In Japanese, Rakuten stands for “optimism.” This philosophy lies at the core of our brand.

Walk Together

“Walk Together” expresses our dedication to building a better, more optimistic future by empowering individuals, businesses and societies to realize their dreams. We embrace new and disruptive ideas, are committed to acting on them and have the operational agility to implement and deliver at speed. We walk together with our partners, making progress today towards a more optimistic tomorrow.

Our Brand

The Rakuten brand represents optimism and empowers our members to experience the joy of discovery with a sense of confidence and excitement. Growing together with our global communities, we support individuals, businesses and societies to realize their dreams.

This idea is at the heart of each and every one of Rakuten’s services.
The Rakuten Group’s mission is to contribute to society by creating value through innovation and entrepreneurship. By providing high-quality services that help our users and partners grow, we aim to advance and enrich society. To fulfill our role as a Global Innovation Company, we are committed to maximizing both corporate and shareholder value.
History of Growth and Innovation

Since its founding in 1997, the Rakuten Group has been based on the idea of “empowering people and society through innovation.” We have developed various businesses with the aim of being a Global Innovation Company, and we will continue to work on further improvement of corporate value and sustainable growth.

Global Gross Transaction Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>¥1.6 trillion</td>
</tr>
<tr>
<td>2001</td>
<td>¥2.4 trillion</td>
</tr>
<tr>
<td>2002</td>
<td>¥3.6 trillion</td>
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<tr>
<td>2003</td>
<td>¥5.3 trillion</td>
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<tr>
<td>2004</td>
<td>¥7.3 trillion</td>
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<tr>
<td>2005</td>
<td>¥9.6 trillion</td>
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<tr>
<td>2006</td>
<td>¥12 trillion</td>
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<tr>
<td>2007</td>
<td>¥14.6 trillion</td>
</tr>
<tr>
<td>2008</td>
<td>¥16.9 trillion</td>
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<td>2009</td>
<td>¥18.7 trillion</td>
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<tr>
<td>2010</td>
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<tr>
<td>2011</td>
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<td>2012</td>
<td>¥24.7 trillion</td>
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<tr>
<td>2013</td>
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<td>2014</td>
<td>¥29.3 trillion</td>
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<td>2015</td>
<td>¥31.9 trillion</td>
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<tr>
<td>2016</td>
<td>¥34.3 trillion</td>
</tr>
<tr>
<td>2017</td>
<td>¥36.6 trillion</td>
</tr>
<tr>
<td>2018</td>
<td>¥39.0 trillion</td>
</tr>
<tr>
<td>2019</td>
<td>¥41.3 trillion</td>
</tr>
</tbody>
</table>

*1. Global Gross Transaction Value=Domestic E-Commerce GMV+Credit Card GTV
*2. Includes intercompany transactions for settlement and affiliate services

1997 – 2003
The birth and growth of Rakuten Ichiba

- **February 1997**
  - e-hobby, one of the founders of Rakuten Ichiba, is founded.
- **April 2000**
  - Rakuten goes public through an IPO on the OTC market (currently TSE JASDAQ market).
- **November 2000**
  - Rakuten acquires eBank Corporation (currently Rakuten Bank, Ltd.), a world leader in mobile banking.
- **March 2001**
  - Rakuten Travel, an online hotel reservation service, is launched.
- **June 2005**
  - Launch of Rakuten Card service.
- **August 2005**
  - Rakuten acquires Viber Media Ltd., which operates mobile messaging and VoIP service “Viber” worldwide.

2004 – 2009
Expansion of Rakuten Ecosystem

- **February 2004**
  - Rakuten fully acquires Axora Corp., Ltd., (currently known as Rakuten Card Co., Ltd.).
- **November 2004**
  - Rakuten fully acquires Carousell Corporation (currently Rakuten Kobo Inc.), a world leader in e-books.
- **February 2008**
  - Rakuten fully acquires Chainlink (currently Rakuten Kobo Inc.), a world leader in e-books.
- **September 2009**
  - Rakuten acquires Web Bank, Inc., a provider of personal loan services.
- **November 2009**
  - Rakuten fully acquires Kobo, Inc., a world leader in e-books.

2010 – 2014
Transformation into a true global company

- **February 2010**
  - Rakuten fully acquires Viber Media Ltd., which operates mobile messaging and VoIP service “Viber” worldwide.
- **March 2014**
  - Rakuten fully acquires Vakil, Inc., on emerging global provider of video streaming services based on the U.S.
- **November 2014**
  - Rakuten acquires Ebates Inc., provider of leading membership-based online cash-back site Ebates in the U.S.

2015 – 2018
Establishment of a global brand

- **January 2015**
  - Rakuten fully acquires Vasek Kobe, and enters the Japan Professional Football League (J League).
- **November 2016**
  - Rakuten announces that it will become football team FC Barcelona’s Main Global Partner.
- **December 2016**
  - Rakuten adopts the world’s most stringent privacy protection standards. As the first Japanese company to be approved by EU Data Protection Authorities, it becomes a leader in the information security field.
- **September 2017**
  - Announcement of partnership with NBA team Golden State Warriors.

2019 – Full-scale entry into the mobile communications business

- **February 2019**
  - Rakuten Mobile successfully trials the world’s first end-to-end fully virtualized cloud-native mobile network.
- **April 2019**
  - Rakuten Mobile, Inc. receives approval from the Minister of Internal Affairs and Communications for its 5th generation mobile communications system (5G) special radio station deployment plan.
- **June 2019**
  - Rakuten fully acquires Ebates Inc, provider of leading membership-based online cash-back site Ebates in the U.S.

Global Gross Transaction Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>¥35.9 trillion</td>
</tr>
<tr>
<td>2017</td>
<td>¥39.0 trillion</td>
</tr>
<tr>
<td>2018</td>
<td>¥42.1 trillion</td>
</tr>
<tr>
<td>2019</td>
<td>¥45.3 trillion</td>
</tr>
</tbody>
</table>

*1. Global Gross Transaction Value=Domestic E-Commerce GMV+Credit Card GTV
*2. Includes intercompany transactions for settlement and affiliate services

Rakuten launches services based on the world’s first end-to-end fully virtualized cloud-native mobile network, marking its emergence as a full-scale low-price mobile carrier in its own right.
Rakuten’s mission is to empower people and society through innovation. We provide a wide range of services in Japan and overseas, including internet services, fintech services and mobile services. Supporting these services are vital non-financial assets — our membership base, our brand, our data resources and communication platforms. By organically linking our services through our membership base, we have formed the unique Rakuten Ecosystem, an unrivaled economic sphere. We offer extremely user-friendly services for a wide range of daily life activities with the aim of encouraging continuous cross-utilization of multiple services. This allows us to maximize user lifetime value (LTV) while minimizing user acquisition costs. The resulting synergy benefits help to increase gross transaction value and strengthen Rakuten’s competitiveness. Rakuten will continue to work toward sustainable improvement in corporate value and the empowerment of society.

**Value Creation Process**

Rakuten’s mission is to empower people and society through innovation. We provide a wide range of services in Japan and overseas, including internet services, fintech services and mobile services. Supporting these services are vital non-financial assets — our membership base, our brand, our data resources and communication platforms. By organically linking our services through our membership base, we have formed the unique Rakuten Ecosystem, an unrivaled economic sphere. We offer extremely user-friendly services for a wide range of daily life activities with the aim of encouraging continuous cross-utilization of multiple services. This allows us to maximize user lifetime value (LTV) while minimizing user acquisition costs. The resulting synergy benefits help to increase gross transaction value and strengthen Rakuten’s competitiveness. Rakuten will continue to work toward sustainable improvement in corporate value and the empowerment of society.

<table>
<thead>
<tr>
<th>Economic Value Created*3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Value*4</td>
</tr>
<tr>
<td>¥5.5 trillion</td>
</tr>
<tr>
<td>Global Annual GTV</td>
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<tr>
<td>¥19.0 trillion</td>
</tr>
<tr>
<td>Domestic EC GMS</td>
</tr>
<tr>
<td>¥3.9 trillion</td>
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<tr>
<td>Rakuten Card Shopping GTV</td>
</tr>
<tr>
<td>¥9.5 trillion</td>
</tr>
<tr>
<td>Consolidated Revenues</td>
</tr>
<tr>
<td>¥1.3 trillion</td>
</tr>
<tr>
<td>Numbers of Points Issued per Year</td>
</tr>
<tr>
<td>320.0 billion*5</td>
</tr>
<tr>
<td>Core Business*6 Revenue</td>
</tr>
<tr>
<td>¥1.0 trillion</td>
</tr>
<tr>
<td>Core Business*6 Operating Income</td>
</tr>
<tr>
<td>¥134.2 billion</td>
</tr>
</tbody>
</table>

*1 The number of touchpoints that can use either the Rakuten pay app, Rakuten Edy or Rakuten point card (as of end of January 2020).
*2 Number of Rakuten members who have utilized two or more Rakuten services during the past 12 months.
*3 The stated figures are as of end of December 2019.
*4 Q4/2020. Calculated based on Total Rakuten Service Usage (unique users x cross use) and Lifetime value.
*5 1 point equivalent to 1 yen.
*6 Includes Ichiba, Travel, Rakuten Rewards (Ebates), Card, Bank, Life Insurance, etc.
Expansion of the Rakuten Ecosystem

Rakuten has a global membership base of 1.4 billion people, including over 100 million Rakuten member IDs in Japan. The Rakuten Ecosystem was formed by linking various services through this membership base. We aim to improve our corporate value and expand the Rakuten Ecosystem by increasing the number of unique users and maximizing the lifetime value (LTV) of each user by expanding service cross-use per member.

We use innovation to open paths to the future that lie beyond the horizon. “Empowerment” has been the fundamental business value for the Rakuten Group since its founding in 1997. We will continue to take on new challenges without fear of failure and work with our stakeholders to build a sustainable society.

Fintech

Promoting a Cashless Society
Rakuten is helping to create a society that is more efficient and convenient for users and merchants by promoting a shift to cashless payments for both online and offline transactions. We also aim to reduce the costs associated with Japan’s currently cash-based society.

The Leading Financial and Economic Ecosystem for Card Services, Banking, Securities and Insurance
Rakuten aims to become the leading provider of integrated financial services by realizing synergies in the Rakuten financial ecosystem through the provision of a diverse range of user-friendly financial services.

Improving the User Experience by Expanding the Rakuten Ecosystem
We are continually working to improve the user interface and user experience (UI/UX) for our various online services, including Rakuten Ichiba. One of the ways in which we enhance the user experience is by providing benefits from our points systems, including the Super Point Up Program (SPU).

Solving Social Problems Through the Development and Enhancement of Logistics Infrastructure
Our priorities for Rakuten Ichiba are to ease the logistics burden on merchants, while improving delivery services and user convenience.

Mobile

Democratizing Mobile Networks
Rakuten is able to offer convenient, low-cost services thanks to major reductions in capital expenditure and operating costs made possible by the creation of the world’s first end-to-end fully virtualized cloud-native mobile network.

Unlocking the Future with 5G
With characteristics that include ultra-high speeds, low latency and the ability to handle multiple simultaneous connections, 5G allows anyone to enjoy unprecedented access to a content-rich network experience.

Ad Business

Data Based on User IDs for More Than 100 Million Rakuten Users
One important feature of Rakuten IDs is their linkage to one of Japan’s biggest data resources. Rakuten offers advertisers precision-targeted marketing solutions based on analyses of online and offline consumer behavior, as well as pre-advertisement analyses of demographics, such as age, gender and consumer interests. We also provide post-advertisement analyses.

Providing Attractive Content and Expanding the Rakuten Ecosystem
We offer users on attractive range of entertainment content, including Rakuten TV, Rakuten Viki and Rakuten Kobo. By combining various services in the Rakuten Ecosystem, we aim to improve our earnings and corporate value.

Digital Contents

Investment

Global Investment in Innovative Start-ups, Support for Investees
To date, we have invested in more than 60 start-ups worldwide. Rakuten uses knowledge and experience gained through its investment activities and business operations to provide support tailored to investee needs. Investees also benefit from access to Rakuten networks and interaction with the Rakuten Ecosystem.

Social Value Created by Rakuten

Global Membership

Cross-use Ratio*1

1.4 billion

72.3%

Cross Use

Internet Services

Mobile

Unique Users

LTV

Fintech

Ad Business

Investment

Digital Contents

Global Annual GTV

¥19.0 trillion

Membership Value Target

¥10.0 trillion

Cross-use Ratio*1

Membership Value*2

72.3%

¥5.5 trillion

Global Membership

Cross-use Ratio

Unique

Users

LTV

8

Social Impact from Rakuten’s Business Activities

We use innovation to open paths to the future that lie beyond the horizon. “Empowerment” has been the fundamental business value for the Rakuten Group since its founding in 1997. We will continue to take on new challenges without fear of failure and work with our stakeholders to build a sustainable society.

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*1 Number of Rakuten members who have utilized two or more Rakuten services during the past 12 months / Total Number of Rakuten members who have utilized all of Rakuten services during the past 12 months. (As of March 31, 2020).

*2 FY2019 fourth quarter. Calculated based on Total Rakuten Service Usage (Unique users x cross use) and Lifetime value.
Walk Together

Empowering Business, Retailers, Brands and Society.

To realize our founding mission and vision and in line with our new corporate slogan "Walk Together," the Rakuten Group continues to drive the creation of new business models aimed at empowering society.

Rakuten’s corporate slogan is "Walk Together": Aiming to create shared value with all of our stakeholders.

■ Founding Principles of Creating Value with Society

Empowerment has been a core principle for us since the founding of Rakuten. At a time when the internet was just beginning to expand, we created Rakuten Ichiba with a vision of providing the opportunities for nationwide expansion that large companies enjoy to regional and family-run businesses. Rakuten Ichiba continues to grow together with the merchants who have opened stores on our platform. Since our beginnings, we have sought to create both social and economic value.

As we enter our 24th year, we have expanded our lineup of services from ecommerce to fintech and now mobile carrier communications, but our basic philosophy has never changed. We continue to drive the creation of value through innovation and empowerment.

■ The Meaning of Our New Slogan —“Walk Together”

Our belief that we can build a better future has inspired us to adopt new technologies and business models, to move into new fields, and to take up challenges that seemed to defy conventional wisdom. By providing services that support individuals and businesses to realize their goals, we aim to empower society as a whole.

We will continue to work side-by-side with our business partners and users to build a brighter, more convenient, and more comfortable future, and to bring new experiences and happiness to the world. That is what we mean by “Walk Together.”

In 2019, we laid the foundations for a major transformation of the Rakuten Group

■ Changing the Business Model—Rakuten’s Mobile Carrier Business

In October 2019, Rakuten entered the mobile carrier business with the world’s first end-to-end fully virtualized cloud-native mobile network, a complete departure from the concept on which conventional mobile networks are based. Unlike the networks of existing carriers, all management and operations for 4G and 5G network services, including data and voice, are run in the cloud. This cloud-based technology drives down costs, allowing us to provide a 4G service plan with unlimited data*1 at a competitive price of ¥2,380 per month. We are currently running a campaign that will provide three million users with the service free of charge for the first year. By bringing down mobile fees for users in Japan, a country where these costs have remained persistently high, we aim to offer our customers more convenient access to mobile services.

■ Further Improving Customer Satisfaction with One Delivery

While there has been steady improvement in the net promoter score (NPS) for Rakuten’s services, there is still room for improvement in delivery services. We see the elimination of logistics issues as vital to creating sustainable value and growth with our merchants, and we have launched a range of measures to achieve improvement in this area.

These measures include the introduction of standard free shipping for orders above ¥3,980, the provision of a third-party shipping service for merchants, and investment in logistics centers. Shipping charges previously varied according to the merchant. By introducing a standard policy on the order value at which shipping becomes free, we aim to enhance user convenience. These initiatives will help merchants to achieve growth by ensuring that Rakuten Ichiba will be the preferred platform for users.

■ Changing Society with the Cashless Value Creation Cycle

The Japanese government is working to promote cashless payments. As opportunities to use cashless payments expand, consumer awareness of the convenience of this method continues to rise. Rakuten provides a variety of payment methods, including credit cards, barcode and QR code payments, and electronic money, available at over four million locations*2 using a single app and ID. Both Rakuten Card and Rakuten Pay are rated number one in terms of customer satisfaction*3, thanks to the convenience of these payment methods and the compelling offerings of the Rakuten Points loyalty program.

The introduction of cashless payments has also brought benefits for affiliated merchants, including increased spending per customer, and enhanced operating efficiency. Analysis of shopping behavior data can also offer insights for the development of new marketing strategies. Rakuten aims to build a sustainable value creation cycle in partnership with consumers and merchants.

CEO Message

Hiroshi Mikitani
Chairman and CEO

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CEO Message

Review of 2019 Financial Results and Progress toward Further Expansion of Corporate Value

**High Revenue Growth in Parallel with Continuing Investment in 2019**

In December 2019, the Rakuten Group achieved revenue growth in all segments. The result was a double-figure increase in consolidated revenues, by 14.7% over the previous year’s figure to a new record of ¥13,263.9 billion. Existing core businesses that achieved growth in both revenues and income included Rakuten Ichiba, Rakuten Travel, the US online cash-back site Rakuten Rewards, Rakuten Card, Rakuten Bank and Rakuten Life Insurance. In the FinTech segment, revenues from Rakuten Securities investment stage, including direct sales, C2C and fashion, the figure for business models that are still at the investment stage, such as Rakuten Ichiba, was 11.3% higher year on year, while gross transaction value for marketplace-type e-commerce, tuned measures designed to raise both user and merchant satisfaction. A breakdown by business type shows that this growth rate is extremely high compared with the industry average and allowed us to maintain our leadership position as number one in the market. Operating income from Rakuten Card was 20.9% higher than the previous year’s total. Despite a negative interest rate environment, Rakuten Bank was able to lift its operating income by 9.4% compared with the previous year’s result. Rakuten Payment, which is still at the forward investment stage, delivered a healthy 26.8% increase in revenues by investing its capital more effectively than competitors.

