In accordance with these plans, we are constructing the world’s first (Note) end-to-end fully virtualized cloud-native mobile network. Going forward, we will further expand our communication base stations across Japan, provide a highly reliable communication service, and work to expand our customer base. The importance of 5G as a communication network is expected to grow

as infrastructure for development of IoT connecting all manners of objects through the Internet. 5G is expected to contribute to solving social issues, with the advantages it offers in terms of high speed, low latency, and multiple simultaneous connections. Rakuten Group aims to establish 5G as a social infrastructure in the 2020s, to not only improve convenience for consumers, but also solve various social issues and contribute to regional revitalization through the application of 5G in various fields and the creation of new businesses. The Rakuten Communications Platform is a cloud-native platform that enables communications companies and enterprises around the world to easily build secure and open mobile networks quickly at low cost. We are working diligently to develop the platform with the aim of expanding it globally to government agencies, communications companies, and enterprises. In digital content services such as e-book services and video streaming, we will continue to expand our customer base and business through business operations that leverage synergies with mobile services.

In addition to pursuing growth of individual businesses and maximizing cross-business synergies, we intend to expand the “Rakuten Ecosystem,” not only in Japan but globally, by establishing innovative marketing methods that utilize Rakuten Group’s membership, big data and “Rakuten Points,” utilizing the advertising business that leverages Group synergies, creating a Global ID Platform that provides a single membership ID and loyalty program worldwide, and raising our brand value through integrating service brands and partnerships with “FC Barcelona,” the NBA’s “Golden State Warriors,” and others. To do this, we must further enhance our global management, and we will work to review our business portfolio to optimize the allocation of management resources and bolster our system for optimizing technological development on a global scale.

(Note) For a large-scale commercial mobile network (as of October 1, 2019). Research: Stella Associa

(2) Management structure

Rakuten Group’s corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Company’s Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance. In addition, we have introduced an internal Company System to ensure agile business execution and clear accountability.

Through such efforts, Rakuten Group will continue to build a management structure with more

highly effective governance functions that enables swift management decisions.

7. Major Businesses

The Group Companies are organized into three reportable Segments: “Internet Services,” “FinTech” and “Mobile.”

Discrete financial information for operating results of these Segments is available, and is regularly reviewed by the Board of Directors to determine the allocation of resources and assess performance.

The “Internet Services” Segment comprises businesses running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites and portal sites, along with business for advertising etc. on these sites. Additionally, this Segment includes businesses for the management of professional sports teams.

The “FinTech” Segment engages in businesses providing services over the internet related to banking and securities, credit cards, life insurance, general insurance and prepaid money.

The “Mobile” Segment engages in businesses for the provision of communication and messaging services, along with businesses running digital content sites.

8. Information on Principal Parent Companies and Principal Subsidiaries

Information on Principal Subsidiaries

Company name	Capital	Ratio of voting rights	Main business
Rakuten Card Co., Ltd.	¥19,324 million	100.00%	Issuance of credit card, Rakuten Card, and related services
Rakuten Mobile, Inc.	¥100 million	100.00%	Voice communication and data transmission services
Rakuten Bank, Ltd.	¥25,954 million	100.00% (100.00%)	Internet banking service
Ebates Inc.	0.1 U.S. dollar	100.00% (100.00%)	Online cash-back service
Rakuten Securities, Inc.	¥7,496 million	100.00% (100.00%)	Online securities trading services
Rakuten General Insurance Co., Ltd.	¥5,153 million	100.00% (100.00%)	General insurance business
Rakuten Life Insurance Co., Ltd.	¥7,500 million	100.00% (100.00%)	Life insurance business
Rakuten Kobo Inc.	901 million Canadian dollars	100.00% (100.00%)	E-book services
Rakuten Communications Corp.	¥110 million	100.00% (100.00%)	IP telephone, cloud and other services
Rakuten Payment, Inc.	¥1,350 million	100.00%	Electronic payment services
RAKUTEN MARKETING LLC	1 U.S. dollar	100.00% (100.00%)	Performance marketing services
Viber Media S.a.r.l	20 thousand U.S. dollars	100.00%	Mobile messaging and VoIP services

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

2. There is no subsidiary that corresponds to the specified subsidiaries.
3. In June 2020, the Group transferred all of its shares in OverDrive Holdings, Inc. to Aragorn Parent Corporation. Accordingly, OverDrive Holdings, Inc. is no longer a consolidated subsidiary.
4. The following measures have been taken to procure funds through securitization of telecommunication fee receivables held by Rakuten Mobile, Inc. (hereinafter "Rakuten Mobile"). All shares of Rakuten Mobile are entrusted by Rakuten, Inc. (hereinafter the "Company") to Rakuten Trust Co., Ltd. This is a mechanism designed to protect investors in the securitization of Rakuten Mobile's telecommunication fee receivables. Under this mechanism, if conditions are met such as the Company's credit rating falling below a certain level, the authority to give instructions regarding the exercise of voting rights will be transferred to an independent third party, RMTTrust Co., Ltd., and Rakuten Mobile will be able to avoid any impact from the Company whose creditworthiness has diminished. Because the Company currently holds beneficiary right including the authority to give instructions for all voting rights, it is included in the percentage of voting rights held.

