

# Walk Together

Corporate Report 2019

**Rakuten**



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.

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## 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.**

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## EDITORIAL POLICY

The Rakuten Corporate Report 2019 contains both financial data and information about environmental, social and governance (ESG) initiatives. Non-financial information includes the history of our growth, our value creation processes and initiatives in various business areas.

This report was created with the aim of providing stakeholders with a fuller understanding of our business activities and the value provided by Rakuten, Inc.

<Target audience>

Stakeholders, including shareholders and investors.

<Period covered by the report>

This report covers the 2019 fiscal year (January 1, 2019–December 31, 2019), but it also includes references to activities in FY2020.



## Corporate Slogan

# Walk Together

## Our Philosophy

**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.**

## MISSION

**Contribute to society by creating value through innovation and entrepreneurship**

Empowering people to realize their hopes and dreams. Embracing new thinking.  
Rakuten changes the world through innovation.

## VISION

**Global Innovation Company**

At Rakuten, we drive disruptive innovation, engaging knowledge, creativity and passion from around the world to achieve ambitious goals, and help build communities in which people can pursue their dreams and live in happiness.

## VALUES AND PRINCIPLES

**Rakuten Shugi** (Rakuten Basic Principles)

As we work to realize the vision of the Rakuten Group, Rakuten employees are united by the common values and principles represented by Rakuten Shugi. Consisting of the Brand Concepts and Five Principles for Success, Rakuten Shugi is the foundation of the Rakuten Group. With Rakuten Shugi as a common foundation, we place high value on the entrepreneurial spirit that drives us to get things done. By working with local communities and nurturing a robust corporate culture enabling each member of our diverse team to perform at their best, the Rakuten Group is committed to boosting corporate value and contributing to progress in society.



History of Growth and Innovation

At a time when few people shopped on the internet, we established Rakuten Ichiba as an online shopping mall in which even small rural merchants without any knowledge of computers could open online stores.

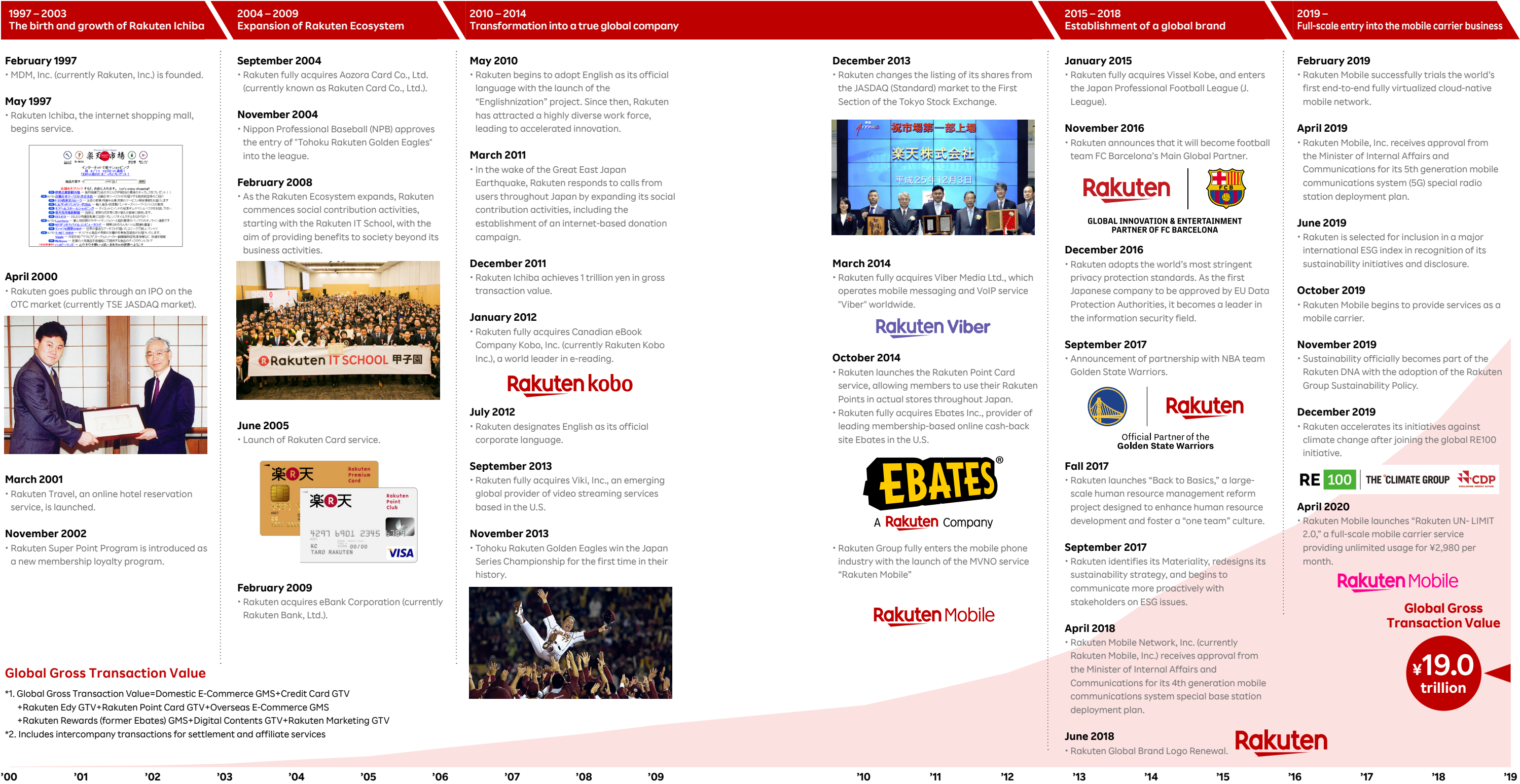
Other businesses, including credit cards and banking, were subsequently added to the Rakuten Group. We also announced the Rakuten Ecosystem (economic sphere) as a concept designed to maximize user migration across group services by organically linking various services within the Rakuten Group.

We accelerated our global expansion by acquiring overseas businesses. We shifted our stock listing to the first section of the Tokyo Stock Exchange in order to improve our corporate value and expand our investor base. This transition from a Japanese start-up to a world-class internet service company marked the start of a new phase for Rakuten.

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.

We raised Rakuten's profile as a global brand by forming partnerships with some of the world's most popular sports teams. Brand integration led to further expansion of the global presence of the Rakuten brand.

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.



Global Gross Transaction Value

- \*1. Global Gross Transaction Value=Domestic E-Commerce GMS+Credit Card GTV +Rakuten Edy GTV+Rakuten Point Card GTV+Overseas E-Commerce GMS +Rakuten Rewards (former Ebates) GMS+Digital Contents GTV+Rakuten Marketing GTV
- \*2. Includes intercompany transactions for settlement and affiliate services



Value Creation Process

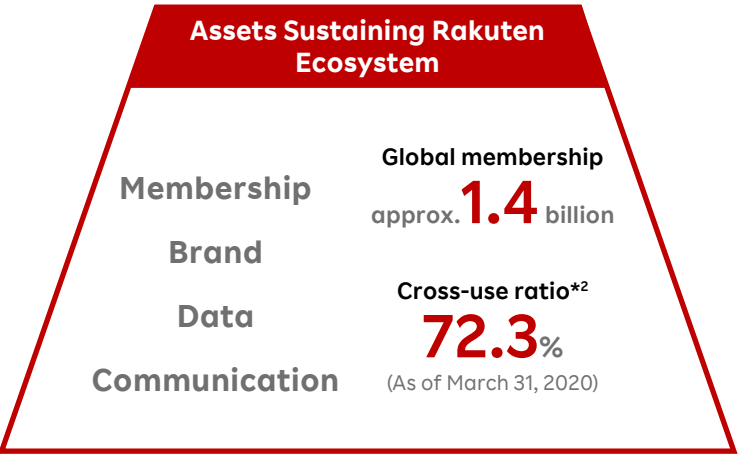
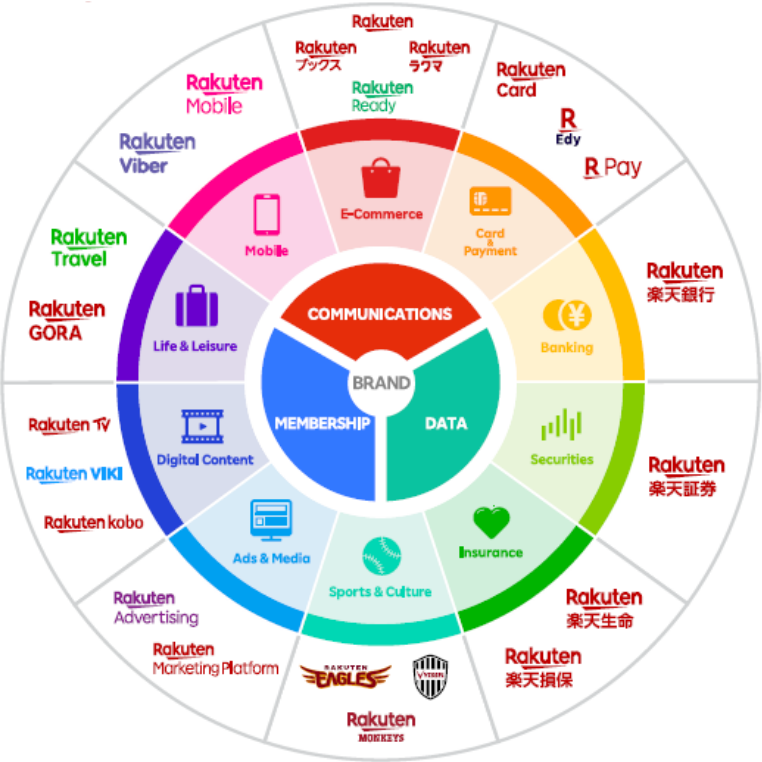
Rakuten’s mission is to empower people and society through innovation. We provide a wide range of services in Japan and overseas, including internet services, fintech services and mobile services. Supporting these services are vital non-financial assets — our membership base, our brand, our data resources 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.



Philosophy

- Mission  
Contribute to society by creating value through innovation and entrepreneurship
- Vision  
Global Innovation Company
- Intellectual Capital
  - Number of employees 20,053
  - Number of nationalities represented 70+
- Social Related Capital
  - Business line-up 70+
  - Geographical presence 30 countries and regions
  - Smartphone payment touchpoints approx. 4 million\*1
  - Merchants on Rakuten Ichiba approx. 50 thousand
- Financial Capital
  - Rating A (JCR) / A- (R&I) / BBB- (S&P)
  - Interest-bearing debt (excludes financial businesses) ¥921.4 billion
  - Equity ratio 8.5%
- Manufacturing Capital
  - Annual capital investment ¥362.6 billion