**Expansion of E-commerce Business and Investment in New Business Models**

Strong trends in domestic e-commerce lifted gross transaction value by 13.4% year on year to ¥3,939 trillion. This is the highest increase achieved in recent years. We ran a successful marketing campaign aimed at expanding cross use with points program incentives, of which we issued approximately ¥320 billion worth of one-yen points. The fact that over 90% of these points are consumed by our users is also strong evidence that the system has become part of the infrastructure of their daily lives. With the Super Points Up (SPU) program, users can accumulate more points by using multiple Rakuten services. Now in its fifth year, this program enjoys enduring popularity among users. It continues to contribute to growth in the number of loyal customers, and the amount spent per customer.

**Investment Business Results**

We achieved excellent returns from the investment business, including ROI of +95%, and IRR of +25%. One of our investees, Lyft, was listed, and financial results were affected by valuation gains and losses resulting from movements in its market capitalization. In the first quarter, Lyft recorded ¥14,4 billion in valuation gains on stocks as financial products, which are based on fair value calculated as net gains and losses. There was valuation loss of ¥10,9 billion in the second quarter, when it became an equity method affiliated company, and an equity-based investment loss of ¥102,9 billion in the third quarter. In addition, we sold our entire shareholding in Pinterest, though this was not reflected in our income results because the shares were valued as financial instruments measured at fair value through other comprehensive income. As part of our capital allocations in 2020, we implemented a partial exit from Careem, which provides a ride-sharing service, at fair value through other comprehensive income. As part of our capital allocations in 2020, we implemented a partial exit from Careem, which provides a ride-sharing service, and an equity-based investment loss of ¥102.9 billion in the third quarter.

**Strong Trends in Fintech Segment**

In the FinTech segment, revenues from Rakuten Securities and Rakuten General Insurance were lower year on year, mainly because of the impact of financial market trends, and the use of reinsurance to mitigate the impact of natural disasters. However, revenues from other companies were very robust; including Rakuten Card, Rakuten Bank, and Rakuten Life Insurance.

Indicators for Rakuten Card were very healthy. In January 2020, the number of card holders exceeded 19 million, while monthly shopping transactions in December 2019 reached ¥1 trillion. Yearly shopping transactions reached ¥9.5 trillion with a year-on-year increase of 27.4%. This growth rate is extremely high compared with the industry average and allowed us to maintain our leadership position as number one in the market. Operating income from Rakuten Card was 20.9% higher than the previous year’s total. Despite a negative interest rate environment, Rakuten Bank was able to lift its operating income by 9.4% compared with the previous year’s result. Rakuten Payment, which is still at the forward investment stage, delivered a healthy 26.8% increase in revenues by investing its capital more effectively than competitors.

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**Over 100 Million Rakuten IDs in Japan: Rakuten Points Loyalty Program**

Globally, approximately 1.4 billion people are Rakuten users, and in Japan, over 100 million people have a Rakuten ID. There have been numerous business mergers and service partnerships in the Japanese internet sector, but the majority of these see the continued use of IDs not connected on the same databases. Rakuten seamlessly manages IDs and payment functions in order to allow users easy access to various Group services through one ID. The combined value of these data assets is also a unique Rakuten strength.

Another Rakuten strength is the Rakuten Points loyalty program, which numerical success has been shown to be number one in terms of user satisfaction. Each year, we issue around 320 billion points worth one yen each. The fact that over 90% of these points are consumed by our users is also strong evidence that the system has become part of the infrastructure of their daily lives. With the Super Points Up (SPU) program, users can accumulate more points by using multiple Rakuten services. Now in its fifth year, this program enjoys enduring popularity among users. It continues to contribute to growth in the number of loyal customers, and the amount spent per customer.

**Customer Crossover between Online and Offline Services**

A feature of the Rakuten Ecosystem is the way it promotes the growth of lifetime value (LTV). Users of one Rakuten service can also use other services utilizing the same ID. This cross-use of services reduces customer acquisition cost (CAC), while the points effect drives growth in spending per customer and the continued use of services. For many years, e-commerce services were the main entry point to the ecosystem for our users. In recent years, however, there has been an increase in inflow via offline services, such as Rakuten Card and Rakuten Point Card. Users can seamlessly access both online and offline services through a single platform, without the inconvenience of boundary lines between them.

**Using AI to Accelerate the Growth of the Advertising Business**

Our original AI technology, Rakuten AI, allows us to utilize Rakuten’s data assets in our various business activities, while also ensuring privacy and security. This new technology has been especially beneficial for our advertising business. In the year under review, the Rakuten Group’s total advertising sales in all segments increased by 16.7% year on year to ¥112.3 billion. At a time when governments around the world are tightening regulations for the protection of personal data Rakuten AI
CEO Message

Initiatives toward Further Improvements in Corporate Value: Sustainability, Governance

Sustainability as a Management Strategy
We are facing a range of extremely serious issues that threaten the sustainability of the planet and humankind, from abnormal weather events triggered by climate change, to human rights violations, poverty, and health problems. This context has brought the concept of sustainability closer to the spotlight, driving the inclusion of sustainability as a key factor in development of corporate management policies. Today, we are seeing more and more companies incorporate elements of sustainability in various ways into their products and services.

To address these challenges, the Rakuten Group has developed a comprehensive sustainability strategy that includes reducing our carbon footprint, improving efficiency, and engaging in sustainable practices throughout our operations.

Establishing a Global Brand and Improving Overseas Business Performance
Awareness of the Rakuten logo is rising overseas as well as in Japan. In January 2020, there were 77.0% awareness in Japan, 62.8% in the United States, 74.5% in Spain, 76.6% in France, and 63.6% in Canada. Our partnerships with sports teams, such as the FC Barcelona soccer team in Spain and the Golden State Warriors NBA team in the United States, have contributed to this rise in awareness. In Taiwan, the professional baseball team the Lamigo Monkeys has joined the Rakuten Group and been renamed the “Rakuten Monkeys.”

A global user base of 1.4 billion has become a cornerstone of the Rakuten Ecosystem. Our overseas business activities are expanding steadily, and in the year under review, global gross transaction value increased by 24.3% to ¥19.0 trillion. There has been a substantial improvement in the performance of the Kobo e-book business, the free chat and messaging app Rakuten Viber, and the content business Viki, with their aggregated earnings recording positive non-GAAP operating income for the first time in the fourth quarter of 2019. The Rakuten Rewards online cash-back site is also generating steady profits.

Effective Corporate Governance Structures
Effective and consistent corporate governance is one of the most important management priorities for the Rakuten Group. Good governance enables us to fulfill our responsibilities as a global business while maximizing the benefits for all of our stakeholders.

Rakuten is structured as a company with an Audit & Supervisory Board, four of the seven members of the Board of Directors are independent Outside Directors, and there is also one inside director with no executive role. This structure enhances the effectiveness of our corporate governance by separating the supervisory and executive roles of management. At Board meetings, Outside Directors with expert knowledge of IT, finance, corporate management, and other fields play a central role in free and open discussions that cover a wide range of topics from independent and objective viewpoints. In addition to Board meetings, there are also regular long meetings about the Rakuten Group’s management strategies. These provide opportunities for discussion from a medium- to long-term perspective without being distracted by short-term topics, as part of efforts to achieve sustainable value creation.

Partnership with Stakeholders
Since its founding, the Rakuten Group has placed great importance on the concept of partnership and has grown into a global enterprise by working closely with all of our stakeholders. By continuing to work with them in good faith, we aim to ensure that our business activities are sustainable from the perspective of every stakeholder.

For users and consumers, we work to improve the quality of our services by monitoring indicators of customer satisfaction in each business segment. For our business partners, including merchants, brand owners, and suppliers, we provide regular opportunities for dialogue leading to the co-creation of value. For example, in the Rakuten Ichibabu business, over the past two years, we have held town hall meetings in all 47 prefectures of Japan to engage in dialogue with merchants and plan to continue this engagement. Our aim is to earn the trust of our stakeholders by conducting all of our business activities responsibly. In our relationships with local communities, we are contributing proactively to regional revitalization through comprehensive agreements to leverage Rakuten services, social contribution activities and other programs.

Fostering Corporate Culture
One of Rakuten’s most important assets is intangible but limitless—the potential of the human resources to generate innovation. In the 24 years since the founding of Rakuten, the number of staff at the Rakuten Group has grown from two to over 20,000. We have adopted English as our official language to enhance our ability to attract diverse talent, and we are continually working to foster our corporate culture. Our culture is based on trust built through various initiatives, including weekly Group-wide meetings to share management’s strategic direction with all employees, an initiative that dates back to the founding of Rakuten, and one-on-one meetings between managers and members. Another way in which we improve internal transparency is to share and discuss key company issues at fortnightly meetings for the extended management team.

Rakuten’s Vision for the Future: A Sustainable Society for Future Generations

Environmental-friendly Practices
There is a heightened sense of urgency within Japan and overseas due to the increasingly apparent global effects of climate change, including typhoons, rainstorms, and major forest fires. We are aware that the business activities and infrastructure supporting the Rakuten Group’s business activities could have a potential impact on the Earth’s resources and climate. For that reason, we announced in December 2019 that Rakuten would join “RE100” as part of our efforts to minimize our impact on climate change. As part of our commitment to this international initiative, we have set a goal to increase the use of renewable energy in the business activities of Rakuten, Inc. to 100% by 2025. We want to minimize the impact of our business operations on climate change, and to contribute to the creation of a low- carbon society through our leadership in the introduction and increased use of renewable energy.

Recognition of Initiatives
In recent years, Japanese and overseas investors, especially institutional Investors, have focused increasingly on environmental, social, and governance (ESG) factors. Business corporations are responding to this trend toward ESG investment by giving a higher priority to sustainability in their business activities.

In 2019, Rakuten was selected by several organizations, including MSCI, FTSE, and Dow Jones, for inclusion in key ESG indices, in recognition of our sustainability-related initiatives and achievements, and our accurate disclosure of information to investors. Our goal is to improve our corporate value and achieve sustainable growth by enhancing our transparency through the accurate and timely disclosure of corporate information.

Building a Sustainable Future
Rakuten believes that a sustainable future can only be achieved by creating a society in which people throughout the world can enjoy happy lives and pursue their dreams. With the founding principle of empowerment as our guide, we will continue to pursue transformation through innovation that challenges established norms and contributes to the advancement of society as a whole, thereby striving to create social and economic value. We look forward to working with all stakeholders to build a sustainable future.
Feature: Walk Together/ Rakuten Innovation

In October 2019, Rakuten launched its mobile carrier business. By creating the world’s first end-to-end fully virtualized cloud-native mobile network, we have dramatically reduced capital expenditure and operating costs, allowing us to offer a simple, low-cost service plan. We have also eliminated restrictive contract terms to create an innovative and simple plan. Japanese consumers devote a higher proportion of their household expenditure to communications than their counterparts in other countries. By providing a low-cost yet extremely convenient service, Rakuten aims to lower this ratio and provide a boost to consumer spending. We call this the “democratization” of the mobile network. Moreover, as the architecture in Rakuten’s mobile network is easier to upgrade to 5G, it has the potential to transform the way many people live and do business.

Rakuten Mobile will change communications

In October 2019, Rakuten Mobile launched its mobile carrier business, and began offering the full-scale commercial service in April 2020 with a single service plan structure that is unique among operators around the world. For a monthly charge of ¥2,980, users have unlimited data communications within the network areas covered by Rakuten Mobile base stations, and unlimited domestic calls through “Rakuten Link,” the communications app developed in-house by Rakuten. We are currently running a campaign to provide the first year of service free to three million customers. Rakuten’s service is also the first in the industry to be provided under an “untied” contract, which means that devices are SIM-lock free, and there are no minimum subscription periods or cancellation charges. Rakuten’s goal is to “democratize the Japanese mobile telephone industry,” where barriers to change carriers are high and call and data charges remain high.

At present, Rakuten’s network area consists mainly of the major urban centers of Tokyo, Nagoya and Osaka, and is currently expanding across the whole of Japan. By the end of March 2020, we had installed 4,738 base stations exceeding the initial plan of 3,432. We will further accelerate the pace of installation and aim for population coverage of 70% by March 2021 so that customers throughout Japan can enjoy user-friendly services without worrying about data usage charges.

Products offered by Rakuten Mobile include the Rakuten Mini, the world’s smallest and lightest FeliCa-equipped smartphone, as well as Rakuten Link, a unique integrated communications app. Rakuten Link will offer not only voice calls, but text messaging, video messaging, group calls, chats and file transfers in the future, all through one app.

Launch of Rakuten UN-LIMIT 2.0 4G Service

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We are creating a next-generation network with our global partners

Rakuten began its move into the mobile carrier business by first defining the attributes of the communications network of the future. We also considered what we could achieve specifically as a consequence of our status as a latecomer to the mobile carrier market with no legacy network. The answer was the creation of a fully virtualized network. When Rakuten announced its network architecture in February 2019, experts around the world suggested that what we were proposing was impossible because of the extremely difficult challenge of virtualizing the radio access network (RAN), the most complex part of a
Talented engineers and marketers from approximately 40 countries and regions are working for Rakuten Mobile. By making English our official language, we have been able to recruit people globally to drive the accelerating pace of innovation. We are realizing our vision for Rakuten as a “global innovation company” by bringing together knowledge, creativity and commitment to produce a continuous stream of disruptive innovations. We have approached the installation of base stations as a company-wide initiative based on the utilization of resources from various Rakuten Group companies. As a result, the number of base stations opened at the end of March 2020 was 4,738 — which exceeded the initial plan.

Vision Shared with Talented People from 40 Countries and Regions

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Rakuten Ecosystem and Membership

The Rakuten Group offers a wide range of services that give us powerful points of contact with consumers. For example, there are 19.64 million Rakuten Card cardholders*, while the number of Rakuten Bank accounts has reached 8.69 million*. These figures are still growing. There are over 100 million Rakuten members in Japan, and by organically linking services through the Rakuten Points loyalty program, the cross-use ratio for people using two or more services is over 70%. By using these assets, we will be able to attract new subscribers while minimizing customer acquisition costs.

Moving to the Next Stage

Rakuten’s full-scale entry into the mobile carrier business is just the beginning of our challenge. We will accelerate the buildout of base stations so that we can expand the area covered by the Rakuten Mobile network as quickly as possible and make our low-cost, user-friendly services available to people throughout Japan. A key advantage for our system in the 5G era is that the transition to 5G can be mostly completed through software upgrades, while our hardware-dependent competitors will need hardware that is specifically designed for each new generation. Rakuten Mobile will contribute to the development of 5G as new social infrastructure that will have an impact on all industries, including not only the mobile communications industry, but also healthcare, energy, retailing, factory automation, and mobility as a service (MaaS), while transforming lifestyles and workstyles, and driving social innovation. Going forward, we aim to package the functions required to build and operate the network created for Rakuten Mobile so that the system can be supplied to telecommunications companies around the world.

Rakuten’s Logistics Transformation is Changing the Future of E-commerce.

Rakuten’s gross merchandise sales from domestic e-commerce reached ¥3.9 trillion in fiscal 2019. A broad range of service improvements have led to expansion of the user base, including the accessibility of Rakuten Points and many other user-friendly service features. Rakuten is investing in logistics because further enhancement of logistics services is key to the continued growth of the e-commerce business. Previously, individual Rakuten Ichiba merchants handled all processes from packaging to shipment but the stability of these operations has been adversely impacted by factors including increases in the delivery charges levied by logistics operators. Rakuten responded to this situation by establishing its “One Delivery” vision. By providing integrated logistics services, Rakuten supports the stable operations of merchants. Rakuten also further enhances customer satisfaction by improving logistics systems from product order to delivery.
The Expansion of Rakuten Super Logistics

Rakuten Super Logistics provides integrated logistics services for merchants on Rakuten Ichiba ranging from the product storage to shipment. Rakuten has established six logistics centers, known as Rakuten Fulfillment Centers, across Japan. By providing high-quality logistics services, Rakuten is able to support the stable operations of merchants. By the end of 2019, the number of merchants using our services had increased six-fold compared with 2018. The existing logistics centers’ utilization rate has been increasing and to cater to these expanding needs, we opened a new facility in Narashino City, Chiba Prefecture. We plan to open another new facility in Yatomi City, Konagawa Prefecture, bringing our national network to eight logistics centers.

Measures are underway at all of our logistics facilities to prevent the spread of COVID-19 and provide employees with an environment where they can work with peace of mind include: distribution of masks to all employees; masks required to be worn at all times; employee body temperature checks; close monitoring of health conditions; disinfectant liquid readily available; additional ventilation. Rakuten Super Logistics aims to continue to provide high quality, safe and secure services.

The Evolution of Rakuten Express

In addition to the development of our own logistics facilities, we also provide last-mile delivery services through Rakuten Express. By May 2020, the coverage ratio for these services had reached 62% of Japan’s population in 36 prefectures nationwide. Rakuten Express offers tracking and notification functions, as well as “okihai” (unattended delivery), whereby items are left in a designated location, such as by the front entrance, if recipients are not at home. In addition, as a measure for preventing the spread of COVID-19, in response to customer requests, we offer “okihai” as a method of non-face-to-face delivery even when customers are at home. We will continue to enhance the user experience and the attractiveness of our marketplaces by introducing highly convenient delivery services.