9. Principal Offices

(1) The Company

Name	Location	Name	Location
Rakuten Crimson House	Setagaya-ku, Tokyo	Nagoya Branch	Nagoya-shi, Aichi
Sapporo Branch	Sapporo-shi, Hokkaido	Osaka Branch	Osaka-shi, Osaka
Sendai Branch	Sendai-shi, Miyagi	Hiroshima Branch	Hiroshima-shi, Hiroshima
Saitama Branch	Saitama-shi, Saitama	Fukuoka Branch	Fukuoka-shi, Fukuoka

(2) Subsidiaries

Name	Location
Rakuten Card Co., Ltd. (*1)	Minato-ku, Tokyo
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo
Rakuten Bank, Ltd. (*2)	Minato-ku, Tokyo
Ebates Inc.	U.S.
Rakuten Securities, Inc. (*3)	Minato-ku, Tokyo
Rakuten General Insurance Co., Ltd. (*4)	Shinjuku-ku, Tokyo
Rakuten Life Insurance Co., Ltd. (*4)	Shinjuku-ku, Tokyo
Rakuten Kobo Inc.	Canada
Rakuten Communications Corp.	Setagaya-ku, Tokyo
Rakuten Payment, Inc.	Minato-ku, Tokyo
RAKUTEN MARKETING LLC	U.S.
Viber Media S.a.r.l	Luxembourg

(Notes) 1. The head office was relocated to Minato-ku, Tokyo as of March 16, 2020.

2. The head office was relocated to Minato-ku, Tokyo as of July 6, 2020.

3. The head office was relocated to Minato-ku, Tokyo as of June 22, 2020.

4. The head office was relocated to Shinjuku-ku, Tokyo as of February 1, 2020.

5. In June 2020, the Group transferred all of its shares in OverDrive Holdings, Inc. to Aragorn Parent Corporation. Accordingly, OverDrive Holdings, Inc. is no longer a consolidated subsidiary.

10. Employees

Classification	Number of employees	Year-on-year change
Total	23,841	Increased by 3,788

(Note) Number of employees excludes those serving concurrently as employees and Directors, temporary staff and part-time employees.

Name of business segment	Number of employees
Internet Services	9,478
FinTech	5,064
Mobile	5,327
Company-wide (common)	3,972
Total	23,841

(Note) Company-wide (common) figure represents the number of employees of the development and management divisions that cannot be classified within in a specific business segment.

11. Principal Borrowings

(Millions in yen)

Creditor	Outstanding balance
Mizuho Bank, Ltd.	265,645
Sumitomo Mitsui Banking Corporation	95,552
Sumitomo Mitsui Trust Bank, Limited	92,798

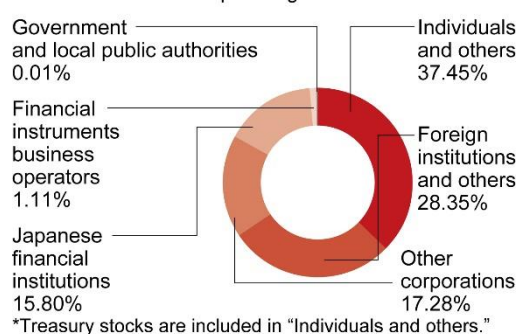
Part 2 Matters Concerning Shares of the Company

1. Total Number of Shares Issued:

1,434,573,900 shares
(including 72,073,137 shares of treasury stocks)

2. Number of Shareholders: 264,643

Distribution of ownership among shareholders



3. Major Shareholders (Top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Crimson Group, LLC.	226,419,000	16.62
Hiroshi Mikitani	176,346,300	12.94
Haruko Mikitani	132,625,000	9.73
The Master Trust Bank of Japan, Ltd. (Trust account)	81,798,200	6.00
Custody Bank of Japan, Ltd. (Trust account)	47,458,300	3.48
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	28,918,451	2.12
Custody Bank of Japan, Ltd. (Trust account 7)	20,548,500	1.51
THE BANK OF NEW YORK MELLON 140051	19,101,400	1.40
Culture Convenience Club Co., Ltd.	16,001,000	1.17
STATE STREET BANK WEST CLIENT - TREATY 505234	14,808,700	1.09

(Note) Percentage of shares held is calculated excluding treasury stocks (72,073,137 shares).

4. Other Important Matters Concerning Shares

Not applicable.

Part 3 Matters Concerning Share Options

1. Status of the Share Options as of the end of fiscal year

(1) Summary of Contents of Share Options Held by Officers of the Company

Name (Date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercis e Price (per share) (yen)	Exercise period
The 17th Share Options (February 20, 2013)	1,458	Common stock 145,800	Free of charge	0.01	From March 30, 2016 to March 28, 2022
The 22nd Share Options (February 20, 2014)	1,459	Common stock 145,900	Free of charge	0.01	From March 29, 2017 to March 27, 2023
The 36th Share Options (February 20, 2015)	3,643	Common stock 364,300	Free of charge	0.01	From March 29, 2018 to March 27, 2024
The 45th Share Options (January 23, 2016)	9	Common stock 900	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 46th Share Options (February 18, 2016)	3,965	Common stock 396,500	Free of charge	0.01	From March 1, 2017 to February 27, 2026
The 48th Share Options (February 18, 2016)	15	Common stock 1,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 50th Share Options (July 22, 2016)	16,402	Common stock 1,640,200	Free of charge	0.01	From August 1, 2017 to August 1, 2026
The 51st Share Options (August 4, 2016)	18	Common stock 1,800	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 54th Share Options (January 21, 2017)	19	Common stock 1,900	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 57th Share Options (February 20, 2017)	54	Common stock 5,400	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 58th Share Options (February 20, 2017)	36	Common stock 3,600	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 59th Share Options (February 20, 2017)	10,312	Common stock 1,031,200	Free of charge	0.01	From March 1, 2018 to March 1, 2027