Membership Value\*4

¥5.5 trillion



Global Annual GTV

¥19.0 trillion



Domestic EC GMS

¥3.9 trillion



Rakuten Card Shopping GTV

¥9.5 trillion



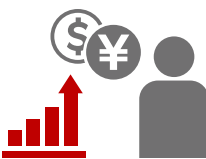
Consolidated Revenues

¥1.3 trillion



Numbers of Points Issued per Year

320.0 billion\*5



Core Business\*6 Revenue

¥1.0 trillion



Core Business\*6 Operating Income

¥134.2 billion

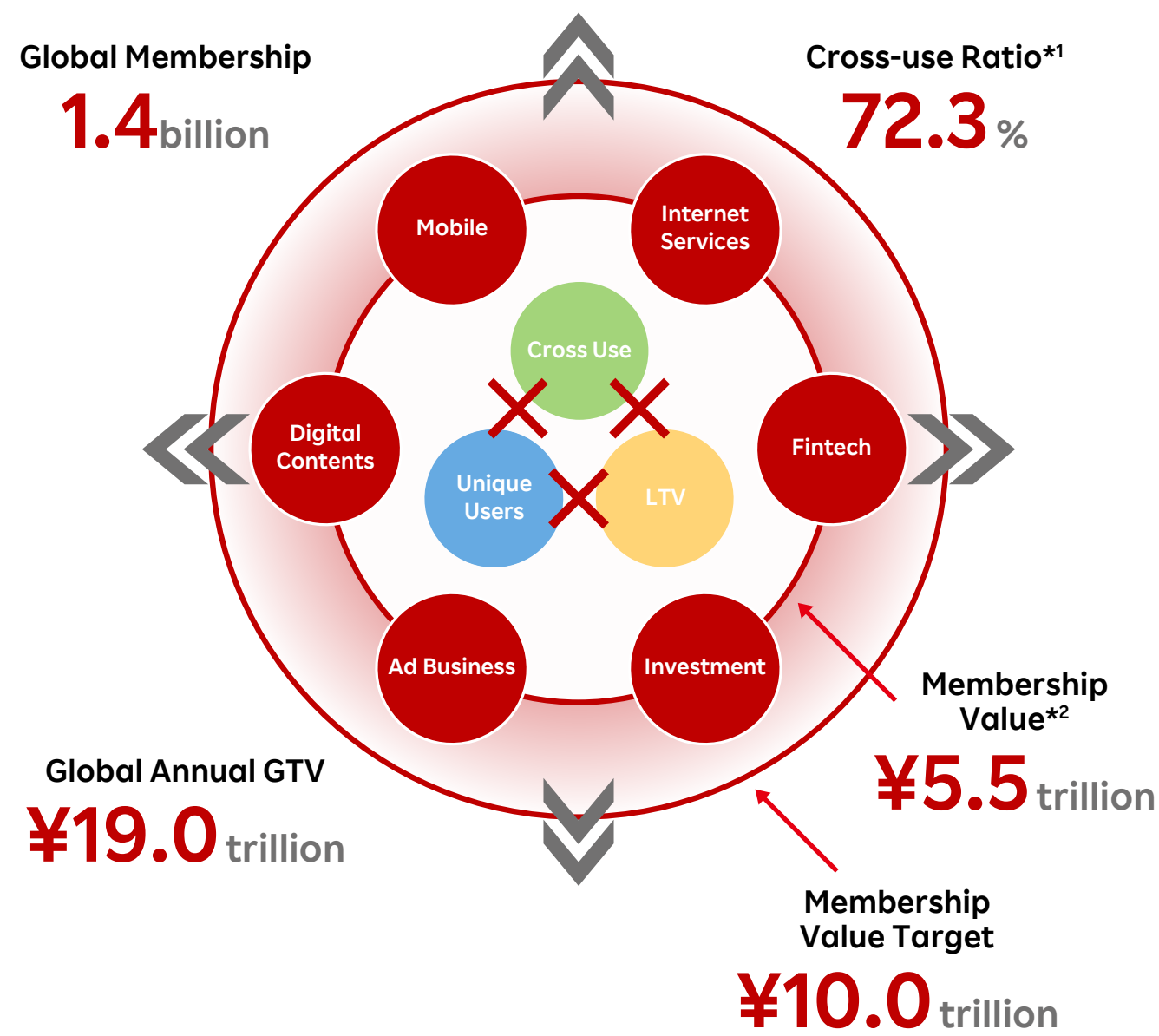


\*1 The number of touchpoints that can use either the Rakuten pay app, Rakuten Edy or Rakuten point card (as of end of January 2020).  
\*2 Number of Rakuten members who have utilized two or more Rakuten services during the past 12 months.  
\*3 The stated figures are as of end of December 2019.  
\*4 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.

# Social Value Created by Rakuten

## 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.



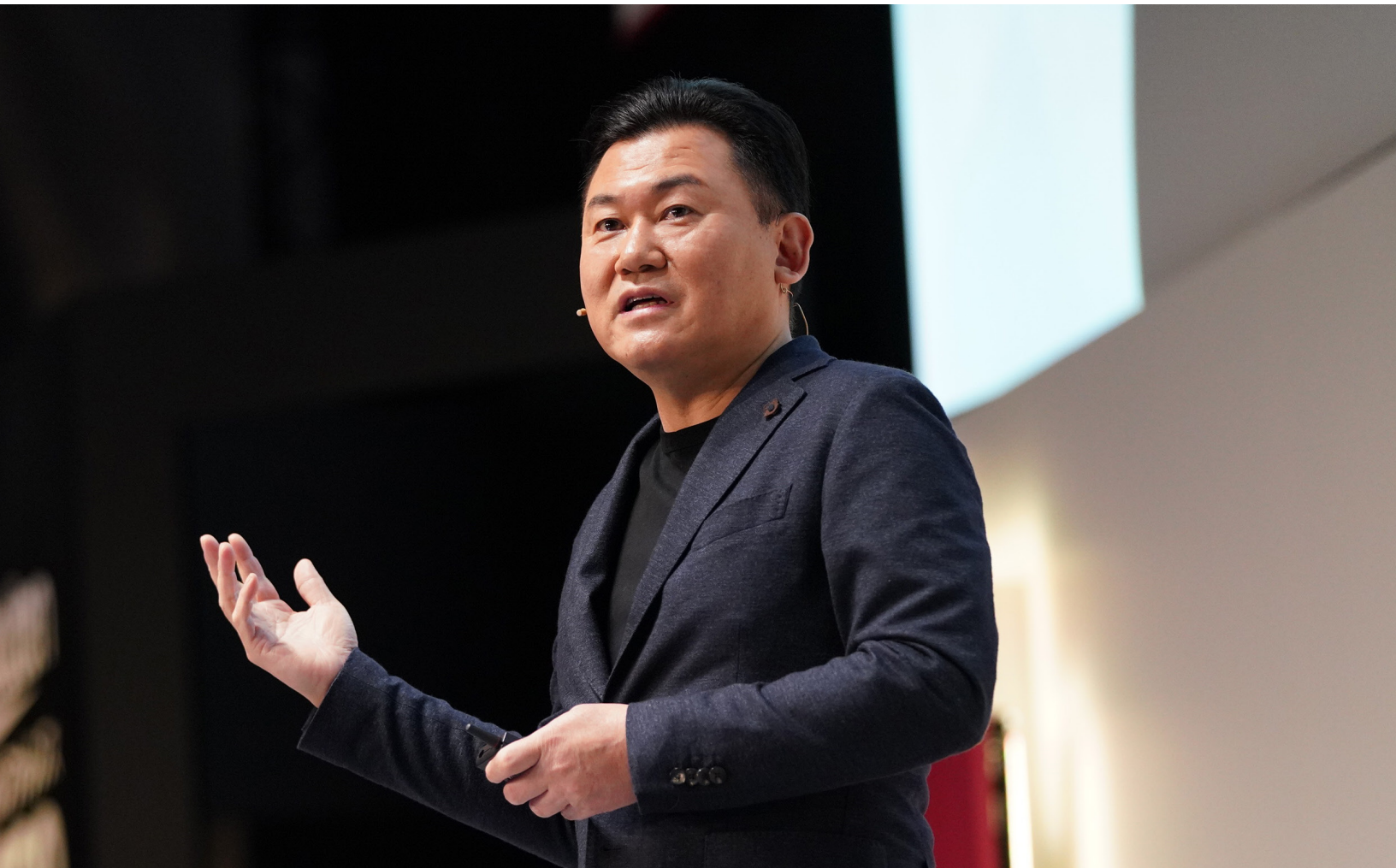
\*1 Number of Rakuten members who have utilized two or more Rakuten services during the past 12 months / Total Number of Rakuten members who have utilized all of Rakuten services during the past 12 months (As of March 31, 2020).  
\*2 FY2019 fourth quarter. Calculated based on Total Rakuten Service Usage (unique users x cross use) and Lifetime value.

## 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.

Internet Services	<p><b>Improving the User Experience by Expanding the Rakuten Ecosystem</b></p> <p>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).</p> <p><b>Solving Social Problems Through the Development and Enhancement of Logistics Infrastructure</b></p> <p>Our priorities for Rakuten Ichiba are to ease the logistics burden on merchants, while improving delivery services and user convenience.</p>
Fintech	<p><b>Promoting a Cashless Society</b></p> <p>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.</p> <p><b>The Leading Financial and Economic Ecosystem for Card Services, Banking, Securities and Insurance</b></p> <p>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.</p>
Mobile	<p><b>Democratizing Mobile Networks</b></p> <p>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.</p> <p><b>Unlocking the Future with 5G</b></p> <p>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.</p>
Ad Business	<p><b>Data Based on User IDs for More Than 100 Million Rakuten Users</b></p> <p>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.</p>
Digital Content	<p><b>Providing Attractive Content and Expanding the Rakuten Ecosystem</b></p> <p>We offer users an 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.</p>
Investment	<p><b>Global Investment in Innovative Start-ups, Support for Investees</b></p> <p>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.</p>





Hiroshi Mikitani  
Chairman and CEO

**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 24<sup>th</sup> 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<sup>\*1</sup> at a competitive price of ¥2,980 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<sup>\*2</sup> using a single app and ID. Both Rakuten Card and Rakuten Pay are rated number one in terms of customer satisfaction<sup>\*3</sup>, 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.

<sup>\*1</sup>: Within the Rakuten Mobile service area  
<sup>\*2</sup>: The number of locations where Rakuten Pay (app payment), Rakuten Edy, and the Rakuten Points Card can be used (as of January 31, 2020).  
<sup>\*3</sup>: Based on the Japan Consumer Satisfaction Index (JCSI) survey



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 ¥1,263.9 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.

However, we cannot achieve long-term growth by relying on existing businesses, and we are building foundations for the future through forward-looking investment in new areas, such as the mobile carrier business and logistics business. Income also came under pressure from the impact of financial market trends on the securities business and the investment business. Consequently, while non-GAAP operating income was 41.0% lower year on year at ¥95.1 billion, this can be seen as the result of strategic business management in the interest of future growth.

■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 ¥3.9 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 increase in gross transaction value also resulted from fine-tuned measures designed to raise both user and merchant satisfaction. A breakdown by business type shows that gross transaction value for marketplace-type e-commerce, such as Rakuten Ichiba, was 11.3% higher year on year, while the figure for business models that are still at the investment stage, including direct sales, C2C and fashion, showed high growth of 29.6%. We expect these areas to become core contributors to earnings in the future.

■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.

■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 ¥110.4 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, and sold our consolidated subsidiary OverDrive.

Initiatives in 2020 under our Medium- to Long-term Growth Strategy for the Massive Expansion of the Rakuten Ecosystem

■Membership Value Growth Strategy

In the fiscal year ended December 2019, the Rakuten Group’s membership value increased to ¥5.5 trillion.

Membership value, an indicator developed by Rakuten as a measure of the corporate value of the Rakuten Group, is expressed as follows.

Membership value = Active users x cross use x (LTV –CAC)

LTV: Lifetime value of customers

CAC: Customer acquisition cost

The key factors driving the substantial increase in membership value in the year ended December 2019 were the expansion of cross use, and a significant contribution from LTV. We will continue to work toward our medium-term goal of increasing LTV to ¥10 trillion through our efforts to add more value to the Rakuten Group.

■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.

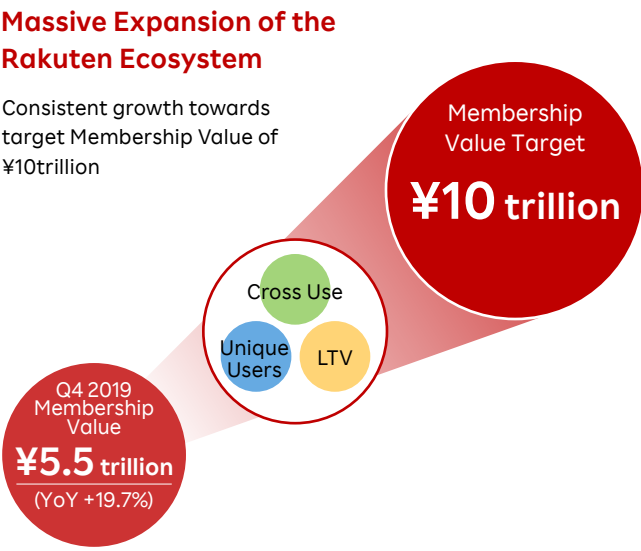
Another Rakuten strength is the Rakuten Points loyalty program, which numerous surveys have shown to be number one in terms of user satisfaction. Each year, we issue around 320 billion points worth one yen each. The fact that over 90% of these points are consumed by our users is also strong evidence 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 Alris, 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 Alris



# CEO Message

differentiates the Rakuten Group from competitors by allowing appropriate use of quantitative and qualitative data assets that it obtains and maintains within the Group.