Simplifying the E-Commerce Experience—Free Shipping for Purchases over ¥3,980

On Rakuten Ichiba, in order to bring out the personality and individuality of the merchants, the pricing and shipping charges, web design and other characteristics of the stores have been decided by the stores themselves, with Rakuten Ichiba playing a supporting role. From the viewpoint of user convenience and security, however, there is also an important need for establishment of uniform standards for key marketplace functions and quality. With this in mind, we have committed to heightening our quality improvement efforts, introducing uniform warranty systems, product image guidelines, and settlement methods. Due in part to the benefits of these measures, the Net Promoter Score (NPS), an indicator of customer satisfaction, for Rakuten Ichiba has improved by around 2.5 times compared to the level two years ago, leading to further growth in gross merchandise value.

Despite these improvements, a detailed breakdown of the results of customer satisfaction surveys showed that satisfaction with delivery services was still low, and that difficult-to-understand shipping charges were a particular focus of dissatisfaction. A major reason for this was the fact that consumers found it difficult to ascertain the final cost of their purchases because each store had different rates and conditions for their shipping charges. We moved to formulate a new policy requiring merchants to make shipping charges easier to understand, and to improve the transparency of the final payment amount by displaying prices inclusive of shipping charges.

Based on this, we announced a policy of establishing a uniform free shipping level, whereby any customer purchasing over ¥3,980 (including tax) at one time in a single store would not be charged for shipping. We then spent over a year making preparations for the introduction of this policy, including communicating closely with merchants. In part, we decided to launch the system initially with the stores that had completed preparations. However, by the end of June 2020, the majority of stores were participating in the program.

Thanks to the free shipping level program, shoppers can easily check the amount of shipping charges payable and the final cost of their purchases. It is also easier to compare products. User reaction to the new system has been positive, and after its introduction many shoppers preferred to choose participating stores. The sales growth rate at participating stores is extremely high compared to non-participating stores, contributing to the growth of Rakuten Ichiba.

In addition, the number of new users and repeat users has been accelerating in the shift to a new lifestyle resulting from COVID-19. In order to increase the number of participating merchants, we will continue to communicate the benefits and support the implementation of this measure, as well as raise user awareness and promote usage. We will continue to work with merchants to achieve sustainable growth in Rakuten Ichiba, so that even more consumers can enjoy the platform’s shopping experience.

Working with Merchants

Over the past two years, we have visited all of Japan’s 47 prefectures to further deepen communication and foster dialogue and opinion sharing with merchants. Starting in 2020, we plan to implement a range of measures based on the results of this initiative, including the expansion of the Rakuten Pay guarantee service, improved systems to guard against suspicious users, and the introduction of systems to provide recognition for stores that offer superior service.

After announcing the introduction of a free shipping level in January 2019, we briefed merchants about the system and sought their input. This resulted in several modifications to the system, including an exemption for large refrigerators and freezers, and an increase in the minimum spending required for free shipment to Okinawa, offshore islands, and other remote locations to ¥9,600.

We will continue to take the views of merchants very seriously as we work to ensure that all transactions are fair and equitable.

We recognize the need for further efforts to improve communication between merchants and Rakuten, and we again plan to visit all 47 prefectures over the next two years.

Our slogan is “Walk Together.” This slogan will continue to guide our initiatives to improve the e-commerce environment in Japan by listening to the voices of both merchants and users.

B.B.T. K.K.—Operator of Baseball Town

B.B.T. first opened its “Baseball Town” store in Rakuten Ichiba in 2004. Turnover has risen steadily over the years, but as daily shipments climbed to over 1,000 items per day, the company became unable to handle the shipment work itself and began to use Rakuten Super Logistics (RSL). This resulted in growth in the number of items shipped using the “Aurora” next-day delivery service, as well as an improvement in shipment speed. Sales have doubled. In addition, B.B.T. has received many positive user reviews, with customers praising the high-quality packaging and fast service.

Apart from the improved numbers, the change has also transformed the mood within the company. Employee workloads have been reduced, allowing people to work more productively, and everyone feels more optimistic and able to work together towards the same goals.
With a cardholder base of approximately 19 million members in Japan, Rakuten Card is at the heart of the Rakuten Group’s Fintech business. The Group also offers payment services Rakuten Pay and Rakuten Edy, in addition to asset-based financial services such as Rakuten Bank, Rakuten Securities, Rakuten Life Insurance and Rakuten General Insurance. By linking these diverse services together with a single unified ID and loyalty points program, the Rakuten Ecosystem is able to generate major synergies.

Change for the Better with Ecosystem Synergies

Ecosystem Created by Rakuten’s Fintech Businesses

The Rakuten Group marketing program “Super Point Up (SPU)” continues to be extremely effective for the fintech businesses. The program offers users multiple options for increasing the number of Rakuten Points they earn when shopping on Rakuten Ichiba. These include registering a Rakuten Bank account to pay their Rakuten Card balance or using Rakuten Points to invest with Rakuten Securities. Also, if customers pay certain types of Rakuten insurance with a Rakuten Card, the number of Rakuten Points earned through SPU will increase by 1%.

The growth in synergy across the fintech business made possible by SPU and other initiatives resulted in a 49.7% year on year increase (as at December 2019) in the number of unique users making use of three major services: Rakuten Card, Rakuten Bank and Rakuten Securities. The asset balances of these businesses at the end of December 2019 also showed significant growth: Rakuten Card’s balance of revolving credit for shopping increased by 18.1% to ¥749.4 billion; Rakuten Bank’s deposit balance grew by 34.0% to ¥3.3 trillion, and its loan balance by 17.3% to ¥1.1 trillion; and Rakuten Securities’ balance of custody assets was up by 35.8% to ¥6.9 trillion. As a channel introducing users to asset-based services generating significant revenue, Rakuten Card and the fintech services are core drivers of Group profitability. We also aim to leverage our extensive customer contact points in the fintech businesses to further build synergies with our domestic e-commerce and mobile carrier businesses.

Advantages of Rakuten Fintech in the Cashless Era

The Japanese government has set a target of increasing Japan’s cashless payment ratio from 20% in 2016 to 40% by 2025. In October 2019, it increased the consumption tax rate and launched a points rebate system for cashless payments. The leading cashless payment method since the launch of this system is credit card payment, which accounts for 63% of total cashless payments, while the ratio for QR codes is 7%, and that for other methods, such as e-money, stands at 31%.

This government policy has provided a boost for cashless payment businesses. For example, in the fourth quarter of 2019 shopping transactions using Rakuten Card increased by 28.9% year on year, which is significantly higher than the growth rate for the credit card industry as a whole. One of Rakuten’s key advantages over its competitors is the fact that a wide range of payment methods, including Rakuten Bank debit cards, Rakuten Pay app QR code and barcode payments, and Rakuten Edy e-money, can all be accessed using the same Rakuten ID.

Providing Diverse Payment Methods Enabling Solid Business Growth

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Diverse Payment Methods

Common ID As Our Asset : Rakuten ID

*1 Services subject to the SPU program as of June 2020
*2 Reference: Ministry of Economy, Trade and Industry, “Recent trends relating to the cashless points rebate project”
Rakuten’s basic policy for the fintech business is to target stable growth while maintaining financial discipline. In 2019, Rakuten Securities was impacted by financial market trends, and Rakuten General Insurance by natural disasters. There was also future-oriented investment in Rakuten Pay. However, the fintech business delivered growth in both revenues and profit. Rakuten Securities has increased its focus on asset-based business through various measures including investment trusts purchases with Rakuten Points. Rakuten’s insurance businesses use reinsurance to control risks. In order to return the effect of reducing customer recruitment expenses to insurance policyholders, Rakuten Life Insurance, Rakuten General Insurance, Rakuten Pet Insurance also introduced point policies. Rakuten Pay further enhanced the convenience of its app by adding Rakuten Edy e-money functions in February 2020. In May 2020 it established a link with the Suica Card system under a tie-up with East Japan Railway. The latent market for cashless payments has only just begun to evolve. Rakuten aims to achieve further business growth in this area through disciplined future-oriented investment.

The hub of the fintech business is the Rakuten Card, which is Japan’s No. 1 credit card in terms of shopping transaction volume\(^1\). The membership base is expanding at an accelerating pace. Synergy effects are reflected in sustained growth in the number of accounts and asset balances for our highly profitable asset-based businesses. Through the fintech business, Rakuten will continue to work toward the improvement of its corporate value through sustainable business development in partnership with merchants, by offering convenient and reliable services that provide real benefits to users.

Rakuten’s innovation activities are focused on the fintech business, with the aim of achieving sustainable growth in this area. Synergy effects are expected to reflect in sustained growth in the number of accounts and asset balances for our highly profitable asset-based businesses. Through the fintech business, Rakuten will continue to work toward the improvement of its corporate value through sustainable business development in partnership with merchants, by offering convenient and reliable services that provide real benefits to users.

Since its founding, Rakuten has constantly worked to open up the potential of the internet, expanding its business based on the belief that innovation would empower and enrich society. However, despite the global expansion of the internet and the globalization trend of the 21st century, the adoption of IT technology in Japan has been slower than other countries around the world, leading to a growing sense of crisis in Japanese society about the possibility that Japan’s international competitiveness in technology will be eroded. Rakuten is profoundly aware of the need to develop original technology in this environment. That is why we established the Rakuten Institute of Technology in December 2005 as a strategic research organization with a mission to forecast the future of the internet and create new technology.

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**Feature : Walk Together / Rakuten Innovation**

**Transforming Technology Through Rakuten Innovation**

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**Rakuten Payment’s “Common ID (Rakuten ID)” Strategy**

Rakuten Pay is a safe, convenient service in which users who register their Rakuten ID can use a variety of payment methods, such as QR codes, barcodes, points and e-money, in various offline and online situations. In Japan, many QR code-based payment services have been launched in recent years. Rakuten Pay has been able to expand its business by capitalizing on strong consumer recognition of the Rakuten brand and implementing simple points campaigns based on the Rakuten Points loyalty program. Rakuten Pay’s approach has gained strong consumer support because of its simplicity and stability. In the 2019 JCSI\(^1\), Rakuten Pay was ranked No. 1 by customer satisfaction in the cashless payment industry. The number of active users continues to expand rapidly. Rakuten Pay also offers many benefits for merchants. Merchants report that their productivity has improved through operational efficiencies such as shortening the time spent processing payments and closing cash registers at the end of the workday, as well as allowing them to devote more time to customer services. Furthermore, merchants that introduce the Rakuten Points Card system also have access to AI-enabled analysis of data based on user attributes, behavior and consumption of other Rakuten services, in addition to the already available POS terminal purchase data. For example, businesses can determine the popularity of new products with targeted consumer profiles, or use analysis of e-commerce shopping characteristics to tailor approaches to potential consumers in real-world stores. In addition, big data analysis enabled by the common use of the Rakuten ID offers significant depth and insights. Rakuten Pay offers merchants added value that goes beyond the provision of payment methods, including improvements in efficiency and customer analysis methods. Rakuten Pay has created a business model that allows sustainable growth through partnership with users, merchants, and Rakuten.

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**How a Merchant is Benefiting from Cashless Payments**

**Oosakaya Shop**

The Oosakaya Shop supermarket chain is based mainly in Toyama and Ishikawa Prefectures. It issues a combined Rakuten Edy/Rakuten Points card under its own brand name. The percentage of sales made using Rakuten Edy reached more than 50% in December 2019, in part due to the effects of television advertising after the launch of the government’s cashless payment points rebate program. The total cashless payment ratio, including credit card payments, has surged to more than 60%. As a result, the Oosakaya Shop has been able to reduce investment and labor costs by reducing the number of cashiers, while the amount of cash needed for change has been halved. Cash delivery costs have also been cut significantly. Oosakaya Shop reports that cashless payment has brought significant improvements to their operations.

\(^1\) JCSI, Material of the 5th survey results presentation (2019)
\(^2\) 2018 domestic credit card issuer shopping transaction value, Yano Research Institute Ltd. research
Building a Global Research Structure

The first Rakuten Institute of Technology (RIT) was established in Tokyo in 2005. Since then we have actively opened overseas RIT facilities in line with the globalization of Rakuten’s business operations. Today there are six RIT organizations around the world, including RIT Tokyo. These facilities employ over 150 research personnel. As strategic and independent R&D organizations, RIT researchers work collaboratively with engineers from the more than 70 Rakuten services, including over 2,900 engineers in the Rakuten parent company alone, to form a unique structural approach to R&D.

RIT’s goal is to use technology to enhance the usability of Rakuten’s various services across e-commerce, fintech, mobile communications, and digital content. Located in Rakuten’s Tokyo headquarters, RIT Tokyo was established in 2005 to carry out research in fields ranging from IoT and drones to network optimization, data mining, fraud detection, NLP, computer vision, HCI and AR/VR.

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Particular priority is given to AI-related fields, such as machine learning and advanced deep learning.

Established in 2014, RIT Paris engages in research projects relating to new interactions among machine learning, deep learning, computer vision, NLP and AR/VR. Research carried out at RIT Singapore since its establishment in 2015 has focused mainly on machine translation, voice recognition, interactive language learning using digital content and user behavior modeling.

Rakuten Institute of Technology Locations

PARIS • TOKYO • SAN MATEO • BOSTON • BENGALURU • SINGAPORE

New Research Themes

RIT’s main fields of research are AI and deep learning, user interactions and AR/VR, large-scale distributed processing, and fifth-generation (5G) communications technology, IoT and drone technology, which combine all of the previous three fields.

AI and deep learning research focuses on the development of technologies to optimize various services based on highly automated analyses of the vast text and multimedia data resources of the Rakuten Group. This work leads to the development of various platforms for searching, recommendations, advertising, and language processing with potential for applications in Group businesses.

In the area of user interactions and AR/VR, our goal is to raise the overall level of the services provided by Rakuten and the Group by developing user interactions to support the realization of rich content experiences adapted to various devices and sensors, in line with changes in users’ technological environments.

The expansion of the Rakuten Group’s systems is creating vast and continually expanding resources of logs and customer and product data. Through our research relating to large-scale distributed processing, we aim to enhance competitiveness by developing parallel and distributed processing infrastructure capable of analyzing those resources with dramatically enhanced efficiency.

In the area of 5G communications technology, IoT and drone technology, we anticipate further evolution of IoT, in which all kinds of objects are connected to the internet, and the growing importance of the communications networks that form the foundations for IoT. By combining our work in the preceding three research areas, we aim to create new technologies that will contribute to solving social issues and regional revitalization, such as advanced communications infrastructure leveraging the ultra-high speed, ultra-low latency, and massive simultaneous connection capabilities of 5G communications systems, and logistics systems that utilize drone technology.

Global Industry-Academia Research Collaboration

RIT is actively engaged in over 30 collaborative research projects with universities and research organizations in Japan and overseas. To further energize this research collaboration, in 2010, the “Rakuten Data Release” website was created, in which various data resources held by Rakuten Group are made available for research. To date, these resources have been used by over 250 universities and research organizations around the world.

RIT facilities will continue to contribute to the long-term growth of the Rakuten Group by facilitating interactions with academia, and by applying academic insights, knowledge, and approaches to the development of services.

Employee Interview

Pierre Imai, Manager, MNO Group, Rakuten Institute of Technology

Because Rakuten has developed such a wide spectrum of business activities, the fields in which technology can be applied are unlimited. This allows us to think more flexibly. For example, a particular idea might not be suitable for our network-related activities but could be applied to other fields. The high level of freedom in our corporate environment allows us to take on a wide range of projects. I am really fortunate to be able to work with such a wonderful group of people. Because Rakuten has adopted English as its official language, we are able to welcome researchers from other countries. Rakuten attracts excellent people from around the world. People have different experiences and ways of thinking according to their area of specialization. This means that we can discuss a single theme from multiple perspectives. I feel that this is reflected in better research outcomes.
We aim to build a business portfolio that can create sustainable value while delivering a robust financial base.

Kenji Hirose
Group Executive Vice President,
CFO (Chief Financial Officer)

For Rakuten, fiscal 2019 was a period for strategic investment. Were the financial results in line with your initial expectations?

From a strategic viewpoint, we were able to expand our existing businesses while also making strategic investments. However, market conditions also had a significant impact. Our core businesses, such as Rakuten Ichiba, Rakuten Travel, and Rakuten Card, achieved high growth in line with our expectations, with revenues growing by 17.8% year on year and operating income by 18.6%. As planned at the start of the fiscal year, we allocated operating income from our core businesses to investment in growth areas, such as our mobile network carrier business. However, financial market trends appear to have had significant impacts on our investment business, including valuation losses on the ride-sharing company Lyft.

The EBITDA result, which is approximately equal to cash flows, was close to our projections with a 15% year on year decline to ¥196.7 billion.

We saw the first-ever foreign bond issue by Rakuten Group in 2019. As a result, cash and cash equivalents at the end of fiscal 2019 were ¥488.3 billion higher year on year. What are your thoughts on Rakuten’s financial balance?

Because the Rakuten Group is involved in finance-related businesses, we see the maintenance and improvement of our financial soundness and credit rating as an important priority. We issued US$-denominated unsecured corporate bonds worth $800 million in 2019 to diversify our financing methods. Unlike the ¥182.0 billion hybrid bond issue that we implemented in 2018, these foreign bonds are not recognized as capital from a credit rating perspective. However, I believe that by establishing a track record of issues in the foreign bond market, we have succeeded in expanding the range of financing options. Moreover, prior to the foreign bond issue, Rakuten received its first-ever investment-grade issuer credit rating (BBB-) from S&P Global Ratings.

There was a cash inflow of over ¥50 billion resulting from sales of non-core assets, including sales of marketable securities in Pinterest, Inc. and other companies. In 2020, we sold our consolidated subsidiary Rakuten OverDrive Inc. and implemented a partial exit from another investee, Careem.

I believe these actions enabled Rakuten to secure reliable access to funds before the destabilization of financial markets, resulting in the creation of a robust financial base for medium- to long-term growth. Going forward, we will work toward improvements in our equity ratio, ROA, and ROE, which are key financial indicators for Rakuten.