Name (Date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 61st Share Options (July 28, 2017)	9	Common stock 900	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 66th Share Options (January 18, 2018)	17	Common stock 1,700	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 69th Share Options (February 19, 2018)	84	Common stock 8,400	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 70th Share Options (February 19, 2018)	105	Common stock 10,500	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 71st Share Options (February 19, 2018)	12,611	Common stock 1,261,100	Free of charge	0.01	From March 1, 2019 to March 1, 2028
The 72nd Share Options (April 27, 2018)	26,489	Common stock 2,648,900	Free of charge	0.01	From May 1, 2019 to May 1, 2028
The 81st Share Options (April 26, 2019)	12,080	Common stock 1,208,000	Free of charge	0.01	From November 1, 2019 to May 1, 2059
The 89th Share Options (April 16, 2020)	1,770	Common stock 177,000	Free of charge	0.01	From May 1, 2020 to May 1, 2060

- (Notes) 1. With regard to the exercise period of Share Options, if the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.
2. Conditions for exercise of the 17th and 22nd Share Options are as follows:
- Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all circumstances.
 - Share Options may not be pawned or disposed of in any other manner.
3. Conditions for exercise of the 36th, 45th, 48th, 51st, 54th, 57th, 58th, 61st, 66th, 69th and 70th Share Options are as follows:
- Holders of Share Options shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - Share Options may not be pawned or disposed of in any other manner.
 - The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In the case where the Company, its subsidiaries or its affiliates are 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.
 - 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
4. Conditions for exercise of the 46th, 50th, 59th, 71st and 72nd Share Options are as follows:
- a) Holders of Share Options shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - b) Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - c) Share Options may not be pawned or disposed of in any other manner.
 - d) Share Options may be exercised by the Holders 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 share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
 - e) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In cases where the Company, its subsidiaries or affiliates are 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. Conditions for exercise of the 81st and 89th Share Options are as follows:
- a) Holders of Share Options shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company, its subsidiaries or affiliates.
 - b) Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - c) Share Options may not be pawned or disposed of in any other manner.
 - d) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In the case where the Company, its subsidiaries or affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
 - i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company

(2) Status by Classification of the Share Options Held by Officers of the Company

Classification	Name	Number of Share Options	Number of owners
Directors	The 17th Share Options	60	1
	The 22nd Share Options	39	1
	The 36th Share Options	78	1
	The 46th Share Options	199	2
	The 50th Share Options	114	1
	The 59th Share Options	1,159	3
	The 71st Share Options	2,223	3
	The 72nd Share Options	1,993	2
	The 81st Share Options	1,044	2
	The 89th Share Options	1,373	2
Outside Directors	The 57th Share Options	36	2
	The 70th Share Options	63	3
Audit & Supervisory Board Members	The 45th Share Options	1	1
	The 48th Share Options	15	1
	The 51st Share Options	7	1
	The 54th Share Options	9	1
	The 58th Share Options	18	1
	The 61st Share Options	7	1
	The 66th Share Options	9	1
	The 69th Share Options	42	2

(Notes) 1. The number of shares to be issued for the Share Options above is 100 per Share Option.
2. "Directors" in the above table do not include Outside Directors.

2. Status of the Share Options Issued During the Fiscal Year

(1) Summary of Contents of Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Name (Date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share option) (yen)	Exercise period
The 85th Share Options (January 31, 2020)	35,756	Common stock 3,575,600	Free of charge	1	From February 1, 2021 to February 1, 2030
The 86th Share Options (February 28, 2020)	3,620	Common stock 362,000	Free of charge	1	From March 1, 2021 to March 1, 2030
The 87th Share Options (February 28, 2020)	10,168	Common stock 1,016,800	Free of charge	1	From March 1, 2020 to March 1, 2060
The 88th Share Options (April 16, 2020)	65,106	Common stock 6,510,600	Free of charge	1	From May 1, 2021 to May 1, 2030
The 89th Share Options (April 16, 2020)	397	Common stock 39,700	Free of charge	1	From May 1, 2020 to May 1, 2060
The 90th Share Options (July 16, 2020)	35,409	Common stock 3,540,900	Free of charge	1	From August 1, 2021 to August 1, 2030
The 91st Share Options (October 7, 2020)	4,735	Common stock 473,500	Free of charge	1	From November 1, 2021 to November 1, 2030
The 92nd Share Options (October 7, 2020)	3,270	Common stock 327,000	Free of charge	1	From November 1, 2021 to November 1, 2030

(Notes) 1. With regard to the exercise period of Share Options, if the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

2. Conditions for exercise of the 85th, 86th, 88th, 90th, 91st and 92nd Share Options are as follows:
- a) Those who received an allotment of the issue of Share Options (hereinafter "Holders of Share Options") will remain Directors (excluding Outside 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 and in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).
 - b) Share Options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - c) Share Options may not be offered for pledge or disposed of in any other way.
 - d) 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 share arises in the number of exercisable Share Options, such fraction shall be discarded).

- iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
- e) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In cases where the Company, its subsidiaries or affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
- i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company
3. Conditions for exercise of the 87th and 89th Share Options are as follows:
- a) Those who received an allotment of the issue of Share Options (hereinafter "Holders of Share Options"), shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Company Auditors and employees of the Company and its subsidiaries and affiliates.
 - b) Share Options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
 - c) Share Options may not be offered for pledge or disposed of in any other way.
 - d) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Share options and shares. In the case where the Company its subsidiaries or affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
 - i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company

(2) Status by Classification of the Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Classification	Name	Number of Share Options	Number of shares	Number of owners
Employees of the Company (Excluding Officers)	The 85th Share Options	18,617	1,861,700	6,307
	The 86th Share Options	1,504	150,400	38
	The 87th Share Options	10,168	1,016,800	54
	The 88th Share Options	1,376	137,600	28
	The 89th Share Options	397	39,700	7
	The 90th Share Options	19,729	1,972,900	6,669
Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)	The 85th Share Options	17,139	1,713,900	3,774
	The 86th Share Options	2,116	211,600	12
	The 88th Share Options	63,730	6,373,000	1,984
	The 90th Share Options	15,680	1,568,000	4,135
	The 91st Share Options	4,735	473,500	146
	The 92nd Share Options	3,270	327,000	50

Part 4 Matters Concerning Officers of the Company

1. Names of Directors and Audit & Supervisory Board Members

(As of December 31, 2020)

Title	Name	Responsibility within the Company and significant concurrent positions
Chairman, President, and Representative Director	Hiroshi Mikitani	Representative Director, Chairman, President & CEO Group President of Group Company Division Representative Partner of Crimson Group, LLC. Chairman & Representative Director of Rakuten Vissel Kobe, Inc. Representative Director of Japan Association of New Economy Chairman of Tokyo Philharmonic Orchestra Chairman & Representative Director and team owner of Rakuten Baseball, Inc. Chairman & CEO of Rakuten Medical, Inc. Representative Director, Chairman and CEO of Rakuten Mobile, Inc. Chairman & CEO of Rakuten Medical Japan K.K. Director of AST & Science, LLC
Vice Chairman and Representative Director	Masayuki Hosaka	Executive Vice Chairman President of FinTech Group Company President & Representative Director of Rakuten Card Co., Ltd.
Director	Charles B. Baxter	— (Chairman & Director of Rakuten USA, Inc.)
Director <u>Outside</u> <u>Independent</u>	Ken Kutaragi	President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of GA technologies Co., Ltd Outside Director of SmartNews, Inc. Representative Director & CEO of Ascent Robotics Inc.
Director <u>Outside</u> <u>Independent</u>	Sarah J. M. Whitley	Trustee of Foundation Scotland Chair of Edinburgh International Festival Endowment Fund Trustee of The Royal Scottish Academy Foundation
Director <u>Outside</u> <u>Independent</u>	Takashi Mitachi	Distinguished Professor of Graduate School of Management of Kyoto University Outside Director of DMG MORI CO., LTD. Outside Director of Unicharm Corporation Board Member of Ohara Museum of Art Outside Director of Tokio Marine Holdings, Inc. Senior Advisor of The Boston Consulting Group Chief Executive Director of Ronald McDonald House Charities Japan
Director <u>Outside</u> <u>Independent</u>	Jun Murai	Professor of Keio University Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd. Outside Director of HAPSMobile Inc. Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative Special Advisor to the Cabinet
Audit & Supervisory Board Member (Full-time)	Yoshiaki Nishikawa	—

Title	Name	Responsibility within the Company and significant concurrent positions
Audit & Supervisory Board Member <input type="checkbox"/> Outside <input type="checkbox"/> Independent	Takeo Hirata	Professor of Waseda University Graduate School of Sport Sciences Dean of Waseda University Research Institute for Strategy of Natural Resources Special Advisor to the Cabinet Chairman of Japan Society of Sports Industry Outside Director of Isetan Mitsukoshi Holdings Ltd.
Audit & Supervisory Board Member (Full-time) <input type="checkbox"/> Outside <input type="checkbox"/> Independent	Masahide Hiramoto	—
Audit & Supervisory Board Member <input type="checkbox"/> Outside <input type="checkbox"/> Independent	Katsuyuki Yamaguchi	Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. Outside Audit & Supervisory Board Member of BrainPad Inc. Outside Audit & Supervisory Board Member of HAKUHODO DY HOLDINGS INCORPORATED Managing Partner of Nishimura & Asahi NY LLP

- (Notes) 1. Yoshiaki Nishikawa was newly elected as and assumed the office of Audit & Supervisory Board Member at the 23rd Annual General Shareholders' Meeting held on March 27, 2020.
2. Audit & Supervisory Board Member Takahide Uchida retired at the conclusion of the 23rd Annual General Shareholders' Meeting held on March 27, 2020.
3. Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi and Jun Murai are Outside Directors.
4. Takeo Hirata, Masahide Hiramoto and Katsuyuki Yamaguchi are Outside Audit & Supervisory Board Members.
5. Director Jun Murai is Professor of Keio University; the university shares a role in operating an international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2020 was both less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. In addition, he is Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative, and the Company pays membership fees to the organization. The ratio of fees in fiscal 2020 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
6. Audit & Supervisory Board Member Takeo Hirata is Chairman of Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2020 was less than 1% of the combined total amount of cost of sales and the selling, general, and administrative expenses at the Company for the year.
7. Audit & Supervisory Board Member Katsuyuki Yamaguchi is Managing Partner of Nishimura & Asahi NY LLP and Outside Audit & Supervisory Board Member of BrainPad Inc., each of which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Nishimura & Asahi NY LLP and BrainPad Inc. and the Company in fiscal 2020 was both less than 1% of the combined total amount of cost of sales and the selling, general, and administrative expenses of the Company for the year.
8. The Company has appointed Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai, Takeo Hirata, Masahide Hiramoto and Katsuyuki Yamaguchi as Independent Directors based on the stipulations of Tokyo Stock Exchange, Inc. and reported the appointments to the Tokyo Stock Exchange.