## ■The Significance of Adding the Mobile Carrier Business to the Rakuten Ecosystem

The mobile carrier business entails high frequency contact with customers through its monthly subscription model. In stark contrast to the many other carriers who are working to expand into internet-based services from their mobile carrier business, Rakuten is expanding into mobile from its established base of over 70 internet-based services. The Rakuten Ecosystem is uniquely positioned to build an entirely new digital platform with Rakuten Mobile, a fully virtualized cloud-native network. In 2020, we also plan to launch 5G service via Rakuten Mobile, and begin to offer even more options in content-rich services at affordable prices.

## ■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 was 77.0% recognition in Taiwan, 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, are contributing to this rise in awareness. In Taiwan, 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.

# 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.

“Empowerment” has been an important concept for Rakuten since its founding. While ensuring the sustainability of our business operations, we have also worked to create social value by creating mechanisms that are sustainable for all of our stakeholders. Sustainability is a vital ideal that is firmly rooted in our corporate philosophy as part our identity and a core element in our business strategies.

## ■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.

While 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 Ichiba 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 we plan to continue with 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 our 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

## ■Environmentally-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.



# MOBILE

## Rakuten Mobile will change communications

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.



### ■Launch of Rakuten UN-LIMIT 2.0 4G Service

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.

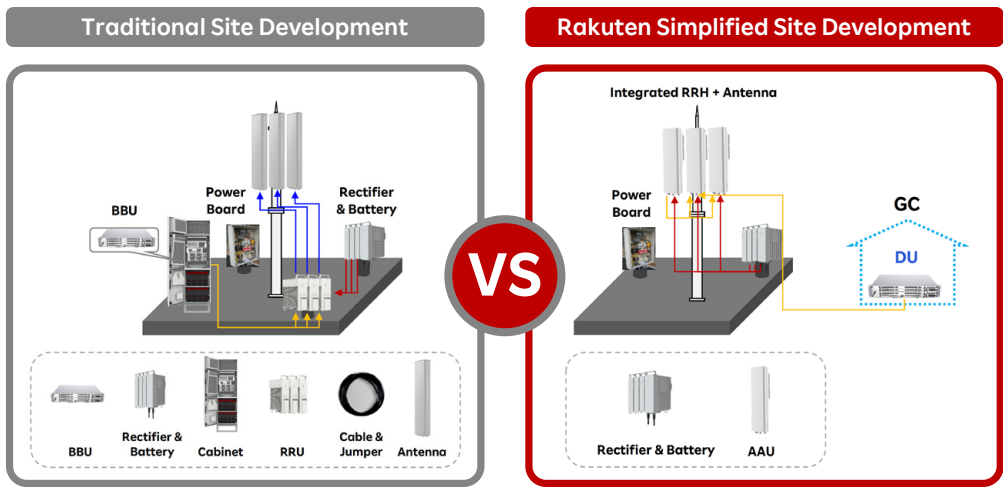
Products offered by Rakuten Mobile include the Rakuten Mini, the world's smallest and lightest FeliCa-equipped smartphone, as well as Rakuten Link, a unique integrated communications app. Rakuten Link will offer not only voice calls, but text messaging, video messaging, group calls, chats and file transfers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

### ■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

### Fully Virtualized Cloud-native Mobile Network

- Separation of hardware and software in the radio access network (RAN), deployment of virtualized applications from RAN to core on the cloud.
- Significant reduction of CAPEX and OPEX by downsizing base stations and automating network operations.



Significant reduction of CAPEX and OPEX



communications network. However, Rakuten shared this vision with its many global partners. In just 18 months, the vision became reality through the efforts of Rakuten engineers and those partners.

Under the new network architecture, most of the functions that previously relied on hardware are provided mainly by software. This approach has resulted in dramatic reductions in both capital expenditure and operating costs. Moreover, because our network is 5G-ready, it has the potential to transform the lives and business activities of countless people as the 5G era unfolds.

■ Vision Shared with Talented People from 40 Countries and Regions

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.

■ 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<sup>\*1</sup>, while the number of Rakuten Bank accounts has reached 8.69

million<sup>\*1</sup>. 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.

<sup>\*1</sup> As of March 2020

■ 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.

Column Walk Together

Voices of Global Partners at the Full Launch



Nokia President and CEO Rajeev Suri

Rakuten is making history. I would like to congratulate you for launching the world’s first end-to-end cloud-native mobile network. Nokia is proud to be partnered with you so together we can both re-imagine the architecture and re-write the rules of what is technologically possible. We look forward to working with you on this exciting journey.



Feature : Walk Together/ Rakuten Innovation

# LOGISTICS

## 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 Yamato City, Kanagawa Prefecture, bringing our national network to eight logistics centers.

Measures 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 consumer 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 driving 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.

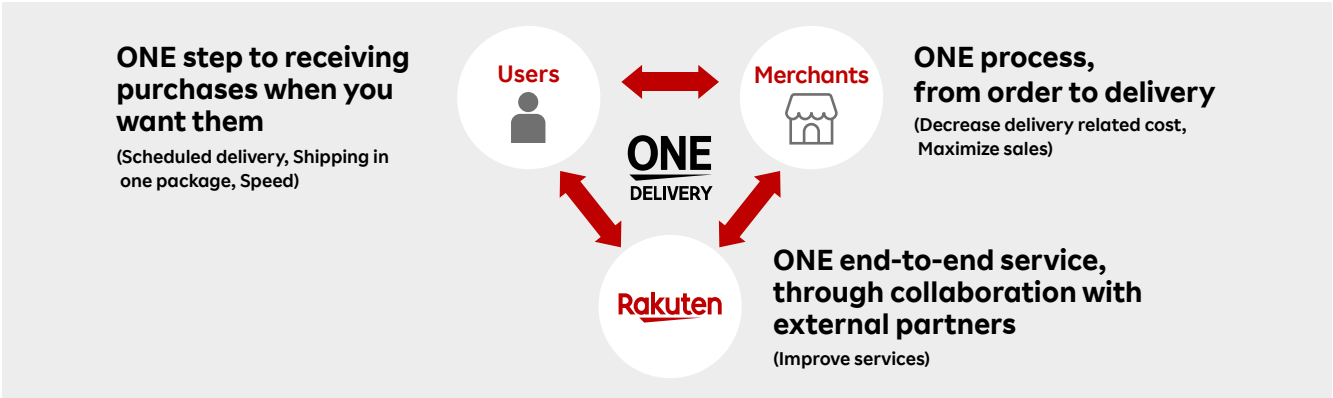
■Working with Merchants

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 ¥9,800.

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.

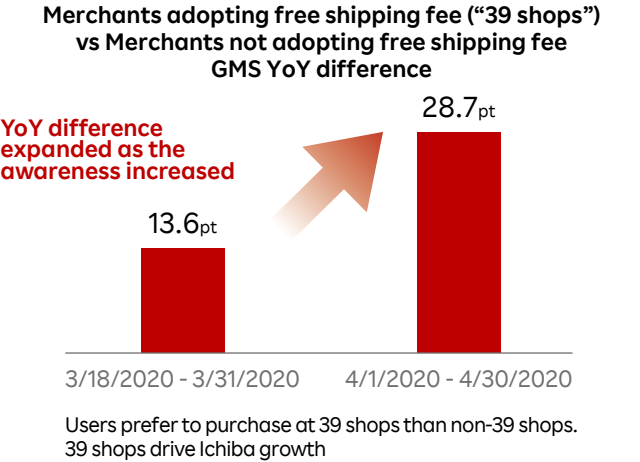


Column Walk Together

Comment from a Merchant



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 “Asuraku” 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.





# FINTECH

Change for the Better with Ecosystem Synergies

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.



## ■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%<sup>\*1</sup>.

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.

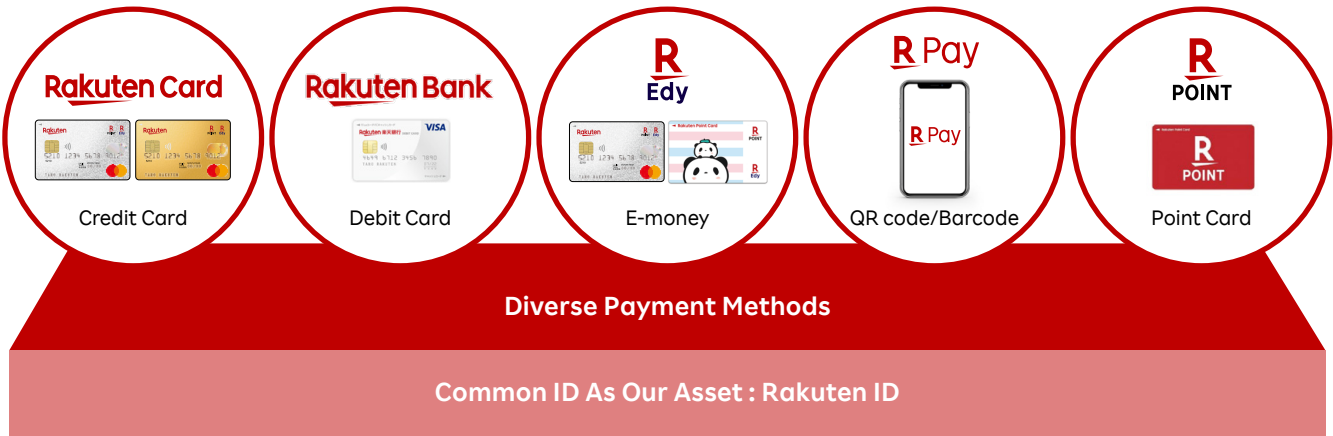
## ■Advantages of Rakuten Fintech in the Cashless Era

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%<sup>\*2</sup>. 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.

<sup>\*1</sup> Services subject to the SPU program are as of June 2020

<sup>\*2</sup> Reference: Ministry of Economy, Trade and Industry, “Recent trends relating to the cashless points rebate project”

## Providing Diverse Payment Methods Enabling Solid Business Growth





## ■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<sup>1</sup>, 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.

## ■Growth Potential of the Fintech Business

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<sup>2</sup>. 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.

<sup>1</sup>JCSI, Materials of the 5th survey results presentation (2019)

<sup>2</sup>2018 domestic credit card issuer shopping transaction value, Yano Research Institute Ltd. research

### Column Walk Together

#### 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.

## Feature : Walk Together/ Rakuten Innovation

# TECHNOLOGY

## Transforming Technology Through Rakuten Innovation

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.





■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\*1 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\*2 and drones to network optimization, data mining, fraud detection, NLP\*3, computer vision, HCI\*4 and AR/VR. 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.

RIT Boston, which was also opened in 2015, specializes

primarily in machine learning, deep learning, and AI. A particular focus is collaboration with teams utilizing the big data resources of the Rakuten Group in the rapidly advancing field of AI.

RIT San Mateo, which was established in 2018 in the regional headquarters of Rakuten Americas, functions as a hub for research projects linking other RIT facilities and Rakuten business operations in the United States. Its research focuses on data science, data mining, and NLP, as well as machine learning and deep learning application in creative economy spaces.

RIT Bengaluru, established in 2018, became RIT’s first facility in India. In addition to deep learning and computer vision research, it uses advanced technologies to carry out new research projects leading to the creation of innovative services, especially in fields relating to unmanned robotic systems for logistics and warehouse operations. Priority research themes include the application of deep learning to fraud detection in the fintech field, medical image recognition applications based on computer vision, and the use of robotics to improve logistics efficiency through the automation of warehouse operations.

\*1 As of June 1, 2020  
\*2 Internet of Things: The addition to communications functions to physical objects in the real world, allowing them to work together through internet connections  
\*3 Natural language processing  
\*4 Human-computer interaction: A scientific field focusing on interaction between humans and digital technology

Rakuten Institute of Technology Locations



■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.