Recent Fundings

<table>
<thead>
<tr>
<th>Bond Name</th>
<th>Issue Date</th>
<th>Issue Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD-denominated Unsecured Bond due November 2024</td>
<td>November 25, 2019</td>
<td>$800 million</td>
</tr>
<tr>
<td>1st-3rd Subordinated Bond</td>
<td>December 13, 2018</td>
<td>¥ 182 billion</td>
</tr>
</tbody>
</table>

Rating

A- : Japan Credit Rating Agency, Ltd. (JCR)
A- : Rating and Investment Information, Inc. (R&I)
BBB- : S&P Global Ratings

https://corp.rakuten.co.jp/investors/stock/bond.html

Growth in Core Business
Excludes market volatility/investment business and upfront investment business for future growth

<table>
<thead>
<tr>
<th>Revenue YoY</th>
<th>Operating Income YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>+17.8%</td>
<td>+18.6%</td>
</tr>
</tbody>
</table>

*Core Business: Rakuten Ichiba, Rakuten Travel, Rakuten Rewards former Ebates; Rakuten Card, Rakuten Bank, Rakuten Life Insurance
CFO Interview

Q As CFO, how do you view the April 2019 organizational restructuring? What are your thoughts regarding business portfolio management?

A In April 2019, we restructured Rakuten’s organizations for the internet service business, the mobile business, and the fintech business. I see the separation of BS and PL for individual companies as a step forward that will be useful both for internal management and dialogue with the market. We have also been working on reforming the accounting system since fiscal 2019, and we will continue to strengthen BS management by business. We are making steady progress toward the perfection of our economic capital management structure.

Our business management processes center on regular meetings of the Business Portfolio Committee, which consists of officers at the executive vice president/executive officer level and above. The committee discusses the performance of each business and their roles and synergies within the Rakuten Ecosystem. It also makes decisions about exits, sales, and the provision of support. For example, even though our consolidated subsidiary Rakuten OverDrive was profitable and performing strongly, we decided to sell the company due to a lack of synergies, such as ID integration. Our aim is to build a business portfolio that enables the entire Rakuten Group to achieve sustainable value creation.

Q What progress have you made with forward investment in businesses, and when do you expect to recover these investments?

A Under the plan that we have submitted to the Ministry of Internal Affairs and Communications, our target for the mobile carrier business is to be profitable by fiscal 2023. On March 3, 2020, we announced our mobile carrier service plan and began accepting user applications for the launch of full-scale 4G services in April. The number of applications is increasing steadily. We are already ahead of our original plan for the base station buildout, but we plan to accelerate deployment further to improve user convenience and reduce roaming costs as quickly as possible.

Our investment in logistics is geared toward the establishment of a nationwide network of distribution centers operating as Rakuten Super Logistics. We plan to improve profitability by increasing the utilization rate of the distribution centers, while also enhancing warehouse operating efficiency. In addition, we aim to monetize Rakuten EXPRESS, which provides last-mile logistics services, by improving load rates and delivery efficiency. In our domestic e-commerce business, the improvement of delivery services leads directly to improvement in customer satisfaction. We expect that investment in logistics will not only enable the consolidated delivery of items purchased at multiple merchants, but also boost gross transaction value. We will continue to invest at a certain level in this area, while also striving to improve shareholder value.

The ROI for our investment business was 95%, while IRR reached 25%. We will also proactively exit when the...
This fiscal year, in domestic e-commerce 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 expansion of the Rakuten Ecosystem. The Rakuten Group worked to mitigate the medium- to long-term impact of volume limits and increased shipping costs from shipping companies and enhance the convenience of both customers and merchants who use Rakuten services by reinforcing its logistics network. These efforts include increasing the capacity of the Rakuten Group’s logistics facilities to accept products for stores on the Rakuten Ichiba marketplace and expanding the last mile delivery area covered by the Rakuten Group based on the One Delivery concept of providing comprehensive logistics services.

In overseas internet services, the Rakuten Group integrated various services into the Rakuten brand, and conducted proactive sales promotion activities to raise the profile of the brand and expanded business overseas. In the investment business, the Rakuten Group recorded ¥75,120 million in valuation gains on share investments related to the ride-sharing business, etc.

As a result, revenue for the Internet Services Segment rose to ¥792,512 million, a 17.1% year-on-year increase, while Segment profit stood at ¥90,738 million, a 15.8% year-on-year decrease.

In the Mobile Segment for the fiscal year ended December 31, 2019, preparations, including the installment of base stations, were made to enable Rakuten to fully launch its mobile business in April 2020 and provide the world’s first end-to-end fully virtualized cloud-native mobile network. The “Free Supporter Program” was launched in October 2019, and was open to approximately 5,000 subscribers. As a result, Rakuten Group has experienced, since the fourth quarter of the fiscal year, a depreciation of property, and incurred line usage fees in roaming areas of competitors. Furthermore, “Rakuten Mobile,” which provides Mobile Virtual Network Operator (MVNO) services, and “Rakuten Viber,” which provides messaging and VoIP services, substantially increased revenue due to growth in membership.

As a result, revenue for the Mobile Segment rose to ¥119,808 million, a 33.3% year-on-year increase, while Segment profit stood at ¥60,051 million due to expansion of investments, costs for Mobile Network Operator (MNO) services, compared to a loss of ¥13,672 million in the previous fiscal year.

In the Fintech Segment, growth in shopping transaction volume and revolving balances due to expansion of the membership base of “Rakuten Card” contributed to an increase in revenue and income. In addition, in banking services, revenue and income continued to expand due to an increase in interest income, etc. from growing loan balances and improvements in administrative efficiency, despite the backdrop of a negative interest rate policy. In insurance services, a gain on sales of securities was recorded from managing financial instruments, and a rebound from large payments of insurance claims related to disasters including the heavy rains in western Japan in the fiscal year ended December 31, 2018 contributed to increased revenue and income in the fiscal year ended December 31, 2019. In securities services, revenue and income declined due to reduced commissions under the backdrop of a sluggish domestic stock market.

As a result, the Fintech Segment recorded ¥486,372 million in revenue, a 14.6% year-on-year increase, while Segment profit stood at ¥69,306 million, a 2.1% year-on-year increase.
Board of Directors

Hiroshi Mikitani
Representative Director, Chairman, President and CEO

Masayuki Hosaka
Representative Director and Vice Chairman

Charles B. Baxter
Director

Year Appointed/Positions Held or Career Summary:

2010

Audit & Supervisory Board Member
Director of JVC Kenwood Co., Ltd., Director of JVC KENWOOD Corporation
Outside Director of Ragnarok Online Inc., Outside Director of Blue Spirit Group, Inc.

Corporate Governance Committee Member

2015

Audit & Supervisory Board Member
Director of JVC Kenwood Co., Ltd., Director of JVC KENWOOD Corporation
Outside Director of Ragnarok Online Inc., Outside Director of Blue Spirit Group, Inc.

Corporate Governance Committee Member

2020

Audit & Supervisory Board Member
Director of JVC Kenwood Co., Ltd., Director of JVC KENWOOD Corporation
Outside Director of Ragnarok Online Inc., Outside Director of Blue Spirit Group, Inc.

Corporate Governance Committee Member

2021

Audit & Supervisory Board Member
Director of JVC Kenwood Co., Ltd., Director of JVC KENWOOD Corporation
Outside Director of Ragnarok Online Inc., Outside Director of Blue Spirit Group, Inc.

Corporate Governance Committee Member

Reason for Nominating the candidate:

Ken Kutaragi

Outside Director

Year Appointed/Positions Held or Career Summary:

2010

Chairman, President and CEO
Hiroshi Mikitani

Outside Director of Communications & Energy Company

Reason for Nominating the candidate:

Outside Directors

4

Outside Directors

57%

5 people

Independent Directors

4

Independent Directors

57%

5 people

Foreign Directors

2

Foreign Directors

29%

2 people

Female Directors

1

Female Directors

14%

1 person

Outside Directors, Independent Directors, Foreign Directors, Female Directors

Governance • Independence • Diversity

Executive Officers

Yasuhisa Yamada
Group Executive Vice President
President of Rakuten Media & Sports Inc.

Yoasumi Hirai
Group Executive Vice President
CEO of Cyber AI

Kantaro Hayakawa
Group Executive Vice President
CEO

Makoto Arine
Group Executive Vice President
President of Media & Sports Company

Kazunori Tokuda
Group Executive Vice President
President of Commerce and Technology Company

Kenji Hirose
Group Executive Vice President
President of Rakuten Marketing Inc.

Tareq Amih
Group Managing Executive Officer
CEO

Masayada Kobaoshii
Group Managing Executive Officer
CEO

Kaji Ando
Group Managing Executive Officer
CEO of Rakuten Acceleration & Innovation Company

Yuji Kasunoki
Group Managing Executive Officer
Representative Director and President of Rakuten Securities Inc.

Executive Officers

Koichi Nakamura
Group Managing Executive Officer
CEO of Cyber AI

Kazuhito Kanai
Group Managing Executive Officer
CEO

Naho Kobaoshii
Group Managing Executive Officer
CEO of Rakuten Acceleration & Innovation Company

Takuya Kitagawa
Group Managing Executive Officer
CEO of Technology Division

Managers and Partners

Katsuyuki Yamaguchi
Group Managing Executive Officer
Corporate Governance Chief

Takao Ohara
Group Managing Executive Officer
CIO

CDO = Chief Data Officer

Kenji Kato
Group Managing Executive Officer
CTO & Chief Revenue Officer

ITO = Information Technology Officer

Kazunori Takeda
Group Managing Executive Officer
CTO

CISO = Chief Information Security Officer

Shinji Hirono
Group Managing Executive Officer
COO

CISO = Chief Information Security Officer

Takahiko Kawamura
Group Managing Executive Officer
CFO

COO = Chief Operating Officer

Yasuhisa Nishikawa
Audit & Supervisory Board Member

Tokei Hirota
Audit & Supervisory Board Member

Masahide Hiramoto
Audit & Supervisory Board Member

Katsuyuki Yamaguchi
Audit & Supervisory Board Member

*1: Outside directors stipulated under Companies Act of Japan
*2: Independent Director specified by the regulations of Tokyo Stock Exchange, Inc.
*3: Outside Audit & Supervisory Board Member stipulated under Companies Act of Japan

Auditors

Yasuhisa Nishikawa
Audit & Supervisory Board Member

Tokei Hirota
Audit & Supervisory Board Member

Masahide Hiramoto
Audit & Supervisory Board Member

Katsuyuki Yamaguchi
Audit & Supervisory Board Member

*1: Outside directors stipulated under Companies Act of Japan
*2: Independent Director specified by the regulations of Tokyo Stock Exchange, Inc.
*3: Outside Audit & Supervisory Board Member stipulated under Companies Act of Japan
The 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.

**Corporate Governance**

The Company has adopted an Executive Officer System by which the Board has retained the responsibility for management decision-making and supervision, while Executive Officers have been made responsible for the executive functions. In order to separate the supervisory and executive roles of management, the Company supervises management through an Audit & Supervisory Board, the majority of which is comprised of Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has four Audit & Supervisory Board Members, the majority of which are Outside Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members). The purpose of the Audit & Supervisory Board is to receive reports, discuss, or make decisions on important audit-related matters. However, it does not prevent each Audit & Supervisory Board Member from exercising individual authority. In accordance with audit policies and plans established by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend meetings of the Board of Directors and other important management meetings, and receive reports about the state of the Company’s operations from Directors and employees in addition, they check the operations of the Company and its subsidiaries. Further, the Audit & Supervisory Board Members receive audit reports from the accounting auditors and audit financial statements and business reports. They also discuss various matters with the CEO. The current members are Audit & Supervisory Board Members (full-time) Yoshiaki Nishikawa, Outside Audit & Supervisory Board Member (full-time) Masahide Hiramoto, Outside Audit & Supervisory Board Member (full-time) Masaaki Hasegawa, and Outside Audit Board Member (full-time) Yoshinori Nishikawa.

**Corporate Governance Structure**

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 (independent personnel) of the Rakuten Group; initiatives promoting Group-wide compliance, 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 Outside Audit & Supervisory Board Members shall also thoroughly supervise and audit the execution of duties by Directors. 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 officers and employees of Rakuten Group.

**Corporate Organization**

(Directors, Board of Directors, Executive Officers, etc.)

While it is stipulated in the Articles of Incorporation that the number of Directors shall be not more than 16, the Board of Directors consists of seven Directors, including four Outside Directors. Resolutions of voting rights at an Annual General Shareholders’ Meeting attended by shareholders holding at least one-third of voting rights. The Board of Directors holds regular meetings to increase corporate value and shareholder value over the medium to long term, and also holds extraordinary meetings as necessary to supervise the decisions made on important management matters and to supervise the Executive Officers’ activities. Executive Officers, upon receiving business execution orders from the representative director, carry out business execution within the administrative authority set forth by the Company. The current Board of Directors consists of seven members, Chairman and CEO Hiroshi Mikitani, Representative Vice Chairman Masayuki Hosaka, Director Charles B. Baxter, Outside Director Ken Kutaragi, Sarah J.M. Whiteley, Takashi Mitachi and Jun Mura, and is chaired by Chairman and CEO Hiroshi Mikitani. The Investment and Loan Committee, which members include external directors and external experts, discusses in advance whether or not to proceed with projects that require new capital expenditure including any investment, and reports the results to the Board of Directors.

(Audit & Supervisory Board Members and the Audit & Supervisory Board)

The Company has four Audit & Supervisory Board Members, the majority of which are Outside Audit & Supervisory Board Members (including one Full-time Audit & Supervisory Board Member). Audit & Supervisory Board Members assist Audit & Supervisory Board Members in the performance of their duties. In addition to its regular meetings, the Audit & Supervisory Board holds special meetings as required. In accordance with audit policies and plans established by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend meetings of the Board of Directors and other important management meetings, and receive reports about the state of the Company’s operations from Directors and employees. In addition, they check the operations of the Company and its subsidiaries. Further, the Audit & Supervisory Board Members receive audit reports from the accounting auditors and audit financial statements and business reports. They also discuss various matters with the CEO. The current members are Audit & Supervisory Board Members (full-time) Yoshiaki Nishikawa, Outside Audit & Supervisory Board Member (full-time) Masaaki Hasegawa, Outside Audit & Supervisory Board Member (full-time) Hitomi Hirono, Outside Audit & Supervisory Board Member (full-time) Katsuyuki Yamaguchi, and Outside Audit Board Member (full-time) Yoshinori Nishikawa.

**Internal Control Systems and System to Ensure the Appropriateness of Operations of Subsidiaries of the Company**

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.

(Note) “Segment” refers to the 3 reportable segment: Internet Services, FinTech, and Mobile.
(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 regarding the execution of duties by Directors of Rakuten, Inc.

(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 the Rakuten Group Regulations and other internal regulations, risks that arise during the course of each individual internal Company’s 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 Effectively 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 “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 the 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 organization of internal audit of each subsidiary and by conducting internal audits on the Rakuten Group as a whole.

(7) Requests from Audit & Supervisory Board Members 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 Board of Audit & Supervisory Board, and the Audit & Supervisory Board Members may give orders to employees belonging to the Audit & Supervisory Board Members Office as necessary. 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 as they need. Additionally, when employees assist Audit & Supervisory Board Members, and the Audit & Supervisory Board, the effectiveness of the orders from Audit & Supervisory Board Members shall be evaluated accordingly.

(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 Members request 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 from the Audit & Supervisory Board Members, Rakuten, Inc. shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Audit & Supervisory Board Members’ duty.

Policies Concerning Amounts of Remuneration for Directors and Audit & Supervisory Board Members, and the Adoption of Methods for Calculating Those Amounts
(a) Basic Policies
The Company’s officer remuneration is determined in accordance with the following basic policies. For Executive Directors, the Company shall set a level of remuneration that can secure and maintain globally competitive, excellent human resources, and under a remuneration system in which share options linked to its business performance account for a high proportion, in order to promote sustainable growth by improving medium- to long-term corporate value and achieving management goals. For non-executive Directors, the Company shall set a level of remuneration that can secure and maintain excellent human resources who will support management with global expertise.

(b) Remuneration Structure
Remuneration of Executive Directors of the Company is composed of:
- a. Basic remuneration (fixed)
- b. Performance-linked bonuses as short-term incentive remuneration
- c. Share options linked to share prices as medium- to long-term incentive remuneration

With regard to composition ratio, the basic remuneration ratio is set based on each position and role. It is designed to increase the ratio of variable remuneration, especially share options linked to medium- to long-term business performance. Directors and Outside Directors who are independent from business execution are only paid a fixed monthly amount.

(c) Indicators and Method of Calculation
Multiple KPIs for the contribution and expansion of the Rakuten Ecosystem have been selected as indicators related to performance-linked remuneration, and set so that they can be linked to growth and profitability. The method of calculation reflects year-on-year changes in the indicators, achievement of targets, and results of individual evaluations. The amount paid is determined based on the degree of achievement, in consideration of an amount requested by the individual.

(d) Remuneration Determination Process
The Board of Directors explains the policies and decision-making process regarding remuneration for Directors of the Company to “Financial Information and Exchange Act” and other applicable domestic and foreign laws and regulations.

Deliberations by the Board of Directors
The main matters discussed at meetings of the Board of Directors in FY 2019 were as follows.

Main Resolutions and Reports

<table>
<thead>
<tr>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>· Matter of Group Recognition related Contracts and Applications</td>
<td>· Matter of Revision of Group Company Governance</td>
<td>· Matter of Acquisition of Lamigo Monkeys Co., Ltd.</td>
<td>· Matter of Herger of Signature Japan Co., Ltd.</td>
</tr>
</tbody>
</table>
Compliance

Compliance with laws and regulations is a requirement for all individuals and companies. As a global leader, the Rakuten Group is looking beyond that—we are aware that we have a greater responsibility to fulfill. We are committed not only to meeting minimum requirements, but also to proactively responding to high expectations from society in order to remain a responsible corporate citizen and bring positive change to the world.