2. Summary of the Liability Limitation Agreement

In order for all Directors (excluding executive Directors, etc.) and Audit & Supervisory Board Members to fulfill their expected roles, the Company stipulates under its current Articles of Incorporation that it can conclude a liability limitation agreement with each of them, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The agreement restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit. Accordingly, the Company has entered into such liability limitation agreements with the Directors (excluding

executive Directors, etc.) and Audit & Supervisory Board Members of the Company.

3. Compensation of Directors and Audit & Supervisory Board Members

Classification	Number of recipients	Amount of compensation
Directors	7	¥210 million
Audit & Supervisory Board Members	5	¥68 million

(Notes) 1. The amounts in the above table include one Audit & Supervisory Board Member who retired at the conclusion of the 23rd Annual General Shareholders' Meeting held on March 27, 2020.

2. The amounts in the above table do not include amounts related to employees' salaries and bonuses to Directors serving concurrently as employees.

3. The amounts in the above table include compensation of ¥123 million in total for Outside Officers (four Directors and four Audit & Supervisory Board Members).

4. In addition to the amounts shown above, the amount recorded as expenses during the fiscal year for Share Options granted as stock options is ¥118 million paid to six Directors and ¥3 million paid to four Audit & Supervisory Board Members. Of these, the amount recorded as expenses for Outside Officers (three Directors and three Audit & Supervisory Board Members) accounts for ¥5 million.

4. Matters Concerning Outside Officers

(1) Relationship between Significant Office(s) Concurrently Held and the Company

The relationship between significant office(s) concurrently held and the Company is described in the notes of "1. Name of Directors and Audit & Supervisory Board Members."

(2) Major Activities during the Fiscal Year

Classification	Name	Attendance of the meetings of the Board of Directors	Attendance of the meetings of the Audit & Supervisory Board	Major Activities
Outside Directors	Ken Kutaragi	12 out of the 12 meetings (100%)	—	He made necessary statements (questions, opinions, etc.) based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management.
	Sarah J. M. Whitley	11 out of the 12 meetings (92%)	—	She made necessary statements (questions, opinions, etc.) based on her extensive knowledge and experience as an investor.
	Takashi Mitachi	12 out of the 12 meetings (100%)	—	He made necessary statements (questions, opinions, etc.) based on his expert knowledge and experience as a management consultant.
	Jun Murai	12 out of the 12 meetings (100%)	—	He made necessary statements (questions, opinions, etc.) based on his knowledge and experience as an academic expert in internet technology.
Outside Audit & Supervisory Board Members	Takeo Hirata	12 out of the 12 meetings (100%)	7 out of the 7 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his wide-ranging expert knowledge and experience related to sports and education.
	Masahide Hiramoto	12 out of the 12 meetings (100%)	7 out of the 7 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Katsuyuki Yamaguchi	12 out of the 12 meetings (100%)	7 out of the 7 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his expertise and extensive experience as a legal attorney on corporate legal affairs

Part 5 Accounting Auditor

1. Name of the Accounting Auditor

ERNST & YOUNG SHINNIHONLLC

2. Amount of Compensation to the Accounting Auditor for the Fiscal Year

- | | |
|---|--------------|
| (1) Amount of compensation for services set forth in Article 2, Paragraph 1 of Certified Public Accountants Act | ¥174 million |
| (2) Total amount of cash and other financial benefits payable to the Accounting Auditor by the Company and its subsidiaries | ¥552 million |

- (Notes) 1. The audit engagement entered into by the Company and the Accounting Auditor does not clearly distinguish—as this cannot be distinguished--the amount of compensation for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act. Therefore, (1) above shows the total amount of such compensation.
2. The Audit & Supervisory Board agreed to the amount of compensation to the Accounting Auditor, following the examination of the relevant factors including the number of days spent for audit work, staffing, etc., as part of the accounting audit plan for the fiscal year presented by the Accounting Auditor, as well as the verification and assessment of the audit work performed in the previous fiscal year, adequacy of progress in audit work by the Accounting Auditor, and the basis of calculation for the cost estimation presented as prerequisite to the amount of compensation.
3. With regard to the Company's principal subsidiaries which are overseas, an audit (limited to those based on the provisions of the Companies Act or the Financial Instruments and Exchange Act (including equivalent laws and regulations of foreign countries)) has been received from a certified public accountant or audit firm (including persons holding equivalent qualifications in foreign countries) other than the Company's Accounting Auditor.

3. Non-Audit Services

The Company entrusts to the accounting auditor primarily the work of preparing a comfort letter related to issuance of corporate bonds at the Company and its consolidated subsidiary, which is a task other than the work set forth in Article 2, Paragraph 1 of the Certified Public Accountants Law, and paid compensation for the work.

4. Policy on Dismissal or Non-reappointment of Accounting Auditor

In the case where the Accounting Auditor is believed to be applicable to any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall consider the dismissal thereof and carry out such dismissal if such action is found adequate subject to the unanimous consent of all Audit & Supervisory Board Members.