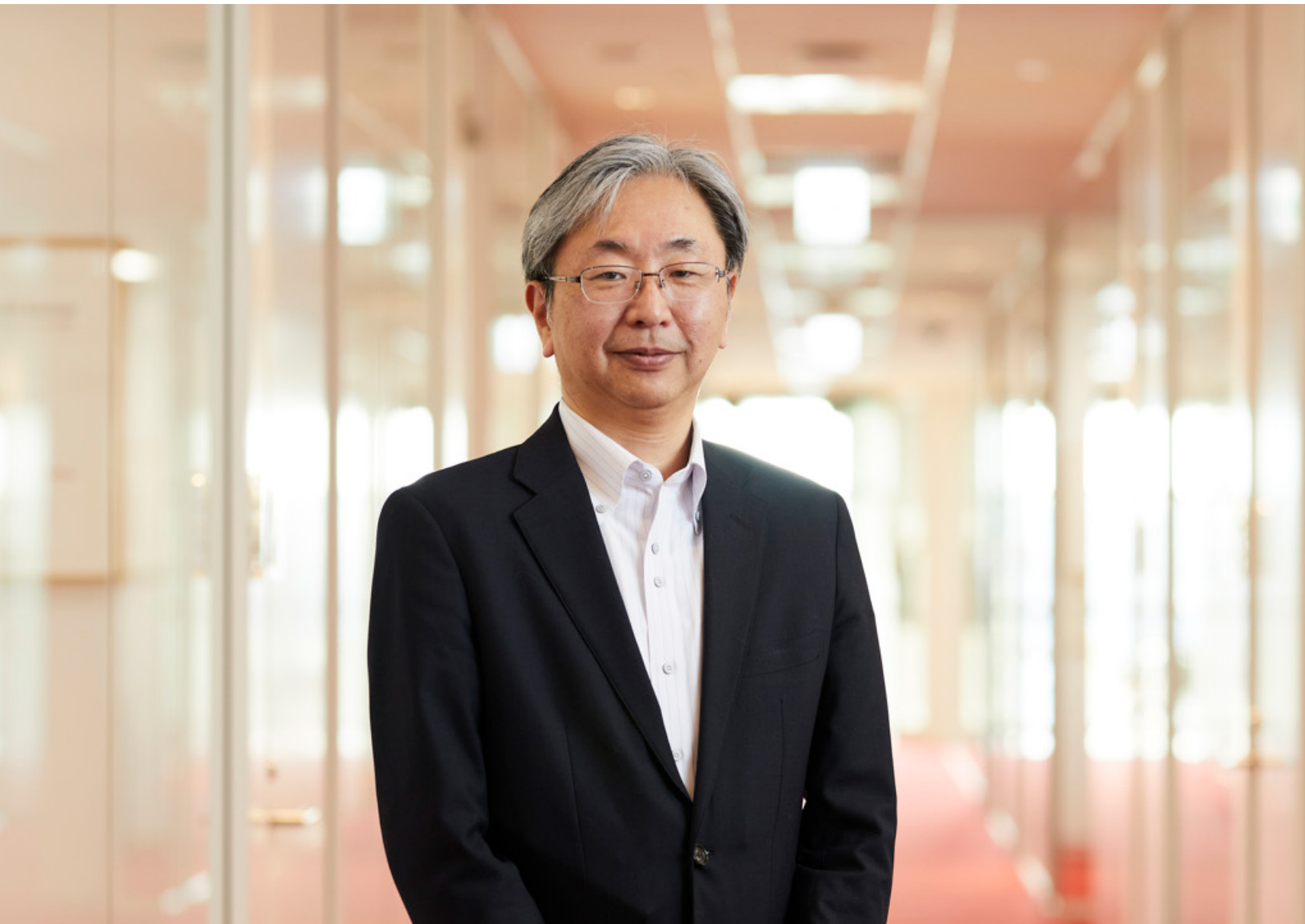
Column Walk Together

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)

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

**A** 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.

**Q 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?**

**A** 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.

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

**Revenue** YoY **+17.8%**  
**Operating Income** YoY **+18.6%**

Rakuten (楽天市場)

Rakuten Card

Rakuten 楽天銀行

Rakuten 楽天生命

Rakuten Travel

Rakuten (US Rewards)

**Recent Fundings**

Bond Name	Issue Date	Issue Amount
USD-denominated Unsecured Bond due November 2024	November 27, 2019	\$800 million
1st-3rd Subordinated Bond	December 13, 2018	¥182 billion

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



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.

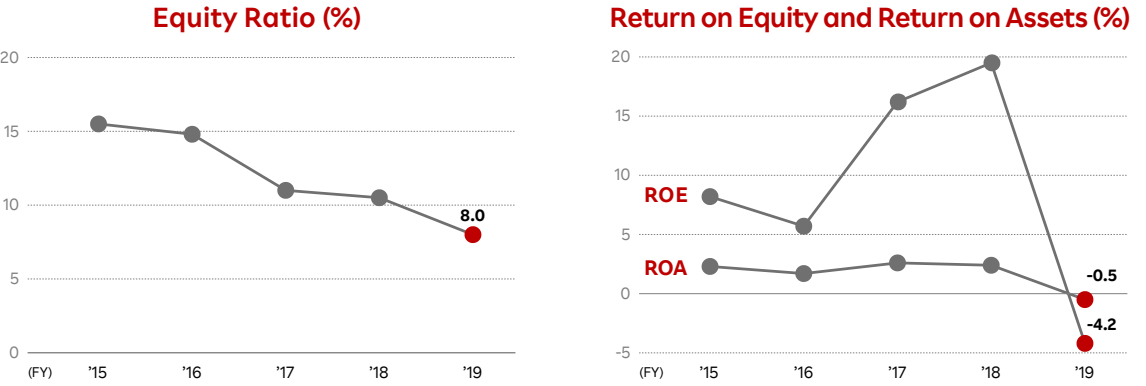
Our business management processes center on regular meetings of the Business Portfolio Committee, which consists of officers at the executive vice president/executive officer level and above. The committee discusses the performance of each business and their roles and synergies within the Rakuten Ecosystem. 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 time is right.



We will continue to strengthen dialogue with the market in order to deepen understanding of the corporate value of the Rakuten Group, including membership value.



**Q** Membership value grew from ¥4.6 trillion at the end of fiscal 2018 to ¥5.5 trillion. How would you assess this growth from the viewpoint of management?

**A** Through our dialogue with capital markets, we aim to deepen understanding about the following three points. First, we want to convey our confidence in the mobile carrier business to investors. In October 2019, we commenced services using the world’s first end-to-end fully virtualized cloud-native mobile network, something that industry experts said was impossible, and after just 18 months of preparations. This was a major milestone for us. The year following the launch of full-scale services in April 2020 will be a vital time for this new business as we work to expand the subscriber base and deploy base stations throughout Japan.

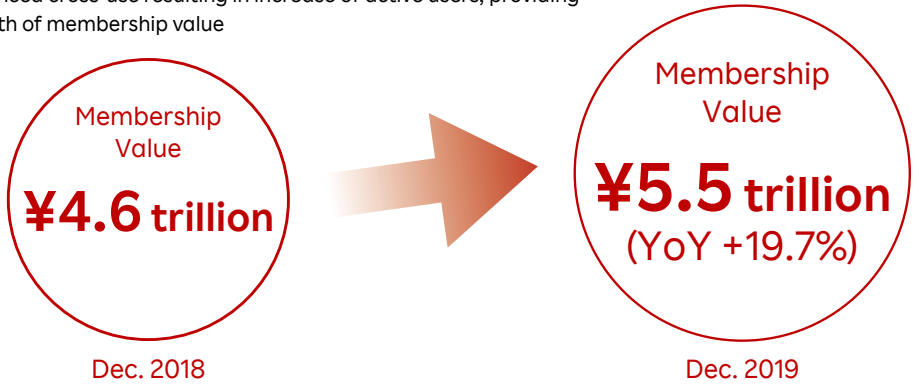
The second is investment portfolio management. Changes in the fair value of investment securities held have a considerable impact on Group profits. While we are dealing with tail risk, we understand that the role of the CFO is to control assets for the Rakuten Group as a whole, as we are making major investments in mobile and logistics. Instead of accumulating investment assets, the emphasis is on timely and appropriate portfolio replacement.

Third, because the Rakuten Group is involved in a wide variety of businesses, it is difficult to see the overall state of our business activities or the circumstances of individual businesses. This situation results in a “conglomerate discount” effect. However, I believe that business diversification is helping us to spread risk during the expansionary phase of the current COVID-19 pandemic.

We are engaging in honest and open dialogue with investors about these three points, while heeding input from investors. The Rakuten Group will continue to make every possible effort to strengthen its investor relations activities, increase its market capitalization, and reduce the gap between that and membership value.

**Rakuten Ecosystem Membership Value**

The successful Super Point Up (SPU) promotional program enhanced cross-use resulting in increase of active users, providing growth of membership value



Segment Information

Internet Services	<p>This fiscal year, in domestic e-commerce services, the mainstay of internet services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, and further 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.</p> <p>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.</p> <p>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.</p>	<div><div><div>Segment Revenue</div><div>(billions of yen)</div><div><div><div>676.7</div><div>792.5</div></div><div><div>FY2018</div><div>FY2019</div></div></div></div><div><div>Segment Profit</div><div>(billions of yen)</div><div><div><div>107.7</div><div>90.7</div></div><div><div>FY2018</div><div>FY2019</div></div></div></div><div><div>Sales Composition Ratio</div><div>(excluding adjustments)</div><div><div>56.6%</div></div></div><div><div>Main businesses</div><div><div>-Domestic e-commerce (Rakuten Ichiba, Rakuten Travel, etc.)</div><div>-Overseas e-commerce (Rakuten Rewards (formerly Ebates), Rakuten Marketing,etc.)</div><div>-Investment (Rakuten Capital)</div><div>-E-book services (Rakuten Kobo, etc.)</div><div>-Professional sports (Rakuten Eagles, Vissel Kobe, etc.)</div></div></div></div>
Fintech	<p>This fiscal year, at Rakuten Card of 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.</p> <p>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.</p>	<div><div><div>Segment Revenue</div><div>(billions of yen)</div><div><div><div>424.5</div><div>486.4</div></div><div><div>FY2018</div><div>FY2019</div></div></div></div><div><div>Segment Profit</div><div>(billions of yen)</div><div><div><div>67.9</div><div>69.3</div></div><div><div>FY2018</div><div>FY2019</div></div></div></div><div><div>Sales Composition Ratio</div><div>(excluding adjustments)</div><div><div>34.8%</div></div></div><div><div>Main businesses</div><div><div>-Rakuten Card</div><div>-Rakuten Bank</div><div>-Rakuten Securities</div><div>-Rakuten Life Insurance</div><div>-Rakuten General Insurance</div><div>-Rakuten Pay</div></div></div></div>
Mobile	<p>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. In the “Free Supporter Program,” the Rakuten Group recruited additional subscribers of up to 20,000 in January 2020 was working to improve the quality and stability of its network. 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.</p> <p>As a result, revenue for the Mobile Segment rose to ¥119,808 million, a 33.3% year-on year increase, while Segment loss 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.</p>	<div><div><div>Segment Revenue</div><div>(billions of yen)</div><div><div><div>89.9</div><div>119.8</div></div><div><div>FY2018</div><div>FY2019</div></div></div></div><div><div>Segment Profit</div><div>(billions of yen)</div><div><div><div>(13.7)</div><div>(60.1)</div></div><div><div>FY2018</div><div>FY2019</div></div></div></div><div><div>Sales Composition Ratio</div><div>(excluding adjustments)</div><div><div>8.6%</div></div></div><div><div>Main businesses</div><div><div>-Rakuten Mobile</div><div>-Rakuten Communications</div><div>-Rakuten Energy</div><div>-Rakuten Viber</div></div></div></div>



Management Team (As of June 15,2020)

Board of Directors



**Hiroshi Mikitani**  
Representative Director,  
Chairman, President and CEO



**Masayuki Hosaka**  
Representative Director and  
Vice Chairman



**Charles B. Baxter**  
Director



**Ken Kutaragi**  
Director <sup>\*1,2</sup>

Year Appointed/Positions Held or Career Summary

**2010**  
President, Representative Director & CEO of Cyber AI Entertainment Inc.  
Outside Director of Nojima Corporation  
Outside Director of GA technologies Co., Ltd  
Outside Director of SmartNews, Inc.

Reasons for Nominating the candidate

His continued appointment is requested in anticipation of his advice to the management of the Company based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management. He is an incumbent Outside Director of the Company and will have served for that position for ten years.



**Sarah J. M. Whitley**  
Director <sup>\*1,2</sup>

Year Appointed/Positions Held or Career Summary

**2019**  
Foundation Scotland Trustee  
Edinburgh International Festival Endowment Fund Chair  
The Royal Scottish Academy Foundation Trustee

Reasons for Nominating the candidate

Appointment is requested in anticipation of her advice to the management of the Company to enhance its corporate value based on her many years of experience in observing the Company and other Japanese companies as an investor. Although she has not directly participated in company management, the Company believes that she will be able to perform Outside Director's responsibilities for the above reasons. She is an incumbent Outside Director of the Company and will have served for that position for one year.