Rakuten Group Regulations (RGR)

The Rakuten Group Regulations (RGR) are the set of common rules for the Group. They ensure that all employees adhere to the highest ethical standards and that a framework for effective corporate governance is in place, in order to maximize corporate value. The RGR consist of policies and guidelines such as the Rakuten Code of Ethics and Rakuten Shugi, or Rakuten Basic Principles, which includes the Brand Concepts and the Five Principles for Success. They cover important areas such as compliance with laws and regulations, labor practices, information security, quality management, sustainability, and more. Group-level rules are complemented by company-specific regulations to address the specificities of each service when necessary. The RGR are updated twice a year to reflect fast-changing businesses and expectations from stakeholders and society.

Compliance Management

To ensure strong compliance management across the Group, the Rakuten Group has appointed the Function-CCO (Chief Compliance Officer), who, under the leadership of the CDO (Chief Operating Officer), oversees overall Group-wide compliance. A Company Compliance Officer is also appointed in each company to promote Group-wide compliance programs, monitor their effectiveness and liaise with a Function-CCO in making improvements. Under this structure, the Group Risk & Compliance Committee identifies risks that could hinder the achievement of business strategies, promotes effective compliance at the Group level, shares best practices and proposes compliance and risk management strategies. In 2019, subcommittees were set up to address the identified risks and compliance areas, and engaged in risk mitigation, which was reported to and discussed at the Group Risk & Compliance Committee.

The Board of Directors receives reports jointly from the CDO (Chief Operating Officer) and Function-CCO periodically. Through this structure, the Group Risk & Compliance Committee delivers an overview of overall Group-wide compliance risk and status to the Board of Directors. This information is also shared with the Director General, the President and Chief Executive Officer, the Group Risk Management Committee, and the Group Sustainability Committee. The annual report on Board of Directors’ considerations is reported to the Board of Directors periodically.

Group Compliance Program

In order to continuously improve compliance activities and to address new regulations and expectations from stakeholders, Rakuten implemented a PDCA (plan-do-check-adjust) cycle called the Rakuten Group Compliance Program. The program consists of the following steps:

- **Identify Risks**
  Risk factors facing the Rakuten Group are identified based on risk assessment, reported incident information and other concerns raised from top management and different departments.
- **Plan Solutions**
  The identified risks are prioritized and action plans are established accordingly.
- **Implement and Execute**
  Action plans are implemented and executed at the appropriate organizational level (business, company and/or Group).
- **Evaluate**
  Compliance risk is mitigated through reviewing Group-wide operations and the compliance status with laws and regulations. The result of the review is reported to the Group Risk & Compliance Committee.

Anti-Corruption

The Rakuten Group Anti-Corruption Policy, part of RGR, prohibits all types of corruption including, but not limited to, giving and receiving bribes either directly or indirectly through third parties, facilitation payments, kickbacks, inappropriate gifting or receiving entertainment and illegal political contributions, donations and sponsorships.

Group Anti-Corruption Program

In order to eliminate corruption, the Rakuten Group Anti-Corruption Program has been implemented. Designed to prevent, detect and remediate corruption for all of our operations worldwide, the program covers the following elements:

- **Risk Identification**
  A bribe is typically made via third-party intermediaries, and thus due diligence is to be conducted to confirm that the intermediary is not associated with a corruption risk. It is to be done before engaging in mergers and acquisitions or investments as well. Additionally, corruption risk assessment for existing Group operations ensures integrity in our business activities.
- **Raising Awareness**
  Training on anti-corruption is regularly conducted in order to ensure that all Group employees fully understand what corruption is, the different forms it can take, consequences of involving corrupt practices, and how on offense can be reported.
- **Reporting**
  All employees are required to report any actual, suspected or potential violation of the Group Anti-Corruption Policy to the Rakuten Hotline, a confidential whistleblowing channel established within the Rakuten Group. Anti-corruption compliance status and the implementation of the program is reported to the Board of Directors periodically.

Employee Engagement

Awareness and Training

In order to instill a strong awareness of legal and ethical compliance throughout the Rakuten Group and ensure all Group employees are well-informed about its principles, communication and training activities covering compliance with laws, regulations and RGR are conducted for all Group employees on an ongoing basis. Specifically, we thoroughly communicate business ethics and RGR to all employees through E-learning and at morning meetings (Asakai) attended by all employees of the Rakuten Group. Compliance pledges are collected from all executives and employees to make public statements on compliance and adherence to social norms, laws and regulations, and internal rules.

Rakuten Hotline

The Rakuten Group has a whistleblowing system called the Rakuten Hotline where all Group executives and employees, including not only full-time employees, but also contract employees and temporary staff, can report on illegal activity, violations of company rules and regulations, fraudulent acts, or other ethical misconduct to inside and outside contacts. The Harassment Help Desk is also available for reporting harassment-related complaints specifically, and to ensure that behavior constituting harassment is dealt with appropriately.

The confidentiality of whistleblowers is protected and any disadvantageous treatment for whistleblowers is prohibited. All reported misconduct is investigated by the dedicated team and feedback is provided to whistleblowers that includes a conclusion, resolution and plans for improvement. In all circumstances where a breach is substantiated, those involved in misconduct will be subject to disciplinary action in accordance with the provisions of the employment rules of the company.
Walk Together: Our New Commitment

In 2019, we announced the new Rakuten corporate slogan, “Walk Together.” While the slogan itself is new, the concept behind it is not. In 1997, as one of the founding members of the company, I traveled across Japan to share our philosophy of empowerment with local merchants, who in those days knew little about computers. I invited them to launch their shops on Rakuten Ichiba and walk with us into the 21st century as we transformed the world through the internet. Fortunately, many of these merchants shared our dream and helped us to build Rakuten Ichiba into what it has become.

Today, we offer more than 70 services globally. Because of this growth in the scale of our business, it is not easy to ensure that our founding principles are understood and implemented by every employee. As major changes occurred in Rakuten’s business environment in 2019, we decided that it was time to go back to our roots in preparation for a new phase in our evolution. “Walk Together” expresses our strong commitment to create a brighter future with the partners who have supported Rakuten, and our determination to build a sustainable society together. The purpose of this message is to reaffirm our founding philosophy, and share it with the world and our employees.

Well-Being for Individuals, Organizations and Society

As CWO, I aim to realize well-being from three main perspectives: well-being of individuals through activities for the physical and mental health of each employee, well-being of our organization based on Rakuten Shugi, or basic principles, and well-being of society through sustainability initiatives. My role, which I find very meaningful, is to ensure these three interconnected levels of well-being.

Well-being of individuals is often defined as the ability to lead a fulfilling life through happiness and satisfaction physically, mentally and socially. “Walk Together” with all employees and our various stakeholders worldwide.

Building Foundations for a True Global Innovation Company

In 2019, we revised the Rakuten Group Code of Ethics for the first time in five years to create a foundation for Rakuten’s future activities as a global leader in sustainability. We focused in particular on provisions relating to human rights and identified a number of issues that Rakuten needs to actively address for all stakeholders as an internet company, including privacy, freedom of expression and working environments. In addition, we formulated the Rakuten Group Sustainability Policy, which clearly states our commitments on important issues, such as environmental protection and human rights, and defines our basic social responsibilities as a global innovation company.

Rakuten reports on its efforts to fulfill these commitments by actively disclosing non-financial information about sustainability initiatives. In addition to the release of information through our website, we also include ESG updates in our quarterly Earnings Releases. We have also been creating more opportunities for engagement with ESG-focused institutional investors and dialogue with stakeholders.

The regular disclosure of information on our activities and achievements to investors has resulted in the inclusion of Rakuten in key ESG indices, including those administered by MSCI, FTSE and Dow Jones. We will continue to engage with stakeholders and provide internal feedback to ensure that external evaluations are reflected in our management activities and sustainability initiatives.

Combating Climate Change

In 2019, the effects of climate change were manifested in many parts of the world, including massive fires in the Amazon rain forest and Australia, and record-breaking typhoons and rainstorms in Japan. These events were reflected in growing pressure, especially from the younger generations, for action on climate change.

Rakuten recognizes climate change as a major threat to the survival of humanity and the Earth, and as an issue with serious implications for sustainable business development. Aspects of our business activities are also linked to climate change, including greenhouse gas emissions resulting from the consumption of electric power for our day-to-day operations, and CO2 emissions from the trucks used to deliver products purchased on our e-commerce sites to customers.

As part of our efforts to reduce our impact on the climate, we announced in December 2019 that we would join the international RE100 initiative, and adopted the goal of achieving a 100% renewable energy ratio for the electric power used in the business activities of Rakuten, Inc. by 2025. We also aim to switch to renewable energy throughout the entire Rakuten Group, and several of our companies are already investigating solutions. We are notably looking at opportunities to create renewable energy for our business activities under our partnership agreements with over 30 local governments. Climate change is not a problem that Rakuten can solve alone, and we will contribute to finding solutions in collaboration with various stakeholders worldwide.

Ensuring Respect for the Human Rights of All Stakeholders

Rakuten’s business is made possible by countless people, including our partners and employees involved in the development, supply and administration of products and services, the customers who use those products and services, investors and local communities. The protection of the human rights of all these people supporting Rakuten is a vital priority for our sustainable growth, and a key factor in my efforts as CWO. As a first step toward the realization of this goal, we cleared the stance of the Rakuten Group on all human rights issues in the Rakuten Group Sustainability Policy formulated last year. We are currently implementing a human rights risk assessment based on this policy.

Of course, we were addressing human rights issues relating to our services even before the adoption of this policy. Rakuten is a leader in the protection of privacy, which is one of the most important human rights issues in the internet era. For example, we have adopted a stringent privacy policy that meets international standards, and Rakuten was the first Japanese company to be approved by the EU data protection authorities. Furthermore, in 2018 we established the “EARTH MALL with Rakuten” within Rakuten Ichiba. The aim of this initiative is to use Rakuten Ichiba as a platform to raise awareness on both the demand and supply sides, and to protect human rights in supply chains and in society in general.

Maintaining Respect and Admiration for Rakuten

If we want to maintain Rakuten’s status as a respected and admired company for decades to come, it will require sustainability awareness and action by each and every employee. We therefore must find ways to foster a sense of ownership, to have employees think about what they personally can do. The Rakuten Group’s vision for a sustainable society needs to be broken down at the level of the business units, which are to add a sustainability perspective to their performance targets. In addition to my own efforts to encourage such a change, the members of the Sustainability Department are continually working to ensure the assimilation of our sustainability commitments throughout the entire organization, through top-down and bottom-up communications.

An important aspect of Rakuten’s founding corporate culture is our backcasting approach to goals such as this. We set ambitious targets similar to the Sustainable Development Goals (SDGs), formulate action plans and work to ensure that those goals are achieved. The expansion of the Rakuten Group has been paralleled by an increase in opportunities for sustainability initiatives and rising expectations towards our role and responsibilities. We will continue to work as a Group toward the creation of a sustainable society.
Overview of Sustainability at Rakuten

Rakuten was founded with the aim to provide services that empower Japanese merchants and local economies, and empower the country as a whole. While we have grown into a global company, our commitment to a sustainable society remains unchanged and is a fundamental value of Rakuten.

Rakuten’s Materiality

In 2017, we identified our materiality in order to establish our sustainability action plan in line with the expectations of our stakeholders and of society as a whole. Material issues are issues that a company has a responsibility to address as a priority in order to realize long-term business growth while contributing to the realization of a sustainable society.

Using international benchmarks, such as the Sustainability Accounting Standards Board (SASB) and the UN Sustainable Development Goals (SDGs), we established a list of potential Environmental, Social and Governance (ESG) concerns. For each concern, our stakeholders — employees, business partners, service users — and our upper management evaluated their relevance and importance. The result of the survey is a list of 16 issues which make up our materiality.

In 2019, we accelerated our sustainability initiatives referring to this materiality and improved our ESG reporting regarding our progress. These efforts were recognized through the consecutive inclusion of Rakuten into the leading global ESG indices.

Supporting Global Sustainability Initiatives

UN Sustainable Development Goals

Adopted by all United Nations Member States in 2015, the 17 SDGs provide a shared scheme for peace and prosperity for people and the planet, now and into the future by 2030. Rakuten believes that the achievement of the SDGs and the realization of a sustainable society are best addressed collectively on a multilateral basis. As a Global Innovation Company that values partnerships, we strive to integrate common global goals into our sustainability action plan and business strategies to tackle global challenges together with various stakeholders.

Rakuten Group Sustainability Policy

In 2019, the first Rakuten Group Sustainability Policy was created as part of the Rakuten Group Regulations (RGR). Before its creation, most of our material issues such as information security, quality management or labor practices were already formally addressed in the RGR, but some were still dealt with at a service level. The policy clarifies the stance of the Group on critical issues — namely human rights, the environment and social initiatives — and builds a framework for all our businesses to advance sustainability in the same direction.

The policy will be regularly revised to reflect growing expectations from our stakeholders and address new challenges arising from society or from the expansion of our businesses.
Information Security and Privacy Protection

As a company offering a wide range of services over the internet, ensuring information security and privacy is our highest priority. We constantly strive to provide safe and secure services that our customers can trust.

**Information Security**

Ensuring information security is one of the highest management priorities of the Rakuten Group. We are working to maintain and improve information security with appropriate protection and management of information assets, including our customers' personal information and the hardware and software that make up the information systems.

**Strengthening Information Security Governance**

The Rakuten Group strives to strengthen information security governance by sharing the same policy and values throughout the Group, from management to employees.

In order to maintain proper security governance, the Rakuten Group Information Security & Privacy Protection Committee chaired by the Group CISO (Chief Information Security Officer) is held monthly to report and make decisions on policy implementation and recent incidents. The major resolutions made by the committee and reporting matters are reported at the Corporate Management Meetings and communicated to the CISOs and employees in charge of information security appointed at each Group company.

In addition, the position of regional CISOs in Europe and the United States were created in 2019, with delegated authority in their respective regions.

To improve the literacy of the Group as a whole regarding information security, CISOs from the Group gather once a year to participate in the CISO Summit where the policies are explained by the headquarters, and best practices and technical expertise are shared among the Group companies. Subcommittees are held to discuss the important themes of the year and lectures by external experts are also organized.

To maintain and strengthen information security management, the norms and guidelines adopted by the Group are based on the international information security management standard ISO/IEC 27001. In 2019, four companies (Rakuten Mobile, Inc., Rakuten Payment, Inc., Rakuten Wallet, Inc., Rakuten Vissel Kobe, Inc.) have newly received ISO/IEC 27001 accreditation, making Rakuten Wallet the first company in the cryptocurrency industry to receive the certification.

**Measures Against Phishing Emails**

In recent years, the number of fraudulent practices over the internet using emails, called phishing emails, is increasing. In 2019, to protect our customers from such attacks, we accelerated the implementation of Sender Domain Authentication Technologies (SPF, Dkim, Dmarc) for our advertising emails, which certify that Rakuten is the sender of the emails. With such technologies, it is possible to identify malicious emails falsely associated with Rakuten and to discard them on a recipient’s email server without delivering them.

In collaboration with Yahoo Japan Corporation, Rakuten was the first private company to implement the system that shows our brand logo on Yahoo Mail when emails are officially confirmed as coming from the Rakuten Group. While the global average implementation rate of this technology is about 5%, 70% of the domains used for our 70+ services have already adopted it. In 2020, we will further expand the deployment of this technology and apply it to all outgoing emails from Rakuten for ensuring the safety and security of our customers.

**Privacy Protection**

Rakuten considers privacy and data protection as the key to the sustainability of the digital economy, and thus strives not only to be compliant with new laws but also to build a robust management system.

**Comparing Legal Requirements**

In order to efficiently ensure legal compliance of services offered globally, we prepare and update comparative tables listing legal requirements under privacy-related laws in different countries and regions. By doing so, when a new law becomes applicable, we are able to identify the strictest controls already in place and whether or not extra measures should be taken.

When building a global privacy program, having controls that are aligned with the strictest jurisdictions is considered as best practice, but in some cases, it is not the most cost-efficient approach. The comparative table provides information on this aspect as well.

**Building Privacy Framework**

Protecting the personal data of Rakuten users and employees at a high standard is a goal shared by all Group companies and is essential for the sustainable growth of the Rakuten brand.

To achieve this goal in a global environment where laws and regulations are newly formulated and constantly revised, we have designed a privacy framework which can respond to the laws of any country and can be adapted to the local environment of each Group company. With this framework, the protection of personal data in a standardized and sustainable manner has become possible.

**Responding to CCPA**

Last year, Rakuten conducted a Group-wide response project to prepare for the California Consumer Privacy Act (CCPA) which came into effect on January 1, 2020. A fine of up to US$7,500 can be imposed for each violation of the Act, with no upper limit in the number of incidents, meaning that the total fine amount can rise indefinitely. Therefore, businesses concerned by the CCPA had to prepare for its enforcement. By leveraging the experience of the preparation for General Data Protection Regulation (GDPR) compliance, the comparative table and the privacy framework, we implemented measures focusing on the following:

- **Sharing importance and emergency of CCPA compliance**
- **Forming consensus**
- **Building progress monitoring and reporting structure**
- **Creating roadmap**

**Transition from initial response to continued response**

- **Preparing process for continued response**
- **Preparing training programs for all employees**
- **Evaluating security**
- **Reviewing contracts with vendors**
For Our Customers
At Rakuten, we believe that the commitment to and pursuit of quality is foundational to building a relationship of trust with our customers. We work endlessly to ensure that our customers experience happiness and excitement through our services and products and that we always exceed their expectations.

Quality Management Systems
Since its establishment, Rakuten has been committed to providing quality services to its customers. To keep this commitment today, three types of initiatives are conducted under the leadership of our Group COO (Chief Operating Officer): “Quality Improvement Activities,” “Quality Assurance Activities,” and “Quality Control Circle Activities.”