Also, the Audit & Supervisory Board shall decide the details of any proposal on dismissal or non-reappointment of the Accounting Auditor to be presented to Shareholders' Meeting, if such action is deemed necessary--for example, in cases where the Accounting Auditor is found to have difficulty adequately fulfilling their duties

Part 6 The Company's Structure and Policy

Policy Concerning Decisions on Dividends of Surplus

Regarding the policy for shareholder returns, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments for medium- to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. 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 relation to risks associated with business activities and assets
- Maintain the financial rating required for stable financing, while sustaining the level of shareholders' equity in compliance with regulatory requirements

For the fiscal year, the Company decided to pay a 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, 2021.

The decision-making organ of the Company for distribution of dividends of surplus is the Board of Directors. Payment in principle is made once a year in the form of a year-end dividend. Other matters in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to judgment based on management status and other factors.

Purchase of treasury stock will be determined flexibly, as a financial measure towards contributing to the enhancement of shareholder value.

(Reference) Trends in dividend per share

	21st (From January 1, 2017 to December 31, 2017)	22nd (From January 1, 2018 to December 31, 2018)	23rd (From January 1, 2019 to December 31, 2019)	24th (From January 1, 2020 to December 31, 2020)
Dividend per share (yen)	4.50	4.50	4.50	4.50

Note: The dividends in the table above have been rounded to the indicated figures unless specified otherwise.

Consolidated Statements of Financial Position

(As of December 31, 2020)

(Millions in Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Cash and cash equivalents	3,021,306	Accounts payable - trade	337,427
Accounts receivable - trade	243,886	Deposits for banking business	4,716,162
Financial assets for securities business	2,673,229	Financial liabilities for securities business	2,587,227
Loans for credit card business	2,033,013	Derivative liabilities	78,318
Investment securities for banking business	266,227	Bonds and borrowings	2,487,457
Loans for banking business	1,436,513	Other financial liabilities	1,131,505
Investment securities for insurance business	283,969	Income taxes payable	8,700
Derivative assets	32,644	Provisions	162,579
Investment securities	275,236	Insurance business policy reserves	285,336
Other financial assets	492,686	Employee retirement benefit liabilities	19,272
Investments in associates and joint ventures	58,072	Deferred tax liabilities	1,920
Property, plant and equipment	684,110	Other liabilities	79,521
Intangible assets	639,589	Total liabilities	11,895,424
Deferred tax assets	126,203	Equity	
Other assets	257,755	Equity attributable to owners of the Company	608,738
		Common stock	205,924
		Capital surplus	227,844
		Retained earnings	290,449
		Treasury stock	(84,941)
		Other components of equity	(30,538)
		Non-controlling interests	20,276
		Total equity	629,014
Total assets	12,524,438	Total liabilities and equity	12,524,438

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

Consolidated Statements of Income

(Year ended
December 31, 2020)

(Millions in Yen)

Items	Amounts
Continuing operations	
Revenue	1,455,538
Operating expenses	1,579,630
Other income	54,483
Other expenses	24,240
Operating loss	(93,849)
Financial income	60,150
Financial expenses	79,607
Share of losses of investments in associates and joint ventures	(37,710)
Loss before income tax	(151,016)
Income tax expense	(35,178)
Net loss	(115,838)
Net loss attributable to:	
Owners of the Company	(114,199)
Non-controlling interests	(1,639)
Net loss	(115,838)

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

Balance Sheet (J-GAAP)

(As of December 31, 2020)

(Millions in Yen)

Asset		Liabilities	
Items	Amounts	Items	Amounts
Current assets	852,294	Current liability	1,020,269
Cash and deposits	110,082	Accounts payable-trade	26,619
Accounts receivable-trade	160,884	Commercial papers	120,000
Merchandise	9,187	Short-term loans payable	34,166
Supplies	822	Current portion of bonds	10,000
Prepaid expenses	14,204	Accounts payable-other	398,597
Accounts receivable-other	394,671	Accrued expenses	22,546
Income taxes receivable	17,448	Advance received	4,406
Short-term loans receivable from subsidiaries and affiliates	120,141	Deposits received	223,945
Other	25,141	Provision for point card certificates	145,766
Allowance for doubtful accounts	(290)	Provision for bonuses	5,125
Noncurrent assets	1,520,893	Suspense receipt	493
Property, plant and equipment	50,692	Other	28,601
Buildings	16,592	Noncurrent liabilities	847,304
Machinery, equipment and vehicles	506	Bonds	538,856
Tools, furniture and fixture	9,877	Long-term loans payable	255,833
Land	478	Provision for retirement benefits	9,015
Construction in progress	6,623	Asset retirement obligations	11,190
Other	16,613	Other	32,408
Intangible assets	98,240		
Goodwill	9,247	Total liabilities	1,867,574
Patent right	746		
Trademark	395	Net assets	
Software	49,838	Shareholders' equity	538,901
Software in progress	10,909	Common stock	205,924
Other	27,104	Capital surplus	175,084
Investments and other assets	1,371,960	Legal capital surplus	173,460
Investment securities	168,534	Other capital surplus	1,623
Stocks of subsidiaries and affiliates	1,050,290	Retained earnings	242,758
Investments in capital of subsidiaries and affiliates	652	Other retained earnings	242,758
Long-term loans receivable from subsidiaries and affiliates	7,783	Retained earnings brought forward	242,758
Claims provable in bankruptcy, claims provable in rehabilitation, and other	3,929	Treasury stock	(84,864)
Long-term prepaid expenses	485	Valuation and translation adjustments	(59,106)
Lease and guarantee deposits	11,371	Unrealized gains or losses on available-for-sale securities	(59,106)
Deferred tax assets	107,843	Share options	25,818
Other	26,078		
Allowance for doubtful accounts	(5,008)	Total net assets	505,614
Total assets	2,373,188	Total liabilities and net assets	2,373,188