**Takashi Mitachi**  
Director <sup>\*1,2</sup>

Year Appointed/Positions Held or Career Summary

**2016**  
Adjunct Professor of Graduate School of Management of Kyoto University  
Outside Director of Lotte Holdings Co., Ltd.  
Outside Director of DMG MORI CO., LTD.  
Outside Director of Unicharm Corporation  
Board Member of Ohara Museum of Art  
Outside Director of Tokio Marine Holdings, Inc.  
Senior Advisor of The Boston Consulting Group  
Chief Executive Director of Ronald McDonald House Charities Japan

Reasons for Nominating the candidate

His continued appointment is requested in anticipation of his advice to the management of the Company based on his expert knowledge and experience as a management consultant. He is an incumbent Outside Director of the Company and will have served for that position for four years.



**Jun Murai**  
Director <sup>\*1,2</sup>

Year Appointed/Positions Held or Career Summary

**2012**  
Professor of Keio University  
Outside Director of BroadBand Tower, Inc.  
Outside Director of LAC  
Outside Director of HAPSMobile Inc.

Reasons for Nominating the candidate

His continued appointment is requested in anticipation of his advice on the management of the Company based on his knowledge and experience as an academic expert in internet technology. He is an incumbent Outside Director of the Company and will have served for that position for eight years.

Executive Officers



**Yoshihisa Yamada**  
Group Executive Vice President  
Mobile Segment Leader  
President of Communications & Energy Company



**Yasufumi Hirai**  
Group Executive Vice President  
CIO & CISO  
Senior Vice President of Communications & Energy Company  
CTO of FinTech Group Company



**Kentaro Hyakuno**  
Group Executive Vice President  
COO



**Makoto Arima**  
Group Executive Vice President  
CRO  
President of Media & Sports Company



**Kazunori Takeda**  
Group Executive Vice President  
President of Commerce Company



**Kenji Hirose**  
Group Executive Vice President  
CFO



**Tareq Amin**  
Group Executive Vice President  
CAO



**Masatada Kobayashi**  
Group Managing Executive Officer  
CWO



**Koji Ando**  
Group Managing Executive Officer  
Office Manager of CEO Office  
Senior Vice President of Investment & Incubation Company



**Yuji Kusunoki**  
Group Managing Executive Officer  
Representative Director and  
President of Rakuten Securities, Inc.



**Terje Marthinussen**  
Group Managing Executive Officer  
CTO of Technology Division



**Hiroyuki Nagai**  
Group Managing Executive Officer  
Representative Director and  
President of Rakuten Bank, Ltd.



**Hiroshi Takasawa**  
Group Managing Executive Officer  
President of Investment & Incubation Company  
Head of Asia RHQ



**Naho Kono**  
Group Managing Executive Officer  
CMO  
Senior Vice President of Commerce Company



**Takuya Kitagawa**  
Group Managing Executive Officer  
CDO of Technology Division



**Koichi Nakamura**  
Group Managing Executive Officer  
Representative Director and  
President of Rakuten Payment, Inc.



**Kazuhiko Kasahara**  
Group Managing Executive Officer  
Director and Executive Vice  
President of Rakuten Payment, Inc.

CIO=Chief Information Officer  
CISO= Chief Information Security Officer  
CTO =Chief Technology Officer  
COO =Chief Operating Officer  
CRO =Chief Revenue Officer  
CFO =Chief Financial Officer

CAO =Chief Architecture Officer  
CTO =Chief Technology Officer  
CWO =Chief Well-Being Officer  
CMO =Chief Marketing Officer  
CDO =Chief Data Officer

Auditors



**Yoshiaki Nishikawa**  
Audit & Supervisory Board Member  
(Full-time)



**Takeo Hirata**  
Audit & Supervisory Board Member <sup>\*2,3</sup>

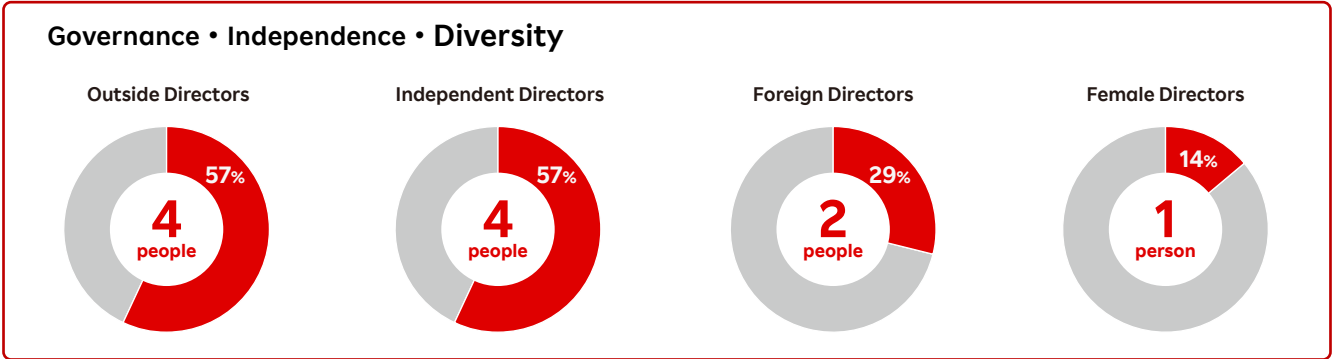


**Masahide Hiramoto**  
Audit & Supervisory Board Member  
(Full-time) <sup>\*2,3</sup>



**Katsuyuki Yamaguchi**  
Audit & Supervisory Board Member <sup>\*2,3</sup>

\*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



Corporate Governance

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.

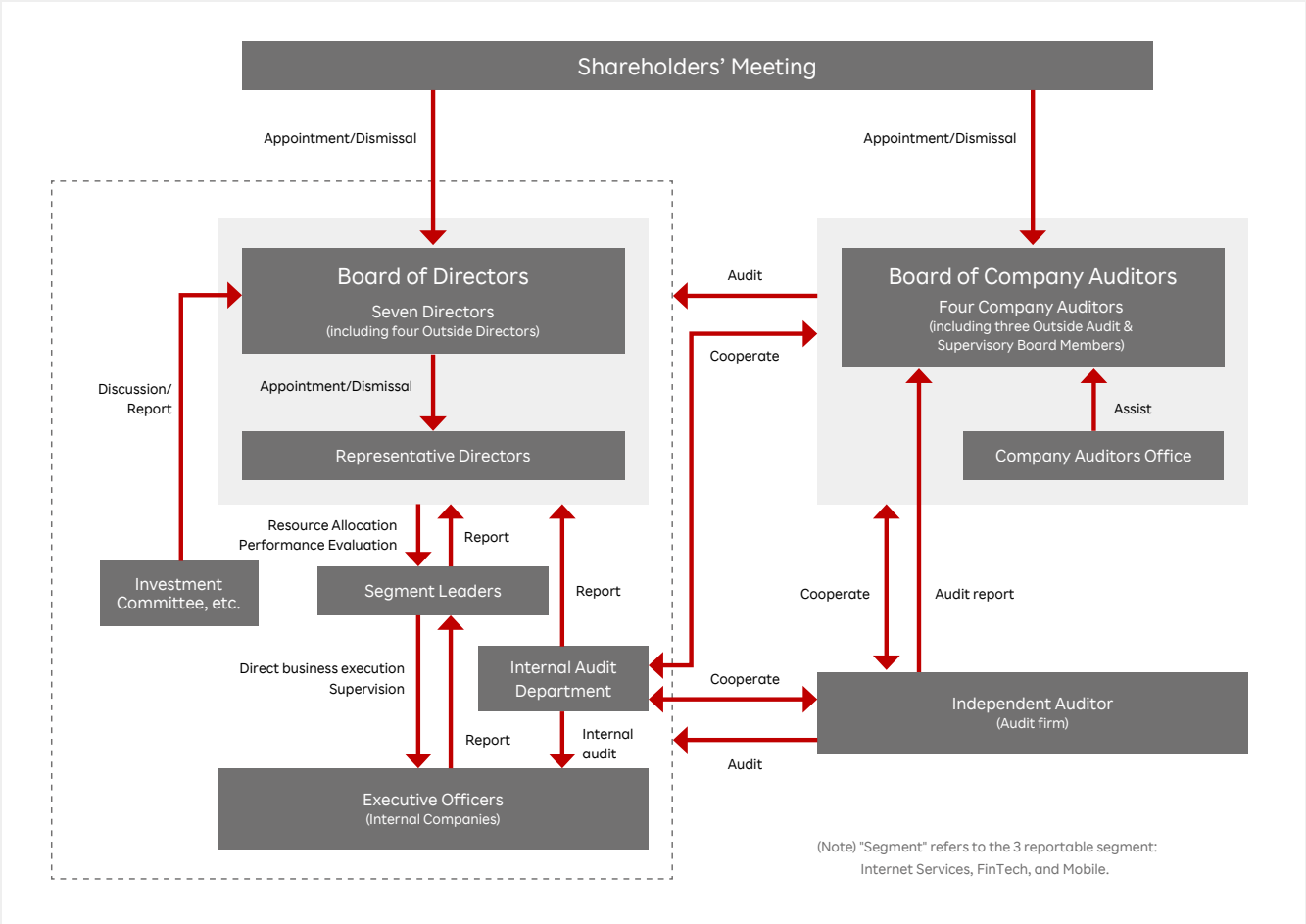
Corporate Governance Report  
https://global.rakuten.com/corp/sustainability/governance/

Basic Structure of Corporate Governance and Reasons for Adoption

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 adopted an Executive Officer System by which the Board has retained the responsibility for management decision-making and supervision, while Executive Officers have been made responsible for the executive functions.

The Company’s Board of Directors, led by the Outside Directors who are highly independent experts of a variety of fields, supervises the execution of duties from an objective perspective and engages in frank and multilateral discussions on management. Furthermore, the Company has been holding the long meetings on Group management strategy, etc., separately from the meetings of the Board of Directors, and participants discuss matters from a medium- to long-term perspective, rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, in order to enhance the effectiveness of corporate governance.

Corporate Governance Structure



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 to appoint Directors must be approved by a majority of voting rights at an Annual General Shareholders’ Meeting attended by shareholders holding at least one-third of voting rights. 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 in order 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. Whitley, Takashi Mitachi and Jun Murai, 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 Office assists 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. 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 Member (full-time) Yoshiaki Nishikawa, Outside Audit & Supervisory Board Member (full-time) Masahide Hiramoto, Outside Audit & Supervisory Board Members Takeo Hirata and Katsuyuki Yamaguchi. It is chaired by Audit & Supervisory Board Member (full-time) Yoshiaki Nishikawa.

Internal Control Systems and System to Ensure the Appropriateness of Operations of Subsidiaries of the Company Submitting Financial Reports (Including Risk Management Systems)

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

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

Rakuten, Inc. has stipulated the "Rakuten Group Code of Ethics" and Rakuten, Inc. as well as its subsidiaries (“Rakuten Group”), shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director, President and CEO); initiatives promoting Group-wide compliance under the leadership of the Chief Operating Officer (COO), a Function Chief Compliance Officer (“Function CCO”) who, under the leadership of the COO, oversees the integration of Group-wide compliance management, and Company Compliance Officer appointed according to Rakuten, Inc.’s internal Company System structure; and by reporting the status of compliance initiatives to the Group Risk Compliance Committee and the Board of Directors. Moreover, Outside Directors and 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. Rakuten Group shall appropriately administer a system for internal whistleblower system that prevents retribution against those who report and consult through establishing a point of contact for executives, current and former employees of Rakuten Group to consult and report about legal violations and other compliance issues. Rakuten Group will also collect information widely from outside the company.



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

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

An appropriate and efficient decision making system to allow Directors of Rakuten Group to execute their duties shall be formulated based on the Rakuten Group Regulations, and other internal regulations. Moreover, transparency and speed in decision making shall be sought by promoting online internal procedures. Prompt and flexible decision-making and execution of duties shall be promoted by having Executive Officers, who were appointed by the Board of Directors, perform duties under the control of Directors.

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on “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 they need. Additionally, when employees assist Audit & Supervisory Board Members, the effectiveness of the orders from Audit & Supervisory Board Members shall be ensured by employees of the Audit & Supervisory Board Members Office not receiving orders from Directors and by requiring approval from the Audit & Supervisory Board Members for such employees’ transfer and performance assessments.