Rakuten, Inc. and Group companies also participate in committees that lead Group-wide quality initiatives. The Quality Improvement Committee promotes implementation of quality-related measures and adoption of these measures in our services by monitoring service and product quality based on NPS® (Net Promoter Score)* and sharing best practices. The Quality Assurance Committee discusses the establishment and abolishment of quality standards and guidelines, and the evaluation of quality measures taken.

Quality Assurance Activities
To ensure that all Rakuten services are offering the quality levels expected by our customers, our Quality Assurance Activities are based on international quality standards such as ISO 9001. We established a set of Rakuten Quality Assurance Standards in the areas of customer support, service development, and user experience, and are working to strengthen measures to ensure customers do not have a negative experience while using our services.

Quality Improvement Activities
In order to “Maximize Customer Satisfaction,” one of the core values of the Rakuten Group, we are constantly working to improve the safety, reliability, legality, usefulness, and convenience of our services through various measures.

Improving Customer Satisfaction
Rakuten uses NPS® and VOC to improve customer satisfaction.

Customer Satisfaction Index

<table>
<thead>
<tr>
<th>NPS®</th>
<th>Quantity Active</th>
<th>Qualitative &amp; Positive</th>
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<tbody>
<tr>
<td>5.1</td>
<td>+5.1 points</td>
<td>Rakuten great surpasses that of our competitors</td>
</tr>
<tr>
<td>3.3</td>
<td>-3.3 points</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>+1.3 points</td>
<td></td>
</tr>
</tbody>
</table>

- NPS® greatly surpassed based on VOC, our NPS® greatly surpasses that of our competitors.

Quality Control Circle (QCC) Activities
Launched in 2016, QCC activities are employee-led bottom-up quality improvement activities targeting problems in the field. “Always Improve, Always Advance” is one of the Five Principles for Success under “Rakuten Shugi,” the values and principles shared by Rakuten employees, and the culture of continuous improvement, or “kaizen,” is strongly rooted among them.

The implementation of QCC activities has not only led to the quality improvement of business operations and services, it also translated into productivity improvement with the enhancement of employee capabilities and the creation of vibrant working environments. This greatly contributes to the strengthening and advancement of Rakuten’s kaizen culture as well as to business growth.

From only 13 participants in 2016, QCC activities have been spreading widely, reaching 1,055 people in Japan by 2019, a 14.5% participation rate. The activities have also been implemented overseas, in Rakuten Deutschland in Germany, Rakuten Travel in Taiwan, and Rakuten Aquabirds in France.

In addition to direct activity participation, e-learning and classroom training on QCC are offered to raise awareness, aiming to systematize the adoption of such approaches widely within the Company.

8 Steps of QCC Problem-solving Process
1. Define problems & select topics
2. Analyze current situation & identify problems
3. Set targets
4. Analyze root causes
5. Identify solutions & create action plans
6. Implement actions
7. Validate results
8. Systemize & standardize

* Net Promoter Score, NPS and the NPS-related emotions are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.
COO Message

Over the past three years we have implemented human resource reforms based on our view that organizational structures and people are the keys to Rakuten’s sustainable growth. Our goal is to build an organization with autonomy, leveraging Rakuten’s progressive approach to diversity.

Kentaro Hyakuno
Group Executive Vice President
COO (Chief Operating Officer)

Path to Human Resource Reforms

I have implemented numerous measures since being appointed the executive responsible for human resources in 2017. During the past several years, Rakuten’s work force had doubled. In addition to this quantitative growth, there had also been an increase in diversity, with the number of nationalities represented rising to more than 70. Issues had also arisen related to human resources, including the turnover rate and productivity. To resolve these issues, I took responsibility for human resources in my role as COO (Chief Operating Officer).

My first step after my appointment as the officer responsible for human resources was to interview approximately 130 Rakuten employees, including former employees, who had raised issues. Through these interviews, I sought to build a picture of Rakuten’s current human resource environment and related issues. We asked talented workers who had left Rakuten to speak frankly about the problems and frustrations they had experienced while working for us. We also interviewed around 180 employees working in the area of human resource management and learned that their work encompassed around 1,200 different processes. We immediately reduced the number of processes by about half.

Through these one-on-one interviews, we discovered that challenges existed primarily in the areas of talent attraction, talent development and talent retention. We thus launched the “Back to Basics Project” to fundamentally reform our human resource systems and improve our working environments, with the purpose of refocusing our approach toward the basic goal of Rakuten’s human resources management, which is to develop winning people and winning teams.

Developing Winning People and Winning Teams

We made important changes to our recruitment methods, especially for new graduates. In addition to the human resource team, we now also send young frontline workers to universities and recruitment seminars in Japan and overseas to speak about the fine details of working environments and daily jobs at Rakuten. Such employees can provide specific information about our work with a sense of reality, allowing the students to form a clear impression about what it will be like to join Rakuten. This approach not only helped us attract talented people, but also narrowed the gap between the ideal and reality, which new graduates tend to experience after joining a company. Another change that we have made is to move away from mass hiring of new graduates, which is the general practice in Japan. Instead, we actively recruit throughout the year for engineering positions, and in April and October each year for business positions. We also introduced systems that allow new recruits to change job categories, or to be transferred internally, according to their wishes.

In the area of talent development, we changed our approach to training. Instead of e-learning, which we had used for efficiency reasons, we switched to classroom-based courses. In 2019, we ran approximately 39 courses. This approach is not the most efficient, in part because of the need to arrange venues and lecturers. However, classroom training fosters the sense of belonging and the feeling that employees are like cross-country runners — all running toward a clearly defined goal, overcoming obstacles and climbing steep hills through teamwork. A key outcome from this process has been the sense of growth experienced by Mr. Mikitani, the chairman and president. Going forward, we are determined to build even stronger operational foundations while further enhancing Rakuten’s strengths as an organization in which people have the autonomy to take on initiatives.

A Leading Company for the Future

Rakuten has been described as a blueprint for the Japanese company of the future. Japan’s markets and working population are both likely to shrink in the years ahead. I believe that it will become increasingly difficult for Japanese companies to develop businesses in this environment with only Japanese employees. As a company that attracts workers from diverse backgrounds in terms of nationality, gender and other attributes, and takes up new business challenges while maintaining its corporate culture, Rakuten has pioneered a path to survival for Japanese companies. The Rakuten Group will continue to take up the challenge of building a better society.
Talent Management

Rakuten is committed to hiring, developing and retaining the brightest talent from around the world. Our employees are our most important asset, and we make continuous efforts to help them develop their skills, understanding that they are the key to realizing our vision of being a Global Innovation Company.

Talent Management Strategies at Rakuten

"Back to Basics" Project

During the 2010s, with the Rakuten Group expanding globally and English being made the official language of the company, our working environment changed drastically. Since then, the number of employees has nearly doubled, the number of nationalities represented in the company has jumped to more than 70 countries and regions, and the number of offices has grown in Asia, Europe and America.

Such rapid growth in the workforce and its diversity posed various challenges, particularly in terms of communication and internal alignment. This made it necessary for Rakuten to revise its human resource policies and strategies.

As a result, the "Back to Basics" project was launched in 2017 around three pillars: talent recruitment, development and retention. The project is still ongoing today and includes a number of initiatives that aim at transforming our work environment for the better while keeping Rakuten's strong organizational foundations.

The "Back to Basics Project" Framework

<table>
<thead>
<tr>
<th>Talent Attraction</th>
<th>Talent Development</th>
<th>Talent Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide attractive working conditions and recruit the right talent for the growth of Rakuten's various businesses.</td>
<td>To build a learning organization that allows each individual to continuously grow and demonstrate their maximum potential.</td>
<td>To keep our employees engaged and motivated, in work environments that encourage them to grow with Rakuten.</td>
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</tbody>
</table>

Examples of Initiatives

- Optimize recruiting processes
- Global sourcing function development
- On-the-job training (OJT) and cross-cultural communication
- Talent Attraction

Examples of Initiatives

- Review of evaluation and compensation systems
- Human Resources Strategy
- Talent Development

Examples of Initiatives

- Renewal of diverse work styles
- Inclusive culture development
- Talent Retention

Talent Attraction

We believe that communicating effectively with potential candidates fosters mutual understanding and is the key to attracting and hiring the best talent. Therefore, we are continuously improving both our online and offline communication, in terms of quality and frequency.

Since 2017, the content of our corporate recruitment pages is regularly updated and enriched. The pages not only provide details about our businesses, culture, work environment and career development, but also feature the stories of diverse employees, helping candidates to imagine what everyday life working at Rakuten is like.

Various offline hiring events are held around the globe. “Rakuten Career Conference 2019” for new graduates in Japan was Rakuten’s largest recruitment event ever, attracting 2,000 students. With the purpose of deepening their understanding of the Group, its culture and the career paths it offers, students attended Q&A sessions with employees, executives and even Rakuten Founder & CEO Hiroshi Mikitani.

Internships also play an important role in giving students the opportunity to discover jobs available to employees within the Rakuten Ecosystem. Therefore, the types and frequency of internships have increased.

These efforts have resulted in improving Rakuten’s image as an employer of choice.

Talent Development

Our talent development cycle is contributing to making Rakuten a learning organization, based on a feedback culture and solid competency development programs.

Employee Evaluation

All employees set objectives in terms of competencies that they demonstrate throughout their work and performance twice a year. Expected competencies for each grade are clearly defined in relation to the Five Principles of Success in Rakuten Shugi, the Rakuten Basic Principles which determine monthly salary. Performance evaluations also affect the amount of the biannual bonus.

OJT (On-the-Job Training)

With OJT at Rakuten, employees enhance their abilities to learn autonomously while executing their work. They are empowered to grow with the company through mentorship and direction from superiors, while superiors are empowered to improve their management abilities as well, by supporting their subordinates.

By having all employees adopt this training cycle, we aim to build a strong learning organization.

Since 2017, the quality of OJT has gradually improved, notably through the switch from e-learning to classroom-based courses. The courses maximize the abilities of all employees and support their overall career growth, addressing three categories of topics: level-based training for assuming greater responsibilities in the organization, business skills (logical thinking, leadership, etc.), and “Englishnization Next” (English lessons, cross-cultural management, etc.). In 2019, 39 different training courses were available to employees.

Talent Retention

The tech industry is said to have a comparatively high turnover rate. Talent retention is a complex issue, dependent on many factors, but career opportunities and salary evaluation are often listed as important points.

In addition to the talent development initiatives that support further career opportunities, Rakuten improved the compensation system in 2018: remuneration matrices, for both salary and bonus, now offer greater evolutions through employees’ careers. Rakuten also has long-term employee benefits in place to retain talent, including the issuance of stock options and the introduction of a retirement package. Stock options are issued as part of performance-linked compensation. As the value of stock options is linked to the share price, it enhances employees’ motivation to achieve higher performance. It also serves as a retention mechanism since the stock options only become fully exercisable four years after their issuance. The retirement package was recently introduced to reward employees with longer careers at Rakuten. The package is paid when the employee resigns in the function of the years of service.

As a result of these efforts, Rakuten Inc.’s turnover rate has decreased by 3.5 points since 2017.
Innovation and Rakuten Culture

Rakuten is creating a work environment where people and ideas thrive and accelerate innovation. We make sure that our employees—despite the diversity of their backgrounds and businesses—share the same strong fundamentals: a One Team spirit and a thirst to learn and grow with the company.

Speaking a Common Language

Englishization

English was made the official language of Rakuten in 2012 as part of the Englishization project, which aimed to accelerate the company’s strategy of globalization.

Being a global company does not only mean that we increase our users overseas; it also refers to a mindset that looks beyond Japan and out to the world. It is important that all employees, not just management, have this mindset. For example, the latest trends and technologies cannot be learned only in Japanese. Using English, we can expand our sources of knowledge worldwide, and increase the opportunities to create new businesses and innovation.

Our corporate culture of “yokoten,” or sharing practices horizontally throughout the Group, has also benefited from Englishization. We have become able to swiftly and smoothly share information among Group employees globally without being slowed by language barriers. In addition, as the number of Group companies and offices increases globally, it has become possible to build a management system with a sense of unity across the world, and to recruit and appoint the brightest talent from around the world.

In 2018, we announced that we would build a revolutionary mobile network in only a year and a half. As the telecom industry is said to be lacking innovation, with technology upgrades often time consuming and costly, many thought this would be impossible to achieve.

However, Rakuten Mobile successfully launched its full-scale commercial service as an MNO (Mobile Network Operator) in April 2020, and behind this first step in our bold ambition to disrupt the telecom industry was Englishization. With English as our official language, it was possible to proactively recruit the brightest talent with diverse experiences and values from all over the world and to establish an environment where these employees can work together as one team. Currently, Rakuten Mobile has employees from over 40 countries and regions.

Rakuten’s Corporate Culture

As the Rakuten Group rapidly expands globally, maintaining a sense of unity and cultivating a One Team culture among employees with diverse backgrounds becomes a challenge. Besides sharing the same language and basic knowledge, having a common set of values is essential to working together toward the same goal. That is why our “Back to Basics” strategy attaches great importance to communicating Rakuten’s corporate culture to employees through different workshops.

Rakuten Shugi Workshop

Rakuten aims to work as One Team, but it does not mean forcing a single culture on all employees. We strongly believe that the unique cultures of individuals and teams should be respected, as diversity is one of our key success factors to drive innovation and stay competitive globally.

This belief is reflected in our Rakuten Shugi workshops, conducted for employees to better understand and relate to the company’s values and practices. During the workshops, employees learn about Rakuten’s history and how it shaped our corporate culture today. They are also invited to share their thoughts on the concepts of Rakuten Shugi, and on how Shugi connects to their personal values or the practices of their teams. Rather than being taught how to apply Rakuten Shugi to their daily work, employees are encouraged to discuss how their dreams can contribute to the company’s growth.

In 2019, over 2,600 employees participated in the workshops, including employees who are new to Rakuten, such as new hires or employees from companies that have recently joined the Group. The workshops have proven to strongly contribute to creating a One Team culture and to increasing participants’ engagement.

Global Managers Program

The Global Managers Program (GMP) is a four-day training program for managers working in overseas offices, aimed at deepening their understanding of Rakuten’s business activities and corporate culture.

Managers are invited to Rakuten Crimson House in Tokyo to experience Japanese culture, like the spirit of Omotenashi (hospitality), and feel the uniqueness of Rakuten’s culture, as a global company with Japanese roots. Rakuten’s businesses, history and culture are shared through various lectures, a board game based on the foundation of Rakuten Ichibon in 1997, as well as dialogue with Rakuten founders. In addition, a cross-cultural leadership workshop is offered as an opportunity to discuss how participants can overcome possible culture conflicts within a multinational team and work as One Team.

As a result of the GMP, participants are able to demonstrate Rakuten Shugi in their own workplace, and are equipped to utilize the Group’s global business assets to expand the Rakuten Ecosystem. Their feedback shows that both their business understanding and emotional attachment to Rakuten have increased through the program.

Programming Education for New Graduates

In the same way employees of an automobile company know how a car works, an employee of an IT service company should have fundamental knowledge of computers. With this simple idea, programming training started in 2018 for all new graduates, even those hired for non-engineering positions.

Just as Englishization prepared Rakuten for its global expansion, programming training prepares the Group and its employees for a future where basic knowledge of information technology will be essential to thrive in the business world. In addition, this basic knowledge will make communication between business teams and development teams more efficient.

The training program covers the basics of major coding languages, web applications, and data analysis before giving trainees three weeks to create their own services. Once assigned to their official department, new graduates then receive further on-the-job training focused on their dedicated field.

<table>
<thead>
<tr>
<th>Global Managers Program</th>
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<tbody>
<tr>
<td>Rakuten Shugi Workshop</td>
</tr>
<tr>
<td>No. of participants in culture workshops in 2019</td>
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<table>
<thead>
<tr>
<th>Worldwide Participation of Managers</th>
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<td>Americas</td>
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<thead>
<tr>
<th>Feedback from GMP Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business understanding</td>
</tr>
<tr>
<td>Before GMP</td>
</tr>
<tr>
<td>2.69</td>
</tr>
<tr>
<td>3.19</td>
</tr>
<tr>
<td>2.69</td>
</tr>
</tbody>
</table>

No. of New Grads receiving programming training in 2019 | 395

Training objectives in 2019 | Basic data AI, Basic tech skills, Project management skills
Advancing Sustainability with Our Partners

Since our founding, at Rakuten we have dedicated ourselves to advance and enrich society by empowering people and local communities. As we grew into a global company, our platforms continued to advance sustainable practices beyond borders and across industries such as e-commerce, agriculture and tourism, hand in hand with our business partners.

Rakuten Ichiba

Rakuten Ichiba is a leader among Japan’s B2B2C* e-commerce platforms, connecting over 50,000 merchants with more than 100 million members in Japan. Twenty-three years after its creation, the service that aimed to revitalize the economies of local communities has now become a platform that addresses not only economic issues but also social and environmental challenges. By sharing our efforts and the best practices of our merchants, we not only give the opportunity to our customers to consume more responsibly, but we also inspire one another to advance sustainability at scale across our different value chains.

EARTH MALL with Rakuten

The “EARTH MALL with Rakuten” (EARTH MALL) was opened inside Rakuten Ichiba with the catchphrase of “shopping that changes the future.” Contributing to Goal 12 of the Sustainable Development Goals (SDGs) “responsible consumption and production,” the mall introduces a selection of products that customers can purchase at Rakuten Ichiba in order to support more sustainable lifestyles. In-depth articles telling the stories behind the products on offer are also featured. In 2019, the EARTH MALL celebrated its first anniversary and redoubled efforts to engage with a larger community, both on the merchant and consumer sides.