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

Income Statement (J-GAAP)

(Year ended
December 31, 2020)

(Millions in Yen)

Items	Amounts	
Net sales		657,434
Cost of sales		243,326
Gross profit		414,107
Selling, general and administrative expenses		409,903
Operating profit		4,204
Non-operating income		
Interest income	2,630	
Dividends income	33,710	
Foreign exchange gain	2,432	
Other	309	39,083
Non-operating expenses		
Interest expenses	11,214	
Commission fee	1,722	
Other	525	13,462
Ordinary profit		29,825
Extraordinary gain		
Gain on extinguishment of tie-in shares	1,232	
Gain on sales of non-current assets	7,206	
Gain on sales of investment securities	1,186	
Gain on sales of stocks of subsidiaries and affiliates	248	
Gain on liquidation of subsidiaries and affiliates	114	
Other	2	9,992
Extraordinary loss		
Loss on disposal of properties	1,668	
Loss on renunciation of claims of subsidiaries and affiliates	11,940	
Impairment loss	2,348	
Loss on valuation of stocks of subsidiaries and affiliates	293	
Loss on valuation of investments in capital	3,276	
Other	412	19,939
Income before income taxes		19,878
Income taxes-current	(4,205)	
Income taxes-deferred	(29,562)	(33,767)
Net profit		53,646

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

The Company's Structure and Policy

1. Structure to Ensure Execution of Duties

The Board of Directors of the Company has made the following resolutions concerning systems to ensure the performance of business operations of Directors comply with laws, regulations and the "Articles of Incorporation," and that business operations are conducted in an appropriate manner.

(1) System for Ensuring Directors and Employees Comply with Laws, Regulations and the Articles of Incorporation

Rakuten, Inc. has stipulated the "Rakuten Group Code of Ethics" and Rakuten, Inc. as well as its subsidiaries ("Rakuten Group"), shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President); initiatives promoting Group-wide compliance under the leadership of the Chief Operating Officer (COO), a Function Chief Compliance Officer ("Function CCO") who, under the leadership of the COO, oversees the integration of Group-wide compliance management, and Company Compliance Officer appointed according to Rakuten, Inc.'s internal Company System structure; and by reporting the status of compliance initiatives to the Group Risk Compliance Committee and the Board of Directors.

Moreover, Outside Directors and Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall also thoroughly supervise and audit the execution of duties by Directors and employees. To technically and objectively verify compliance with laws, regulations and the "Articles of Incorporation", lawyers shall also be appointed for those positions.

Additionally, compliance education about the knowledge and sense of ethics needed as a member of Rakuten Group is carried out for all executives and employees of Rakuten Group. Rakuten Group shall appropriately administer a system for internal reporting that prevents retribution against those who report and consult through establishing a point of contact for executives, current and former employees of Rakuten Group to consult and report about legal violations and other compliance issues. Rakuten Group will also collect information widely from outside the company.

(2) System for Managing and Protecting Information Related to the Execution of Duties by Directors

Any information, including written documents and digital records, regarding the execution of duties by Directors of Rakuten, Inc. shall be legally and properly preserved and managed in accordance with the Rakuten Group Regulations and other internal regulations. Additionally, Directors and Audit & Supervisory Board Members shall have full-time access to all information relevant to this matter.

(3) System for Risk Management

Under Rakuten, Inc.'s internal Company System structure, Company Presidents will be responsible for appropriately dealing with, in accordance with Rakuten Group Regulations, risks that arise during the course of individual Companies' business operations. The CFO, CISO, COO and Function CCO will liaise with each Company President to manage Company-specific

risks in relation to their respective fields of finance, information security, and compliance, etc., as well as deal with important Group-wide risks relating to their respective fields.

For risks relating to information security, including Information Security Management System (ISMS) certification for major businesses in Rakuten Group, the CISO conducts risk management at a Group-wide level.

In order to appropriately manage risks arising from business investments or related activities, all investment proposals are required to be discussed in the Rakuten, Inc. Investment Committee and approved by the Rakuten, Inc. Board of Directors if exceeding a certain amount.

The Internal Audit Department of Rakuten, Inc. will, from an independent standpoint, carry out audits of Rakuten, Inc. and Group Companies' status of compliance with laws and related Rakuten Group Regulations, and regularly report to the Rakuten, Inc. Board of Directors.

(4) System Allowing Directors to Efficiently Carry Out their Duties

An appropriate and efficient decision-making system to allow Directors of Rakuten Group to execute their duties shall be formulated based on the Rakuten Group Regulations, and other internal regulations. Moreover, transparency and speed in decision making shall be sought by promoting online internal procedures.

Prompt and flexible decision-making and execution of duties shall be promoted by having Executive Officers, who were appointed by the Board of Directors, perform duties under the control of Directors.

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on "the Financial Instruments and Exchange Act" and other applicable domestic and foreign laws and regulations shall be conducted and effectiveness of these shall be evaluated accordingly.

(6) System for Rakuten Group to Only Engage in Appropriate Business Practices

In order to realize unified Group management, Rakuten, Inc. stipulates Rakuten Group Regulations and other internal regulations dealing with company ideals, group governance, company management, risk management, compliance, etc. Regarding the execution of subsidiaries' significant duties, Rakuten Group shall administer a system for approval and reporting to Rakuten, Inc. based on the Rakuten Group Authority Table and Rakuten Group Guidelines. The Rakuten Group Regulations protect the independence of the subsidiaries while also creating the needed framework for business operations which is followed by the entire Rakuten Group.