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

Directors and employees of Rakuten Group shall give all legally required reports to Audit & Supervisory Board Members and provide additional necessary reports and information if the Audit & Supervisory Board 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 or repayment from 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 adopt 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 the Independent Outside Directors, and obtains appropriate advice. The amount of individual remuneration for Directors is determined by the Representative Director, Chairman, President & CEO, who is delegated this authority by the Board of Directors, within the remuneration limit determined at the General Shareholders’ Meeting and in accordance with the remuneration policies.

Deliberations by the Board of Directors

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

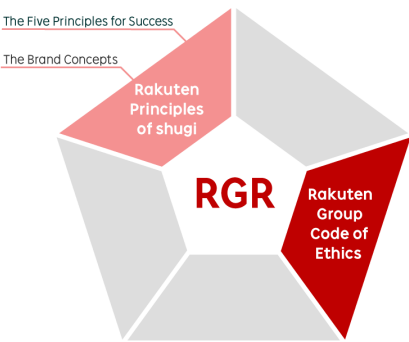
Main Resolutions and Reports			
1st Quarter	•Matter of Partial Change for Group Reorganization by Company Splits •Matter of Group Reorganization related Contracts and Applications •Matter of Revision of Group Company Governance	•Matter of Contracts of Management and Brand License Fee •Report for the Audit Result and the Reappoint •Ernst & Young ShinNihon LLC-Report of the Board of Directors Effectiveness Evaluation Result	Progress reports on businesses
2nd Quarter	•Matter of Revision of Company Regulation-Matter of the Blanket Resolution for Domestic Corporate Bond Issuance •Matter of Additional Investment and Strategic Alliance with Gurunavi, Inc.	•One Delivery Project •FY2019 Audit Plans •Voting Result of 22nd Annual Shareholders' Meeting	
3rd Quarter	•Matter of Establishment of a US Bank and a US Payment System •Matter of Title Sponsor of Fashion Week TOKYO •Matter of Acquisition of Lamigo Monkeys Co.	•Matter of Merger of Signature Japan Co., Ltd. •Matter of Merger of RS Empowerment, Inc. •Portfolio Performance Report	
4th Quarter	•Matter of Foreign Currency Denominated Straight Bond Issuance •Matter of Investment for Logistics Distribution Center(DC) and Material Handling Equipment(MHE)	•Matter of Merger of BOOK SERVICE Inc. (Simplified Merger and Short form Merger) •Business Portfolio Committee Report	

# Compliance

Compliance with laws and regulations is a requirement all individuals and companies must ensure. 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 Group 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 COO (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 COO (Chief Operating Officer) and Function-CCO periodically and oversees overall compliance.

\* Company: The Rakuten Group is based on an internal company-system, an initiative designed to drive responsiveness to user and partner needs, delivering assured service quality aand maximizing customer satisfaction in a rapidly changing market environment.

## 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:



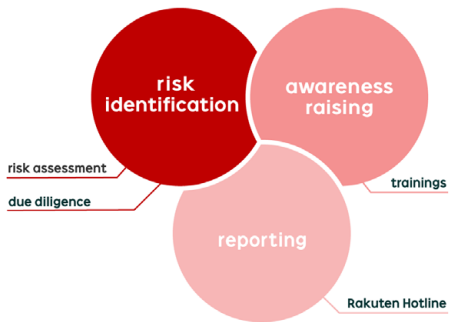
- **Identify Risks**  
Risks facing the Rakuten Group are identified based on risk assessment, reported incident information and other concerns raised from top management and different departments.
- **Plan Solutions**  
The identified risks are prioritized and action plans are established accordingly.
- **Implement and Execute**  
Action plans are implemented and executed at the appropriate organization level (business, company and/or Group.)
- **Evaluate**  
Finally, 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 an offence 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

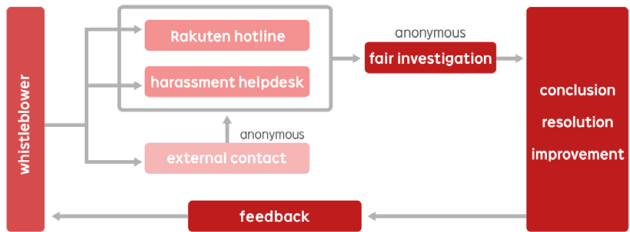
### Awareness and Training

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.



CWO Message



We will share our new corporate slogan  
“Walk Together” with all employees and  
fulfill our social responsibilities as a global  
innovation company.

Co-Founder and CWO (Chief Well-Being Officer)  
Masatada Kobayashi

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 those 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 realize 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

With my appointment in 2019, Rakuten became one of the few companies in the world to have a Chief Well-Being Officer (CWO). Although there is no universally accepted definition of “well-being,” it is usually understood as “a state of complete satisfaction physically, mentally and socially.” We only live once, and I believe that well-being is the ability to live the life we want. To achieve that, individuals need to be in a good state both physically and mentally, and so must the society in which individuals carry on their activities.

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.

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 CO<sub>2</sub> 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 clearly defined 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 toward 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.



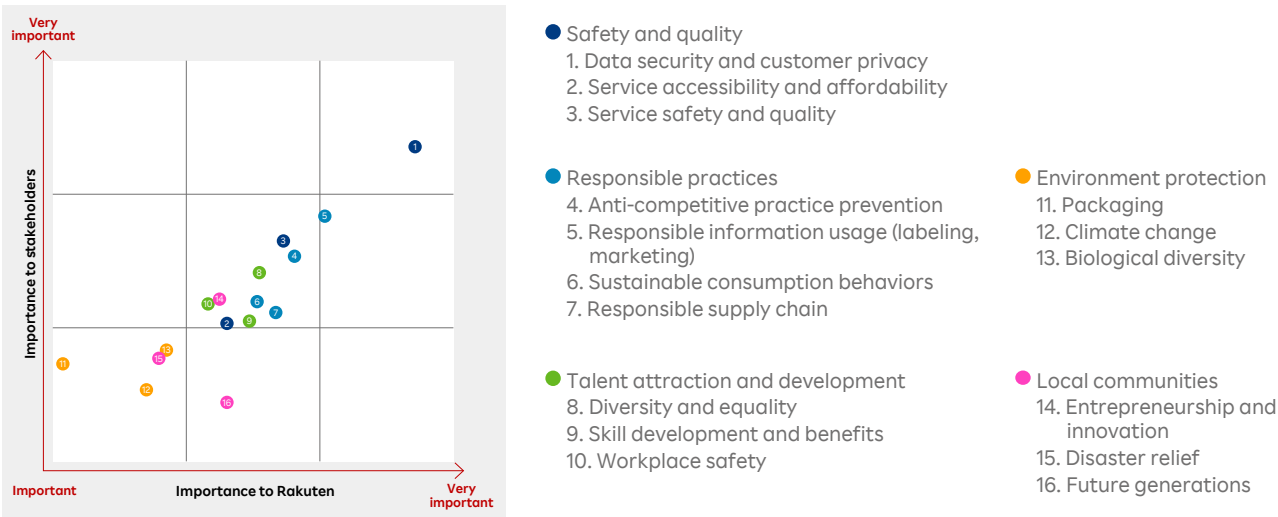
## Rakuten's Materiality

» For more details, visit Rakuten's [Materiality page](#)

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.

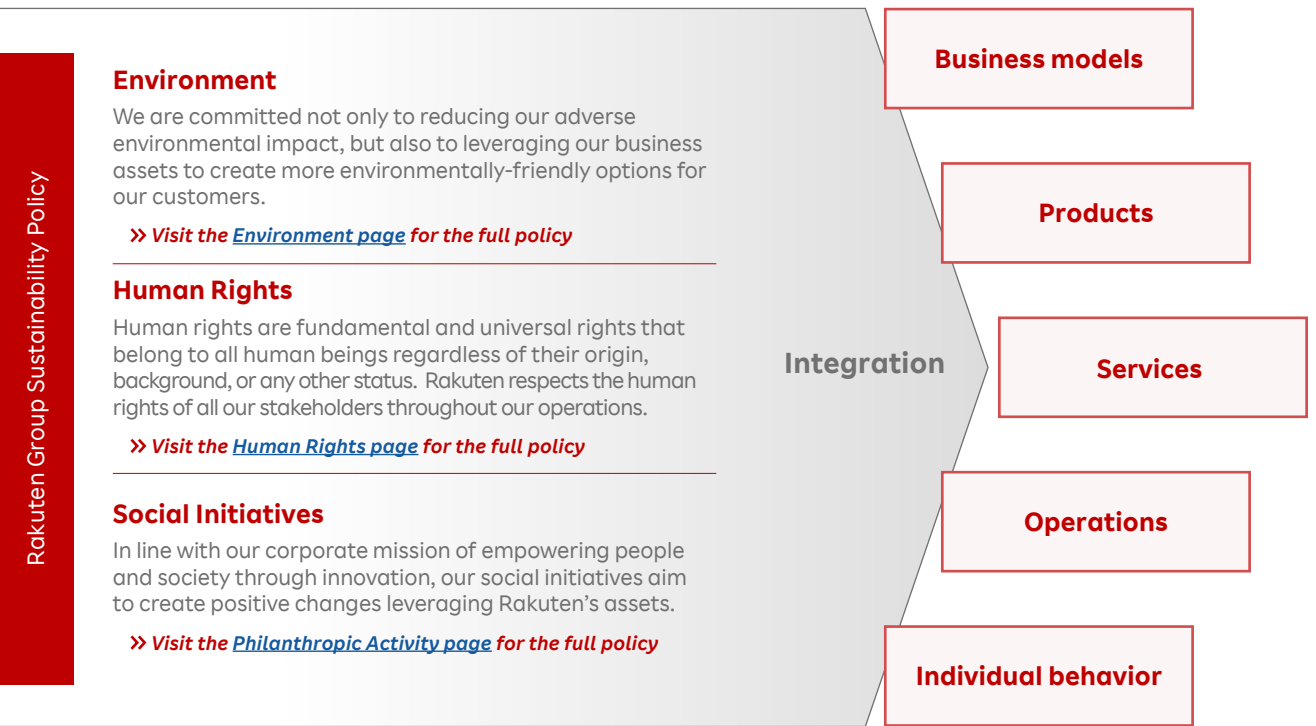
In 2019, we accelerated our sustainability initiatives referring to this materiality and improved our ESG reporting regarding our progress. These efforts were recognized through the consecutive inclusion of Rakuten into the leading global ESG indices.



## 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.



## 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.



### UN Global Compact

Rakuten supports the principles of the United Nations Global Compact, the world's most comprehensive voluntary corporate initiative with the objective of mainstreaming the adoption of sustainable and socially responsible policies by businesses globally.

In respect of the Global Compact's ten principles in the areas of human rights, labor, environment and anti-corruption, Rakuten strives to take shared responsibility for achieving greater good, to align our strategies and operations with international frameworks, and to report on our progress toward those global goals.



» For more details, visit [International Initiative Support page](#)



# 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.

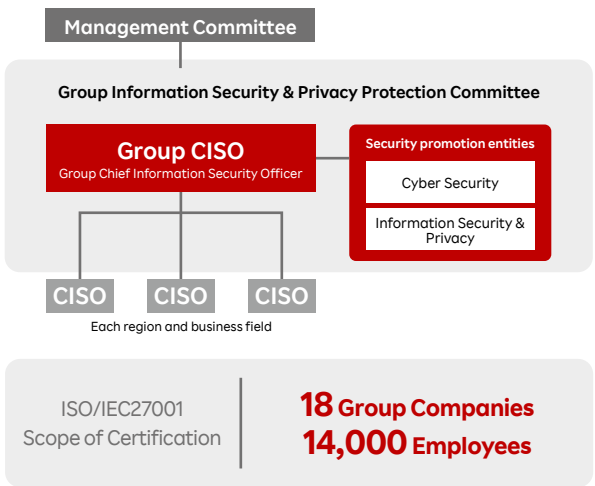
In order to maintain proper security governance, the Rakuten Group Information Security & Privacy Committee chaired by the Group CISO (Chief Information Security Officer) is held monthly to report and make decisions over policy implementation and recent incidents. The major resolutions made by the committee 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 jurisdiction, and with the mission to promote security in line with local regulations.

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.