Articles published in 2019 on EARTH MALL covered a variety of topics including the circular economy of books, minimalist lifestyle for simple living, sustainable meat and meat substitutes. The EARTH MALL was also represented at several offline events, such as Rakuten Optimism and the Rakuten Super Nighter, communicating the importance of sustainable consumption to all users, including those who seldom use the internet.

To further involve Rakuten Ichiba merchants, special content was created for the first time last year on RUX. RUX is the Rakuten platform dedicated to providing merchants with e-commerce know-how via e-learning and other initiatives. The EARTH MALL team created an online course on new trends in sustainable shopping and on the business opportunities that come from addressing the SDGs, which became one of the most successful courses in 2019.

Shop of the Year — CSR Award

The Shop of the Year awards take place annually to highlight Rakuten Ichiba merchants that have performed particularly well, based on a combination of factors such as the number of customer votes, sales revenue, sales growth, the number of orders and the level of customer service.

Among the different prizes, the CSR (Corporate Social Responsibility) Award recognizes merchants which have contributed to the achievement of SDGs through the operation of stores on Rakuten Ichiba. In 2019, the CSR Award was awarded to the merchant “Made in Earth” for its sustained commitment to promotion of organic cotton products. Its organic cotton products are intended to contribute to tackling issues associated with the traditional agriculture of cotton in emerging economies, such as child labor and environmental degradation.

Rakuten Hometown Tax Payment

The “Rakuten Hometown Tax Payment” site within Rakuten Ichiba has become one of the major platforms for use of the hometown tax system in Japan. Over 930 local governments from across Japan leverage the platform to gather donations. In exchange for tax deductions and usually also for local products, consumers are able to donate money through the internet to prefectures and municipalities in rural areas who are struggling with issues such as depopulation.

For customers interested in supporting a specific tax-funded project, the Hometown Tax Payment Crowdfunding platform is also provided by Rakuten Ichiba. Since its launch, over ¥650 million has been donated by over 33,000 customers as of the end of April 2020.

Tackling Challenges of Umi-machi with “Rakuten Hometown Tax Payment”

Umi-machi positions itself as “a town for raising children.” As a commuter town located in Fukuoka Prefecture, it saw families move in at a rapid pace, creating a long waiting list for daycare that left working parents with work-life balance issues. The local government decided to make use of the donations collected through the “Rakuten Hometown Tax Payment” in order to finance the creation of childcare facilities. As a result, their number went from 5 to 15 facilities, and in 2018 the town was able to reduce the daycare waiting list to zero.

Rakuten Farm

Rakuten has been harnessing the possibilities of the internet to revitalize agriculture, an industry facing serious challenges due to a farming population decline. Our service “Rakuten Farm” not only contributes to creating secure revenues for farmers, but also represents employment opportunities for the larger community. The service also strives to encourage more sustainable farming and healthier meals by promoting organic vegetables.

Promoting Organic Agriculture

One of the missions of Rakuten Farm is to accelerate the introduction of sustainable farming in Japan. Rakuten Farm has acquired Organic JAS (Japan Agriculture Standard) certification for both its farmland and factories, and it’s 18 vegetables are certified under GLOBALG.A.P. This is a scheme that minimizes environmental impact and also considers food safety and working conditions. These certifications ensure product traceability as well, allowing consumers to enjoy healthy and safe meals.

Today, organic farming in Japan is lagging behind many other parts of the world. The ratio of organic farmland to all cultivated land accounts for only 0.5%, while major European countries record over 7%. Consequently, buying organic products remains comparatively expensive. Rakuten Farm strives to support the creation of conditions in which sustainable farming products can be affordable and available for all.

Reactiviting Local Communities

Through the retail sales of organic products, Rakuten Farm empowers entire communities. To process its vegetables as chopped salads and frozen vegetables, Rakuten Farm currently operates two factories in Ehime Prefecture, including one that had belonged to a business that closed its doors due to the damage of torrential rains in 2018. Rakuten Farm was also able to rehire the employees who had lost their jobs on closure of that business.

Securing stable procurement of organic vegetables for such factories is usually a challenge, as organic farming is still uncommon in Japan and is more easily affected by climatic conditions. By integrating all production operations, from farmland management to logistics, Rakuten Farm is able to promote stable processing of vegetables and provide sustainable employment. In addition, the retail sales of processed products with added value allows for better remuneration to farmers.
Tackling Climate Change

Rakuten recognizes climate change as being one of the most pressing issues facing society today. Changing weather patterns and the increased risk of extreme weather events affect global citizens as well as our business operations. In order to fulfill our responsibility as a global company and our corporate mission, we will strive to contribute to the realization of a low-carbon society.

Efforts Toward Low-Carbon Operations

As most of our broad range of services are offered online, our operations rely on electricity, which, depending on the way it is produced, can result in the emission of greenhouse gases responsible for climate change. Our offline services, such as logistics services that emit CO2 from trucks for product deliveries, also have an impact on climate change. This is why we have set high targets and are making efforts to reduce any adverse impact on climate change caused by our business activities.

Environmental Targets

- Source 100% renewable electricity for Rakuten, Inc.’s offices, data centers and fulfillment centers by 2025.
- Reduce greenhouse gas emissions of Rakuten, Inc. from electricity consumption (Scope 2) to zero by 2025.
- Reduce greenhouse gas emissions of Rakuten, Inc. from electricity usage at a Group level.

Green Electricity Strategy

Electricity Usage by the Rakuten Group

Over 90% of Rakuten’s impact on climate change originates from electricity consumption. In 2019, the Rakuten Group consumed 126,979 MWh of electricity, a significant rise from 2018 due to the service launch preparations for Rakuten Mobile, as well as the increasing usage of data centers, fulfillment centers and offices globally.

Progress towards 100% Renewable Electricity

In December 2019, Rakuten, Inc. joined the international initiative “RE100,” which brings together the world’s most influential businesses committed to utilizing 100% renewable electricity. Rakuten is the 30th Japanese company joining the initiative, and the 220th company worldwide. We aim to switch to 100% renewable electricity at Rakuten, Inc.’s offices, data centers and fulfillment centers by 2025, and will accelerate the use of renewable electricity at all Group companies in Japan and overseas.

In 2019, we offset 9,145 t-CO2, equivalent to the carbon footprint of over 10 major services provided in the Rakuten Ecosystem, including Rakuten Ichiba and Rakuten Travel. As a result, we achieved 50% progress towards the “RE100” commitment and succeeded in sourcing 15% renewable electricity at a Group level.

Approaches to Sourcing Renewable Electricity

Approach 1 Generating Renewable Electricity On-site

One principle Rakuten follows when sourcing renewable electricity is “additionality,” which means contributing to the increase of renewable generation capacity in the locations where we operate. When relying on national electricity grids, our emissions also depend on the country’s progress on adopting renewable electricity, and in most cases, this means depending on traditional fossil fuel and nuclear power. That is why we prioritize the installation of on-site renewable power generation when possible, with no grid transfer and local consumption, which is the most efficient way to source renewable electricity.

Approach 2 Switching to Renewable Electricity Supply Contracts

On-site generation is preferred, but not all of our sites have enough space or authorizations for the installation of renewable electricity generation to cover 100% of our demand. In such cases, we seek possibilities to switch to an electricity contract bundled with environmental values or carbon-free electricity contracts. Rakuten Energy has been adding low-cost and optimized electricity solutions to the Rakuten Ecosystem. In March 2020, it announced the launch of “REco,” a range of power supply options for corporate users derived from renewable energy. In powering our facilities with carbon-free electricity, leveraging Rakuten Energy’s know-how will play a key role in our strategy.

Approach 3 Offsetting CO2 Emissions with Renewable Energy Certificates

For facilities and operations where we do not have control over electricity contracts such as leased properties, Rakuten offsets the CO2 emitted from electricity usage by purchasing unbundled renewable energy certificates, such as J-Credits certified by the Japanese government. Rakuten will redeem credit cancellation for the CO2 emitted from each site or event and acquire credit cancellation certificates. We consider offset credits as a strong way to send a signal to the market — indirectly incentivizing key stakeholders in the energy sector to accelerate renewable power deployment, as well as calling for partnership or joint innovation with other interested parties.

Engaging with Our Stakeholders

Rakuten’s businesses are supported by various stakeholders including customers, business partners, suppliers, investors and employees. We strongly believe that without the understanding and cooperation of these stakeholders, the reduction of greenhouse gas emissions cannot be achieved. We are committed to working with our stakeholders to not only reduce CO2 emissions from our operations, but also to tackle climate change at large.

CO2 Offsets at Sports Events

Rakuten has been proactively offsetting the CO2 emissions at sports events to raise awareness of climate change in Japan. The Rakuten Tohoku Golden Eagles and Vissel Kobe took the lead in 2018 and offset in total 312 t-CO2 emitted from electricity usage and spectators’ transportation during two games by using J-Credits created from local renewable energy projects in Kobe City and forest thinning projects in Tohoku.

In 2019, Rakuten and the NBA partnered to offset the CO2 emissions derived from the electricity consumption during the NBA Japan Games 2019 Presented by Rakuten at event venues by using J-Credits derived from renewable energy. In addition, a CO2 offset booth offered the fans the opportunity to join our initiative to reduce emissions: For each picture taken at the booth, 6 kg of CO2, equivalent to the average carbon emissions per person per day, were offset. Thus, not only did we reduce CO2 emissions from event operations to virtually zero, we also reduced emissions from the transportation of fans.
Social Initiatives

With assets including over 20,000 employees of diverse backgrounds and more than 70 services powered by various technologies, what Rakuten can do to contribute to society is limitless. With our social initiatives, we aim to fulfill our corporate mission above and beyond the reach of our business activities, for the well-being of an ever growing number of stakeholders.

Accelerating Social Innovation

Leveraging Our Assets for Good

Since its foundation, Rakuten has been committed to contributing to society through its businesses, starting with Rakuten Ichiba and its mission to revitalize Japan’s local communities. From 2008, as our assets diversified with the expansion of the Rakuten Ecosystem, social initiatives were launched as a way to empower different members of society, such as students by teaching the basics of e-commerce through the “Rakuten IT School,” and communities affected by disasters by collecting donations online through Rakuten’s various payment services.

Social innovation priorities

Initiatives Embodying Our Culture

In driving positive change in society by leveraging Rakuten’s know-how, our employees play a key role. While the main purpose of our social initiatives is to bring a positive social impact, there is a positive impact on participating employees as well.

Facilitating Employees’ Participation

Even if all Rakuten employees share the same will to contribute to society, it can be difficult to secure time to reach out to new stakeholders outside the scope of their regular duties. Systems have therefore been introduced to facilitate employees’ participation in social initiatives.

Rakuten’s additional post system allows any employee to dedicate a percentage of their time to projects outside their main job. Through the system, it is also possible to join mid- and long-term pro-bono activities. Like any other additional post, participation in social initiatives is taken into account in the employee’s biannual evaluation to officially recognize their efforts.

In 2019, a series of heavy rains and typhoons struck Japan and caused severe damage. A special leave of up to five days was introduced for a fixed period of time to support employees joining the disaster relief efforts. In March 2020, this special leave became permanently available, and not only for natural disasters but also for NPO support activities.

Employee engagement surveys have indeed shown that the impact on the employees’ feelings about contributing to society was significant.

Social initiatives are important to our corporate culture, and this is in fact clearly stated in the Rakuten Group Sustainability Policy established in 2019.

Rakuten Social Accelerator

The Rakuten Social Accelerator is a collaboration program that brings together social entrepreneurs and Rakuten employees to tackle social issues. For half a year, the social entrepreneurs take their businesses to the next level through the program. They are supported by Rakuten employees who have experience in various fields. The partnerships go beyond simple advice-giving, and aim for concrete outputs with impact: market analysis, online marketing and developing new services.

For its second edition, the program supported not only five organizations in Japan, but also three organizations in India. In 2019, the program in Japan addressed medical care, refugee support, youth employment, aid to developing countries, and revitalization of local communities. In India, Rakuten employees created websites and applications with organizations working on reducing food loss and starvation, conserving wildlife and cultural heritage, and supporting the lives and education of the visually impaired.

Rakuten Viber x World Wildlife Fund

From July to October 2019, Rakuten Viber teamed up with the World Wildlife Fund (WWF) on a global campaign for World Tiger Day and supported its mission to double the number of wild tigers by 2022. The campaign made use of the Viber platform functionalities to engage with a large audience in an entertaining way, including tiger-themed stickers, a community chat to follow WWF’s latest information and a chatbot where users could test their wildlife knowledge via quizzes and games and support WWF’s fundraising activities. Viber also matched donations that came through the application. The collaboration between Viber and the world’s leading conservation organization started in April 2017 with education campaigns for the platform users to learn about the importance of protecting our environment and about WWF’s activities around the globe.

Social Initiatives Examples in 2019

Rakuten IT School NEXT

In the Rakuten IT School NEXT, high school students who will lead the next generation design the future of their local communities, utilizing Rakuten’s services and technologies. In teams with local residents and Rakuten employees, they join ideation workshops and refine solutions to local challenges over a four month period, before their final presentation in Tokyo.

The ten schools which participated last year envisioned the ideal future of their community for 2030, in line with the SDGs’ timeframe. Sustainable fishery in Tottori Prefecture, work styles on remote islands in Ehime Prefecture, and traditional culture heritage in Okinawa Prefecture were among the questions addressed.

Rakuten Social Accelerator

Total no. of participating social entrepreneurs (organizations)

Total no. of participating employees

Total hours of volunteer work

Number of sticker packs downloaded

Number of stickers sent

Amount of donations collected*

*Includes donations matched by Viber
### ESG (Environmental, Social, Governance) Data

<table>
<thead>
<tr>
<th>Items</th>
<th>Coverage</th>
<th>Unit</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1</td>
<td>Rakuten Group</td>
<td>People</td>
<td>14,945</td>
<td>17,214</td>
<td>20,053</td>
</tr>
<tr>
<td>Scope 2 (market based)</td>
<td>Rakuten Group</td>
<td>People</td>
<td>10,279</td>
<td>12,013</td>
<td>14,717</td>
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<tr>
<td>Energy consumption</td>
<td>Total</td>
<td>Joules</td>
<td>3,048</td>
<td>1,124</td>
<td>1,384</td>
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<tr>
<td>Waste generation</td>
<td>Total</td>
<td>Ton</td>
<td>—</td>
<td>—</td>
<td>1,022</td>
</tr>
<tr>
<td>Water consumption</td>
<td>Total</td>
<td>Nm³</td>
<td>—</td>
<td>183</td>
<td>253</td>
</tr>
<tr>
<td><strong>Social Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total no. of employees</td>
<td>Rakuten Group</td>
<td>People</td>
<td>14,845</td>
<td>17,214</td>
<td>20,053</td>
</tr>
<tr>
<td>Employment rate of people with disabilities</td>
<td>Rakuten Group</td>
<td>%</td>
<td>2.35</td>
<td>2.01</td>
<td>2.47</td>
</tr>
<tr>
<td>Average age of employees</td>
<td>Rakuten, Inc.</td>
<td>Age</td>
<td>34</td>
<td>34.4</td>
<td>34.4</td>
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<tr>
<td>Total no. of employees that were entitled to parental leave</td>
<td>Rakuten, Inc.</td>
<td>People</td>
<td>310</td>
<td>297</td>
<td>480</td>
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<tr>
<td>% of employees who received a regular performance and career development review</td>
<td>Rakuten, Inc.</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Board of Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of directors</td>
<td>Total</td>
<td>People</td>
<td>7</td>
<td>7</td>
<td>7</td>
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<tr>
<td>No. of independent directors</td>
<td>Total</td>
<td>People</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>No. of female directors</td>
<td>Total</td>
<td>People</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Employee Benefits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate</td>
<td>Rakuten, Inc.</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days granted</td>
<td>Days (Average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days taken</td>
<td>Days (Average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Return to work rates of employees that took parental leave</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>Rakuten, Inc.</td>
<td>Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Board of Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of independent directors</td>
<td>Rakuten, Inc.</td>
<td>People</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>No. of independent directors</td>
<td>Total</td>
<td>People</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Scope 1</strong></td>
<td>Rakuten Group</td>
<td>t-CO2</td>
<td>304</td>
<td>1,152</td>
<td>2,591</td>
</tr>
<tr>
<td><strong>Scope 2 (market based)</strong></td>
<td>Rakuten Group</td>
<td>t-CO2</td>
<td>22,329</td>
<td>50,564</td>
<td>65,238</td>
</tr>
<tr>
<td><strong>Scope 2 (local based)</strong></td>
<td>Rakuten Group</td>
<td>t-CO2</td>
<td>8,285</td>
<td>23,052</td>
<td>65,238</td>
</tr>
</tbody>
</table>

**Scope 1** includes purchased electricity. Scope 2 includes purchased electricity and purchased heat. 
Scope 3 covers all other sources in a company’s value chain, including travel, product-related energy use, and consumed services.

**Scope 2** further includes Scope 2 (local based) and Scope 2 (market based).

**Indices**
- MSCI: MSCI ESG Leaders Indexes (3rd consecutive year), MSCI ESG Focus Leaders Index and MSCI Global Minimum Impact Index Series (2nd consecutive year)
- FTSE Russell: FTSE Blossom Asia Pacific Index (2nd consecutive year), FTSE4Good Index Series.