In addition, the Internal Audit Department, which is an independent organization under the Representative Director and President ensures the appropriateness of operations by having a strong relationship with the organizational unit-in-charge of internal audit of each subsidiary and by conducting internal audits on Rakuten Group as a whole.

(7) Requests from Audit & Supervisory Board Member for Employees' Assistance and Employees' Independence from Directors

To assist the duties of Audit & Supervisory Board Members, the Audit & Supervisory Board Members Office is established under the Audit & Supervisory Board, and the Audit & Supervisory Board Members may give orders to employees belonging to the Audit & Supervisory Board Members Office as the need arises. Additionally, when employees assist

Audit & Supervisory Board Members, the effectiveness of the orders from Audit & Supervisory Board Members shall be ensured by employees of the Audit & Supervisory Board Members Office not receiving orders from Directors and by requiring approval from the Audit & Supervisory Board Members for such employees' transfer and performance assessments.

(8) System for Directors and Employees to Report to Audit & Supervisory Board Members and for Audit & Supervisory Board Members to Carry Out Effective Audits

Directors and employees of Rakuten Group shall give all legally required reports to Audit & Supervisory Board Members and provide additional necessary reports and information if the Audit & Supervisory Board Member requests it. Rakuten, Inc. will ensure the effectiveness of audits through prohibiting retribution for reporting against those who report to the Audit & Supervisory Board Members. Additionally, if Rakuten, Inc. receives a request for prepayment of expenses or repayment from Audit & Supervisory Board Members, it shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Audit & Supervisory Board Member's duty.

2. Summary of the Status of Application of the Structure to Ensure Execution of Duties

In the fiscal year under review, basic policies for internal controls have been applied based the aforementioned "Structure to Ensure Execution of Duties," under which the following initiatives have been implemented.

(1) System for compliance

- i) The Company has established a reporting system between the Function CCO (Function Chief Compliance Officer), a position overseeing Group-wide compliance initiatives under the leadership of the COO (Chief Operating Officer), and each Company Compliance Officer based on an internal Company System. Through this, the Company maintains a system for strengthening compliance across the Group. Under this system, the Company held four meetings of the Group Risk and Compliance Committee comprising the Function CCO, Company Compliance Officers, etc., from January to December 2020. At these meetings, reports were made, and discussions were held on promotion of effective compliance at the Group level, sharing of best practices, and proposals of compliance management strategies.
- ii) In May 2006, the Rakuten Group Code of Ethics was established, and employee training has been conducted on an ongoing basis to ensure employees are well-informed about its spirit. Specifically, Rakuten Group has carried out morning meetings focused on compliance and business ethics, compliance and business ethics training for new recruits, education on business ethics and key internal rules for employees, and compliance pledges by employees of all Group Companies to comply with and adhere to internal regulations.
- iii) The Company has stipulated Rakuten Group's internal whistleblower system in the Rakuten Group Guidelines, and the system is operating in Japan and overseas Group Companies. The status of internal whistleblower reports at the Company and Group Companies has been reported to the Board of Directors and Audit & Supervisory Board Members.

(2) System for risk management

- i) Rakuten Group has formulated the Group Regulations on Risk Management, etc., and developed risk management systems by establishing a cycle of appropriate risk identification, development and implementation of risk mitigation measures, and

monitoring of the results (the so-called “PDCA cycle”). The status of response to particularly major risks is reported to the management at Board of Directors meetings or at other relevant bodies for consultation. The status of measures against Group-wide risks is reported to and discussed at the Group Risk and Compliance Committee that is held four times a year. Furthermore, regarding information management, which is one of the major risks, a system has been established in accordance with the requirements of the Information Security Management Systems (ISMS).

We will remain committed to enhancing risk management systems, which contribute to management decision-making and business operation, while carrying on our current activities.

- ii) A meeting of the Investment Committee, which consists of members including Outside Directors and external experts, is held on a monthly basis, in principle, at the Company in order to examine new investment proposals within Rakuten Group. Additionally, proposals involving major investments exceeding certain thresholds are approved and resolved at the Board of Directors of Rakuten, Inc.

(3) System for financial reporting

- i) Accounting Auditors conduct accounting audits based on the Companies Act and the Financial Instruments and Exchange Act, for the Company as well as its main subsidiaries.

The Company and the Accounting Auditors mutually exchange opinions and share information on a regular basis, while sharing internal audit results, as necessary.

Meanwhile, the Company has prepared Group Accounting Policies in accordance with International Financial Reporting Standards (IFRS), by which the Company properly conducts its accounting and prepares consolidated financial statements.

With respect to timely disclosure of corporate information, the Company ensures prompt and adequate disclosure based on the timely disclosure guidelines specified by Tokyo Stock Exchange, Inc., and Rakuten Group Regulations, as well as other internal regulations.

- ii) In an effort to enhance the reliability of our financial reporting, information including: the annual assessment plan; progress status of the assessment; results of the assessment of effectiveness of internal controls over financial reporting at the Company as well as the Group are all reported to the Board of Directors and Officers in charge, in accordance with the document, “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” (Business Accounting Council).

(4) System to ensure effectiveness of audit by Audit & Supervisory Board Members

The Company ensures the effective execution of audits by Audit & Supervisory Board Members by streamlining the framework for providing reports and information to Audit & Supervisory Board Members, such as by the establishment of the Audit & Supervisory Board Members Office as an organizational unit which assists Audit & Supervisory Board Members in executing their duties.