Information Management system of Rakuten Group



### 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.

### Strengthening Cybersecurity

The Rakuten Group has established a specialized organization dedicated to cybersecurity and systems to actively eliminate vulnerabilities (flaws compromising information security) from our service development, including security education for developers, security reviews during the software development process and inspections for vulnerabilities.

To enhance cybersecurity, in addition to our Group-wide CSIRT (Computer Security Incident Response Team), we work closely with administrative agencies and investigation authorities including the police, and external security organizations such as FIRST and the Nippon CSIRT Association. Moreover, endpoint security systems that enhance the security of employees' devices at work have been introduced, as well as a mechanism for email security that automatically discards phishing and spam emails.

## 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

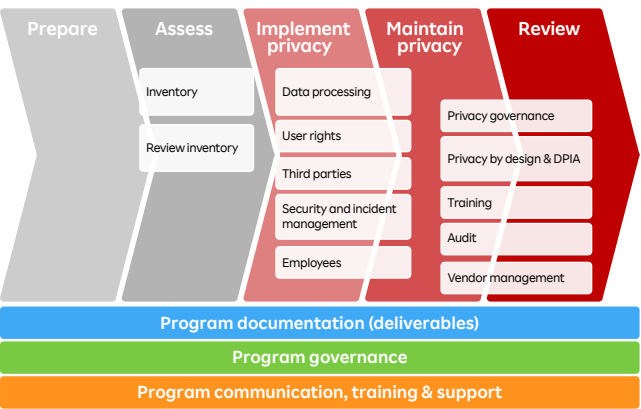
In order to efficiently ensure legal compliance of services offered globally, we prepare and update comparative tables listing legal requirements under privacy-related laws in different countries and regions. By doing so, when a new law becomes applicable, we are able to identify the strictest controls 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:

Stakeholder management	Priority setting	Transition from initial response to continued response
<ul style="list-style-type: none"><li>Sharing importance and emergency of CCPA compliance</li><li>Forming consensus</li><li>Building progress monitoring and reporting structure</li><li>Creating roadmap</li></ul>	<ul style="list-style-type: none"><li>Conducting data mapping</li><li>Finding required tasks, organizing dependency among tasks, identifying areas of high-risk</li><li>Setting priority tasks based on the above</li></ul>	<ul style="list-style-type: none"><li>Preparing process for continued response</li><li>Preparing training programs for all employees</li><li>Evaluating security</li><li>Reviewing contracts with vendors</li></ul>

# For Our Customers

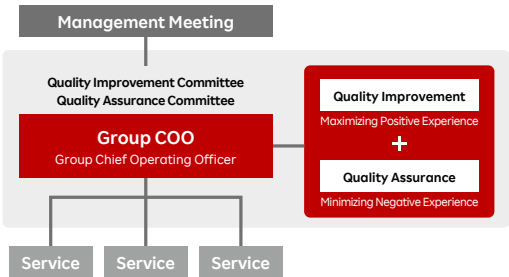
At Rakuten, we believe that the commitment to and pursuit of quality is foundational to building a relationship of trust with our customers. We work endlessly to ensure that our customers experience happiness and excitement through our services and products and that we always exceed their expectations.



## 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 Promotor 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.

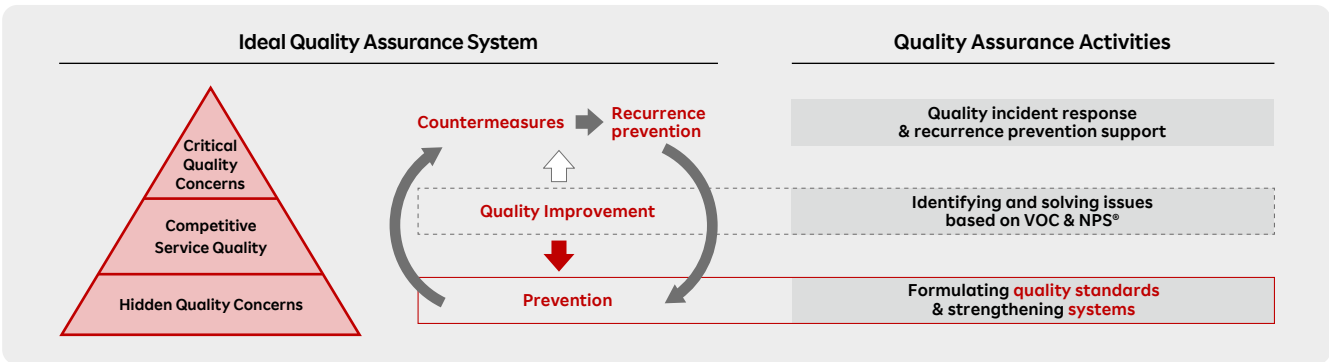


Quality Assurance	Quality Improvement	Quality Control Circle (QCC)
Prevention of quality-related issues <ul style="list-style-type: none"><li>Quality standards</li><li>System reinforcement</li></ul>	Improvement of existing services <ul style="list-style-type: none"><li>NPS®</li><li>VOC (Voice of Customer)</li></ul>	Bottom-up quality improvement activities

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

## 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

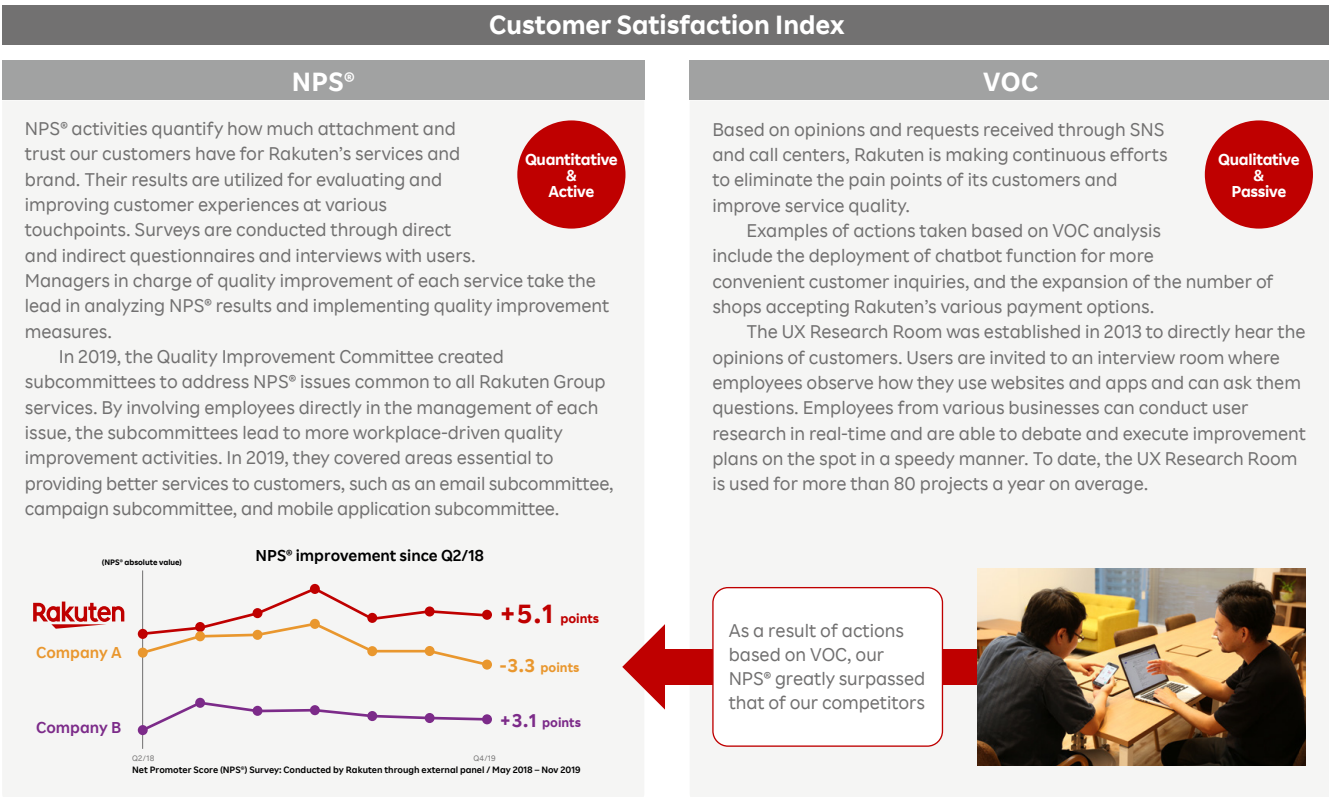
In order to “Maximize Customer Satisfaction,” one of the core values of the Rakuten Group, we are constantly working to improve the safety, reliability, legality, usefulness, and convenience of our services through various measures.

Number of quality improvement activities in 2019

Total: 450

## Improving Customer Satisfaction

Rakuten uses NPS® and VOC to improve customer satisfaction.



## 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 Aquafadas 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



# 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.

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

## 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 communication and networking among employees from different units.

One of the issues identified in the interviews with former employees was evaluation and remuneration systems. Previously employees were basically guaranteed a certain level of salary regardless of their performance. Many of the

former employees felt that this system was not very fair to employees who achieved superior results. This had serious implications for our ability to retain employees, and so we switched to a result-based remuneration system that reflected performance more fairly by paying higher salaries and bonuses to employees who had achieved better results.

Outside experts told us that it would take five years to see the benefits from these fundamental reforms. In fact, the benefits began to appear as early as 2019. There was a dramatic improvement in the percentage of new graduates retained after three years, which by 2018 had fallen to around one-tenth of the 2016 level. We also began to see evidence — both by word of mouth and in the media — of an improvement in satisfaction among talented young employees. Rakuten began to rank near the top of the list of employers of choice for mid-career applicants. At times, we experienced major difficulties because of the scale and speed of these reforms. However, we have achieved significant benefits thanks to the hard work of our human resources team.

## Maintaining Our Corporate Culture

Rakuten has grown into a global enterprise employing over 20,000 people in Japan and overseas. We need to work constantly to prevent the dilution of our founding philosophy. Fortunately, Rakuten’s founder, Hiroshi Mikitani, is still serving as the Chairman and President. Every week, he shares information about the strategy and progress of our various business segments with all employees during Asakai (morning meetings). He also talks to them about our corporate philosophy and mission, our values, our conduct guidelines, and the priorities of the management team.

The “Principles for Success,”<sup>\*1</sup> which encapsulates our founding code of conduct, is at the base of our employee evaluation system and is used for the rating of their competencies that they have demonstrated throughout their work, and is thus part of the promotion criteria. This ensures that employees are constantly aware of our founding values as they engage in their day-to-day work activities.

Employees at all levels learn about our history and philosophy through training activities, and all senior executives are required to study the “Principles for Success.” Training for new graduates recruited in 2020 was provided online to prevent the spread of the novel COVID-19. Due to the unique environment, Mr. Mikitani was able to use this opportunity to pass on his personal philosophy directly by reading from his book “Golden Rules of Success” with new employees.

\*1 <https://global.rakuten.com/corp/about/philosophy/principle/>

## Our Mission

I am confident that the reforms implemented over the past few years have transformed the Rakuten Group into a resilient organization. When I first joined Rakuten in 2007, all employees were sprinters, running short-distance races at top speed. Then as the company expanded, they seemed to have dispersed to different events, such as hurdle races and hammer throws. However, thanks to our human resource reforms, people are no longer running around haphazardly. Instead, all 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 organizations and myself. Going forward, I am 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



## 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 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.

Ranked No.

3

In “Top Companies 2019  
Where Japan Wants  
To Work Now”  
By LinkedIn

## 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.

### Off-JT (Off-the-Job Training)

Since 2017, the quality of Off-JT 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.

### 2019 Training Result, Year on Year



## Talent Retention

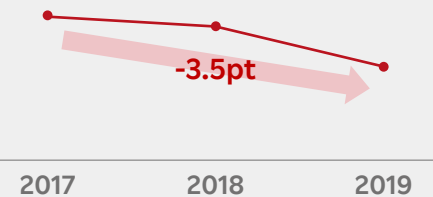
The tech industry is said to have a comparatively high turnover rate. Talent retention is a complex issue, dependent on many factors, but career opportunities and salary evolution are often listed as important points.

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 in the event of retirement or resignation 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.

### Turnover Rate of Rakuten, Inc.





## 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

#### Englishnization

English was made the official language of Rakuten in 2012 as part of the Englishnization 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 Englishnization. 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 increase 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.

#### Accelerating Innovation at Rakuten Mobile



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 Englishnization. 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.