**Awards and Recognition**
- Rakuten has been selected as a constituent for the following MSCI ESG indices composed of companies demonstrating strong ESG practices and promoting high levels of gender diversity: MSCI ESG Leaders Indices (3rd consecutive year), MSCI Japan ESG Select Leaders Index (7th consecutive year), MSCI Japan Empowering Women Index (WIN) (12th consecutive year), MSCI Japan Empowering Women (WIN) Select Index (12th consecutive year).
- Rakuten has been selected as a constituent for the following FTSE Russell’s ESG indices composed of companies demonstrating strong ESG practices: FTSE4Good Index Series (2nd consecutive year), FTSE Blossom Japan Index (2nd consecutive year).
- Dow Jones Sustainability Asia Pacific Index
- S&P/JPX Carbon Efficient Index
- Rakuten has been selected as a constituent of the S&P/JPX Carbon Efficient Index and is part of the first decile, considered as highly carbon-efficient among the Retailing constituent. The index is designed to measure the performance of companies in the Tokyo Stock Price Index (TOPIX), while overweighting or underweighting those companies that have lower or higher levels of carbon emissions per unit of revenue.

**Work with PRIDE Index**
- Rakuten has achieved Gold Level for four consecutive years in the PRIDE Index of “Work with Pride,” an organization that promotes LGBT diversity-management initiatives in Japan.

**Initiative Participation**
- In December 2019, Rakuten joined the following three environmental initiatives to support collaborative efforts to address climate change.
  - RE100
  - TCFD
  - JCI

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RE100</td>
<td>Rakuten, Inc. joined RE100, which stands for “Renewable Electricity 100%,” an international initiative that brings together the world’s most influential businesses that are committed to utilizing 100% renewable power by 2050 at the latest.</td>
</tr>
<tr>
<td>TCFD</td>
<td>Rakuten officially became a supporter of the Task Force on Climate-related Financial Disclosure (TCFD) and aims to implement its recommendations.</td>
</tr>
<tr>
<td>JCI</td>
<td>Rakuten joined The Japan Climate Initiative (JCI), a network of non-state actors in Japan actively engaged in climate action. We pledged to stand at the forefront of society’s decarbonization envision by the Paris Agreement.</td>
</tr>
</tbody>
</table>
## 10-year Key Financial Data

<table>
<thead>
<tr>
<th>JGAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Millions of Yen)</td>
<td>¥ 346,144</td>
</tr>
<tr>
<td>Non-GAAP Operating Income (Millions of Yen)</td>
<td>0</td>
</tr>
<tr>
<td>Operating Income (Millions of Yen)</td>
<td>63,766</td>
</tr>
<tr>
<td>Income (Loss) before income tax (Millions of Yen)</td>
<td>—</td>
</tr>
<tr>
<td>Net income (loss) (Millions of Yen)</td>
<td>34,956</td>
</tr>
<tr>
<td>Comprehensive income (loss) (Millions of Yen)</td>
<td>—</td>
</tr>
<tr>
<td>Equity attributable to owners of the Company (Millions of Yen)</td>
<td>1,949,196</td>
</tr>
<tr>
<td>“Equity attributable to owners of the Company per share” (Yen)</td>
<td>18,160.62</td>
</tr>
<tr>
<td>Basic earnings (losses) per share (Yen)</td>
<td>2,666.28</td>
</tr>
<tr>
<td>Diluted earnings (losses) per share (Yen)</td>
<td>2,667.43</td>
</tr>
<tr>
<td>Equity attributable to owners of the Company ratio (%)</td>
<td>12.2</td>
</tr>
<tr>
<td>“Net income to equity attributable to owners of the Company ratio” (%)</td>
<td>—</td>
</tr>
<tr>
<td>Price earnings ratio (Times)</td>
<td>25.5</td>
</tr>
<tr>
<td>Cash flows from operating activities (Millions of Yen)</td>
<td>30,304</td>
</tr>
<tr>
<td>Cash flows from investing activities (Millions of Yen)</td>
<td>60,538</td>
</tr>
<tr>
<td>Cash flows from financing activities (Millions of Yen)</td>
<td>27,609</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year (Millions of Yen)</td>
<td>100,736</td>
</tr>
</tbody>
</table>

(Note)
1. Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the “IFRS”).
2. Consumption tax is not included in Revenue.
3. Average number of shares during the fiscal year is calculated on a daily basis.
4. Price earnings ratio is not disclosed for the fiscal year ended December 31, 2019, as a net loss is reported for the fiscal year 2019.
5. Number of Employees does not include those serving concurrently as employees and Directors, temporary staff and part-time employees.
6. With regard to policy reserves and others for insurance business, the Rakuten Group has previously applied the method of measuring insurance liabilities prescribed by laws and regulations that apply to insurance contracts in Japan. However, from the fiscal year ended December 31, 2017, in order to measure insurance liabilities according to discount rates based on current market interest and reflect the time value of money, the Rakuten Group has changed to a method that recognizes interest arising from the book value of insurance liabilities in profit or loss, and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate in other comprehensive income. Accordingly, major management indicators, etc. for the fiscal year ended December 31, 2014 to the fiscal year ended December 31, 2016 have been retrospectively restated to reflect the change in accounting policy.
## Consolidated Financial Statements

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2018 (Millions of yen)</th>
<th>As of December 31, 2019 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 990,242</td>
<td>¥ 1,478,557</td>
</tr>
<tr>
<td>Accounts receivable – trade</td>
<td>181,026</td>
<td>222,485</td>
</tr>
<tr>
<td>Financial assets for securities business</td>
<td>1,769,832</td>
<td>1,976,009</td>
</tr>
<tr>
<td>Loans for credit card business</td>
<td>1,464,030</td>
<td>1,828,216</td>
</tr>
<tr>
<td>Investment securities for banking business</td>
<td>205,641</td>
<td>272,711</td>
</tr>
<tr>
<td>Loans for banking business</td>
<td>891,925</td>
<td>1,049,993</td>
</tr>
<tr>
<td>Investment securities for insurance business</td>
<td>271,057</td>
<td>287,200</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>27,388</td>
<td>28,050</td>
</tr>
<tr>
<td>Investment securities</td>
<td>384,788</td>
<td>163,259</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>275,800</td>
<td>380,234</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>91,335</td>
<td>376,424</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>553,815</td>
<td>609,450</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>50,049</td>
<td>80,953</td>
</tr>
<tr>
<td>Other assets</td>
<td>149,286</td>
<td>225,757</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,345,002</td>
<td>9,165,697</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable – trade</td>
<td>255,353</td>
<td>329,483</td>
</tr>
<tr>
<td>Deposits for banking business</td>
<td>2,355,114</td>
<td>3,160,748</td>
</tr>
<tr>
<td>Financial liabilities for securities business</td>
<td>1,753,216</td>
<td>1,860,645</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>9,233</td>
<td>10,172</td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>1,234,943</td>
<td>1,727,096</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>444,521</td>
<td>820,440</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>13,243</td>
<td>12,952</td>
</tr>
<tr>
<td>Provisions</td>
<td>334,536</td>
<td>318,090</td>
</tr>
<tr>
<td>Insurance business policy reserves</td>
<td>5,164</td>
<td>11,374</td>
</tr>
<tr>
<td>Employee retirement benefit liabilities</td>
<td>13,335</td>
<td>2,049</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>65,707</td>
<td>65,403</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,568,795</td>
<td>8,428,497</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the Company</td>
<td>205,924</td>
<td>205,924</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>218,856</td>
<td>224,379</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>424,568</td>
<td>413,603</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>87,305</td>
<td>83,305</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>22,425</td>
<td>22,425</td>
</tr>
<tr>
<td>Total equity attributable to owners of the Company</td>
<td>774,473</td>
<td>735,672</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,734</td>
<td>1,528</td>
</tr>
<tr>
<td>Total equity</td>
<td>776,207</td>
<td>737,200</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>7,345,002</td>
<td>9,165,697</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Income

### Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)

<table>
<thead>
<tr>
<th></th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing Operations</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>¥1,101,480</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,027,753</td>
</tr>
<tr>
<td>Other income</td>
<td>120,634</td>
</tr>
<tr>
<td>Other expenses</td>
<td>23,936</td>
</tr>
<tr>
<td>Operating income</td>
<td>170,425</td>
</tr>
<tr>
<td>Financial income</td>
<td>954</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>4,132</td>
</tr>
<tr>
<td>Share of loss of investments in associates and joint ventures</td>
<td>1,824</td>
</tr>
<tr>
<td>Income (loss) before income tax</td>
<td>165,423</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>23,534</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>141,889</td>
</tr>
<tr>
<td>Net income (loss) attributable to:</td>
<td></td>
</tr>
<tr>
<td>Owners of the parent company</td>
<td>142,282</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(593)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(33,068)</td>
</tr>
<tr>
<td><strong>Earnings (losses) per share attributable to owners of the parent company</strong></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥105.43</td>
</tr>
<tr>
<td>Diluted</td>
<td>104.38</td>
</tr>
</tbody>
</table>
Consolidated Statement of Comprehensive Income

Fiscal year ended December 31, 2018
(Millions of Yen)

<table>
<thead>
<tr>
<th>Net income (loss)</th>
<th>Other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 141,889</td>
<td></td>
</tr>
</tbody>
</table>

Comprehensive income (loss) 124,452 (42,818)

Comprehensive income (loss) attributable to

Comprehensive income (loss) 124,452 (42,818)

Net income (loss) ¥ 141,889 ¥ (33,068)

Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2018
(Millions of Yen)

<table>
<thead>
<tr>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Foreign currency translation adjustments</th>
<th>Financial instruments measured at fair value through other comprehensive income (loss)</th>
<th>Other comprehensive income, net of tax</th>
<th>Total comprehensive income (loss)</th>
<th>Non-controlling interests in subsidiaries</th>
<th>Total comprehensive income (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 2,200,886</td>
<td>¥ 3,254,230</td>
<td>¥ 3,076,058</td>
<td>¥ 10,828</td>
<td>¥ 3,730</td>
<td>¥ 1,459</td>
<td>¥ 7,476</td>
<td>¥ 1,459</td>
<td>¥ 7,476</td>
</tr>
<tr>
<td>¥ 2,200,886</td>
<td>¥ 3,254,230</td>
<td>¥ 3,076,058</td>
<td>¥ 10,828</td>
<td>¥ 3,730</td>
<td>¥ 1,459</td>
<td>¥ 7,476</td>
<td>¥ 1,459</td>
<td>¥ 7,476</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Cash Flows

### Cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal year ended December 31, 2018</th>
<th>Fiscal year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (loss) before income tax</td>
<td>¥ 165,423</td>
<td>¥ (44,558)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>72,429</td>
<td>106,370</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>4,168</td>
<td>4,641</td>
</tr>
<tr>
<td>Other loss (income)</td>
<td>(101,050)</td>
<td>55,297</td>
</tr>
<tr>
<td>Increase in operating receivables</td>
<td>(36,059)</td>
<td>(47,356)</td>
</tr>
<tr>
<td>Increase in loans for credit card business</td>
<td>(281,335)</td>
<td>(364,138)</td>
</tr>
<tr>
<td>Increase in deposits for banking business</td>
<td>409,403</td>
<td>805,850</td>
</tr>
<tr>
<td>Decrease (increase) in call loans for banking business</td>
<td>25,000</td>
<td>(45,000)</td>
</tr>
<tr>
<td>Increase in loans for banking business</td>
<td>(149,964)</td>
<td>(158,068)</td>
</tr>
<tr>
<td>Increase in operating payables</td>
<td>22,988</td>
<td>73,658</td>
</tr>
<tr>
<td>Decrease (increase) in financial assets for securities business</td>
<td>90,080</td>
<td>(186,289)</td>
</tr>
<tr>
<td>Increase (decrease) in financial liabilities for securities business</td>
<td>(36,038)</td>
<td>107,585</td>
</tr>
<tr>
<td>Others</td>
<td>(7,323)</td>
<td>12,290</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(40,207)</td>
<td>(31,912)</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>145,615</td>
<td>318,320</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal year ended December 31, 2018</th>
<th>Fiscal year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in time deposits</td>
<td>0.943</td>
<td>0.708</td>
</tr>
<tr>
<td>Decrease in time deposits</td>
<td>8.863</td>
<td>10.929</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(23,442)</td>
<td>(108,065)</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(64,142)</td>
<td>(99,178)</td>
</tr>
<tr>
<td>Payments for acquisition of subsidiaries, net</td>
<td>(1,944)</td>
<td>(12,332)</td>
</tr>
<tr>
<td>Proceeds from acquisition of subsidiaries, net</td>
<td>10,826</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sale of subsidiaries resulting as a loss of controls</td>
<td>26,234</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition of investments in associates and joint ventures</td>
<td>(1,159)</td>
<td>(9,279)</td>
</tr>
<tr>
<td>Purchase of investment securities for banking business</td>
<td>(270,099)</td>
<td>(383,885)</td>
</tr>
<tr>
<td>Proceeds from sales and redemption of investment securities for</td>
<td>267,557</td>
<td>316,698</td>
</tr>
<tr>
<td>banking business</td>
<td>(11,194)</td>
<td>(150,338)</td>
</tr>
<tr>
<td>Purchase of investment securities for insurance business</td>
<td>121,001</td>
<td>161,501</td>
</tr>
<tr>
<td>Proceeds from sales and redemption of investment securities for</td>
<td>(30,432)</td>
<td>(26,057)</td>
</tr>
<tr>
<td>insurance business</td>
<td>16,547</td>
<td>53,740</td>
</tr>
<tr>
<td>Other payments</td>
<td>(9,232)</td>
<td>(42,017)</td>
</tr>
<tr>
<td>Other proceeds</td>
<td>10,038</td>
<td>11,750</td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td>(87,669)</td>
<td>(236,290)</td>
</tr>
</tbody>
</table>

### Cash flows from financing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal year ended December 31, 2018</th>
<th>Fiscal year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in short-term borrowings</td>
<td>¥ (51,297)</td>
<td>¥ 107,701</td>
</tr>
<tr>
<td>Net increase in commercial papers</td>
<td>80,000</td>
<td>18,500</td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>290,976</td>
<td>460,805</td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>(271,394)</td>
<td>(324,166)</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>169,394</td>
<td>215,116</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>(150)</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Repayment of lease liabilities</td>
<td>(185)</td>
<td>(17,577)</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(6,056)</td>
<td>17,158</td>
</tr>
<tr>
<td>Others</td>
<td>(6,328)</td>
<td>17,158</td>
</tr>
<tr>
<td><strong>Net cash flows from financing activities</strong></td>
<td>208,418</td>
<td>458,340</td>
</tr>
<tr>
<td>Effect of change in exchange rates on cash and cash equivalents</td>
<td>3,897</td>
<td>(2,059)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>209,315</td>
<td>488,315</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>700,881</td>
<td>990,242</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>990,242</td>
<td>1,478,557</td>
</tr>
</tbody>
</table>
Origins of the Name Rakuten

Rakuten Ichiba is named after Rakuichi-Rakuza, the first free and open marketplace in Japan, opened in the 16th century. When used as a verb, raku is written with a Chinese character meaning to enjoy oneself (楽). The same character is used in the world “Rakuten,” which means “optimism” or “positive spirit.” The name Rakuten Ichiba literally means a “market of positive spirit,” where shopping is entertainment. These words symbolize the driven, forward-looking nature of our business. That is why we named our company Rakuten, Inc.

Cautionary Statement

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

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

“Rakuten,” and are registered trademarks of Rakuten, Inc. in Japan.

Corporate Information

(As of December 31, 2019)

Corporate Overview

<table>
<thead>
<tr>
<th>Name</th>
<th>Rakuten, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office Location</td>
<td>Rakuten Crimson House,</td>
</tr>
<tr>
<td></td>
<td>1-14-1 Tamagawa, Setagaya-ku, Tokyo, 158-0094, Japan</td>
</tr>
<tr>
<td>TEL.</td>
<td>+81-50-5581-6910</td>
</tr>
<tr>
<td>Representative</td>
<td>Chairman, President and CEO</td>
</tr>
<tr>
<td></td>
<td>Hiroshi Mikitani</td>
</tr>
<tr>
<td>Founded</td>
<td>Feb. 7, 1997</td>
</tr>
<tr>
<td>Rakuten Ichiba Service Launched</td>
<td>May 1, 1997</td>
</tr>
<tr>
<td>IPO</td>
<td>Apr. 19, 2000</td>
</tr>
<tr>
<td>Capital</td>
<td>205,924 million yen</td>
</tr>
<tr>
<td>Employees</td>
<td>Non-consolidated: 7,288</td>
</tr>
<tr>
<td></td>
<td>Consolidated: 20,053</td>
</tr>
</tbody>
</table>

Stock Information

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Rakuten, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Code</td>
<td>4755 (Tokyo Stock Exchange 1st Section)</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>January 1 to December 31</td>
</tr>
<tr>
<td>Annual General Shareholders’ Meeting</td>
<td>March</td>
</tr>
<tr>
<td>Shareholder Record Date</td>
<td>December 31</td>
</tr>
<tr>
<td>Number of Shares Constituting One Trading Unit</td>
<td>100 Shares</td>
</tr>
<tr>
<td>Administrator of Shareholder Registry</td>
<td>Sumitomo Mitsui Trust Bank, Limited</td>
</tr>
</tbody>
</table>

Financial and CSR Information

More detailed information is disclosed at the following URL.

Annual Securities Report

Earning Releases, Presentation Materials, On-demand Streaming
https://global.rakuten.com/corp/investors/documents/results/

Stocks and Bonds
https://global.rakuten.com/corp/investors/stock/

Editorial Postscript

Thank you for reading our Corporate Report 2019. We would like to use the publication of the report as an opportunity to express our appreciation to everyone for your ongoing support of Rakuten. For fiscal 2019, we decided on the title “Walk Together,” which is the new corporate slogan. We created this report centered on the idea that under our corporate mission, “Contribute to society by creating value through innovation and entrepreneurship,” Rakuten contributes to society and aims to build a more prosperous world together with our stakeholders. “Innovation,” “Empowerment,” and the idea of “Walk Together” are important values for Rakuten. We hope that this report will help stakeholders understand how these values are expressed through Rakuten’s business activities and initiatives. We look forward to your continued support.

IR Department & Sustainability Department

Sustainability
https://global.rakuten.com/corp/sustainability/