#### 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 Englishnization 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.



### Rakuten’s Corporate Culture

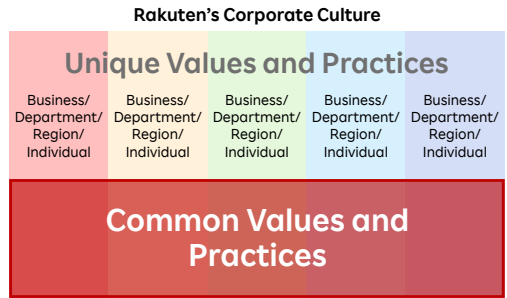
As the Rakuten Group rapidly expands globally, maintaining a sense of unity and cultivating a One Team culture among employees with diverse backgrounds becomes a challenge. Besides sharing the same language and basic knowledge, having a common set of values is essential to working together toward the 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 team. 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.

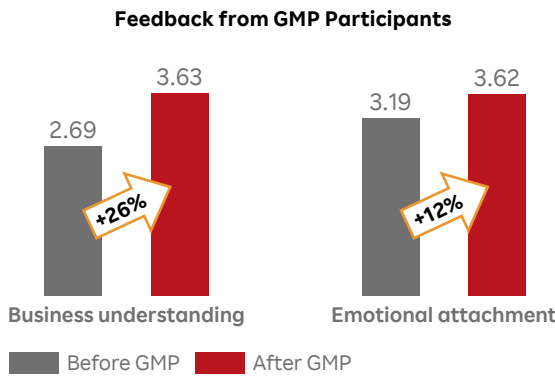
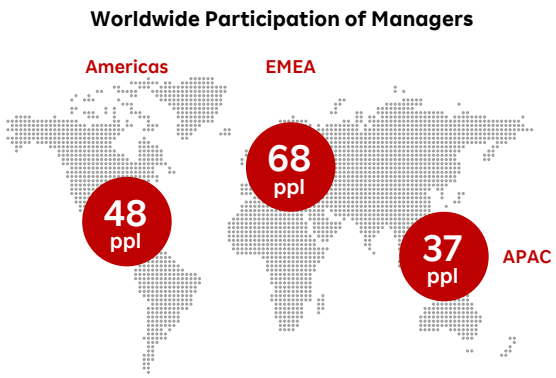


#### Global Managers Program

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 Ichiba 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.



# 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.

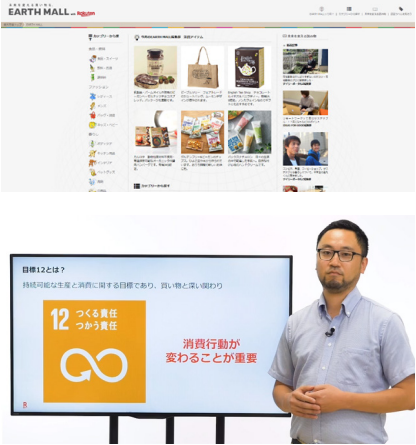
\*A business model where a company sells products or services to another company and those buyers sell purchased products and services to general consumers.

## 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.

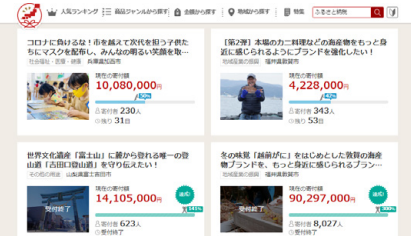
In 2019, the CSR Award was awarded to the merchant “Made in Earth” for its sustained commitment to promotion of organic cotton products. Its organic cotton products are intended to contribute to tackling issues associated with the traditional agriculture of cotton in emerging economies, such as child 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 more than 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 its 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.

### Revitalizing 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 more added value allows for better remuneration to farmers.

\* “Current Situation and Policy on Organic Agriculture in Japan” by Ministry of Agriculture Forestry and Fishery published in August, 2019



100  
Organic Farmers



40 ha  
Organic Farmland



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.



>> For more details, visit [Environment Page](#)

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 CO<sub>2</sub> 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.



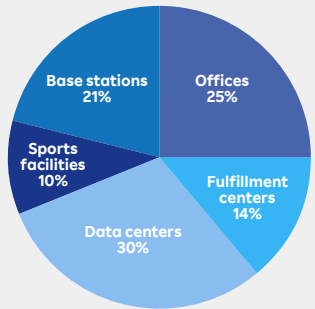
Reduce greenhouse gas emissions of Rakuten, Inc. from electricity consumption (Scope 2) to zero by 2025.

Green Electricity Strategy

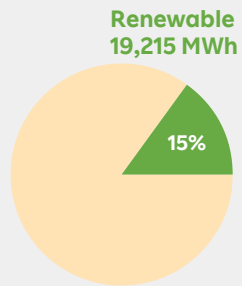
Electricity Usage by the Rakuten Group

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.

Rakuten Group's electricity consumption in 2019



Rakuten Group renewable electricity sourcing in 2019



2019 emission offset equivalent to carbon footprint of over 10 services, including:

Rakuten		
Rakuten Fashion <small>Rakuten</small>	Rakuten BEAUTY	Rakuten Pasha
Rakuten Farm	Rakuten ラフマ	Rakuten みんな就
Rakuten Travel	EARTH MALL <small>by Rakuten</small>	Rakuten レシビ
Rakuten ブックス	Rakuten TV	Rakuten SUPER LOGISTICS

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-CO<sub>2</sub>, 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.

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 CO<sub>2</sub> emissions from our operations, but also to tackle climate change at large.

CO<sub>2</sub> Offsets at Sports Events

Rakuten has been proactively offsetting the CO<sub>2</sub> 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-CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> offset booth offered the fans the opportunity to join our initiative to reduce emissions: For each picture taken at the booth, 6 kg of CO<sub>2</sub>, equivalent to the average carbon emissions per person per day, were offset. Thus, not only did we reduce CO<sub>2</sub> emissions from event operations to virtually zero, we also reduced emissions from the transportation of fans.



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.



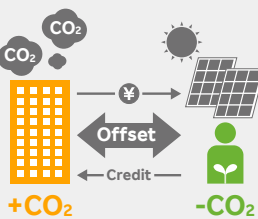
Approach 2 Switching to Renewable Electricity Supply Contracts

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.



# 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 with the “Rakuten Clutch Special Charity Fund.”

In 2017, the time had come to rethink our sustainability strategy and to integrate new expectations from our stakeholders. After consulting our customers, business partners and employees, our materiality was established, and our social initiative strategy was also updated according to our new priorities.



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.

Each initiative embodies Rakuten’s corporate culture as represented by the concept of “Empowerment.” By joining the initiatives that empower various stakeholders, employees who might not necessarily be in direct contact with service users or business partners in their daily job get to experience Rakuten’s mission, vision, and values from a new perspective. 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.

### 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.

## 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

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.





ESG (Environmental, Social, Governance) Data

Items			Coverage	Unit	FY2017	FY2018	FY2019
Environmental Data							
CO <sub>2</sub> emissions	Scope 1		Rakuten Group	t-CO <sub>2</sub>	304 <sup>*1</sup>	1,152	2,591
	Scope 2 (local-based)		Rakuten Group	t-CO <sub>2</sub>	8,285 <sup>*1</sup>	23,052	65,235
	Scope 2 (market-based)		Rakuten Group	t-CO <sub>2</sub>	—	22,329	50,564
	Scope 3		Rakuten, Inc.	t-CO <sub>2</sub>	—	380,073	643,845
Energy consumption	Total		Rakuten Group	MWh	—	65,677 <sup>*2</sup>	140,507
Waste generation <sup>*3</sup>	Total		Rakuten Group	t	—	2,139	4,308
Water consumption	Total		Rakuten Group	1,000Nm <sup>3</sup>	—	183	253

<sup>\*1</sup> Data coverage for FY2017 is Rakuten, Inc. <sup>\*2</sup> Data in FY2018 has been revised from 133,623 MWh to 65,677 MWh, as Rakuten changed the conversion factors for purchased electricity in FY2019.  
<sup>\*3</sup> Boundaries for waste generation limited to: <FY2018> Rakuten Crimson House, Rakuten Rise Office, RFC Ichikawa I, RFC Ichikawa II, RFC Ichikawa III, RFC Kawanishi, home stadiums of Rakuten Baseball, Inc. and Rakuten Vissel Kobe, Inc. <FY2019> Rakuten Crimson House, Rakuten Rise Office, RFC Ichikawa I, RFC Ichikawa II, RFC Kawanishi, RFC Nagareyama, RFC Hirakata, Rakuten Direct Logistics, home stadiums of Rakuten Baseball and Rakuten Vissel Kobe, offices of Rakuten General Insurance, Rakuten Card, and Rakuten Mobile.

Social Data

Hirokata, Rakuten Direct Logistics, home stadiums of Rakuten baseball and Rakuten Vissel Kobe, offices of Rakuten General Insurance, Rakuten Care, and Rakuten Mobile.

Total no. of employees			Rakuten Group	People	14,845	17,214	20,053
Region	Japan	Total	Rakuten Group	People	10,279	12,053	14,375
	APAC (Excluding Japan)	Total	Rakuten Group	People	1,040	1,264	1,617
	Americas	Total	Rakuten Group	People	2,430	2,749	2,877
	EMEA	Total	Rakuten Group	People	1,096	1,148	1,184
Contract	Permanent	Total	Rakuten Group	People	13,753	15,966	18,531
	Temporary	Total		People	1,092	1,248	1,522
Total no. of employees that were entitled to parental leave			Rakuten, Inc.	People	310	297	480
Gender	Female	Total	Rakuten, Inc.	People	72	55	142
	Male	Total	Rakuten, Inc.	People	238	242	338
Total no. and percentage of employees that took parental leave			Rakuten, Inc.	People	96	77	202
Gender	Female	Total	Rakuten, Inc.	People	70	51	139
		Rate		%	97	92.7	97.9
	Male	Total	Rakuten, Inc.	People	26	26	63
		Rate		%	11	10.7	18.6
Return to work rates of employees that took parental leave							
Gender	Female	Rate	Rakuten, Inc.	%	92	90	91
	Male	Rate	Rakuten, Inc.	%	96	100	90
Paid vacation		Days granted	Rakuten, Inc.	Days (Average)	15.8	13.9	15.4
		Days taken	Rakuten, Inc.	Days (Average)	11	11	12
		Rate	Rakuten, Inc.	%	69.6	79.1	78.7
Average hours of training per employee		Average	Rakuten, Inc.	Hours / Employee	—	63.4	68.8
% of employees who received a regular performance and career development review		Rate	Rakuten, Inc.	%	100	100	100
Total no. of employees in each of the following diversity categories		Total no. of employees	Rakuten, Inc.	People	6,030	6,888	7,698
Age	Under 30 years old	Total	Rakuten, Inc.	People	2,077	2,135	2,841
	30–50 years old	Total	Rakuten, Inc.	People	3,806	4,556	4,619
	Over 50 years old	Total	Rakuten, Inc.	People	147	197	238
Gender	Female	Total	Rakuten, Inc.	People	2,273	2,591	2,999
	Male	Total	Rakuten, Inc.	People	3,757	4,297	4,699
Nationality	Japanese	Total	Rakuten, Inc.	People	4,617	5,305	5,920
	Non-Japanese	Total	Rakuten, Inc.	People	1,413	1,583	1,778
Average age of employees		Average	Rakuten, Inc.	Age	34	34.4	34.4
Average length of service		Average	Rakuten, Inc.	Years	4.9	4.7	4.6
Employment rate of people with disabilities		Rate	Rakuten Group	%	2.35	2.01	2.47
Total no. of managers in each of the following diversity categories		Total no. of managers	Rakuten, Inc.	People	1,889	2,639	2,809
Gender	Female	Total	Rakuten, Inc.	People	405	553	676
	Male	Total	Rakuten, Inc.	People	1,484	2,086	2,133
Nationality	Japanese	Total	Rakuten, Inc.	People	1,673	2,076	2,174
	Non-Japanese	Total	Rakuten, Inc.	People	216	563	635
Total no. of employee fatalities		Total	Rakuten, Inc.	People	0	0	0
Lost-time injury frequency rate		Rate	Rakuten, Inc.	%	0.1	0	0
Occupational disease frequency rate		Rate	Rakuten, Inc.	%	0	0.1	0

Governance Data							
Board of Directors	No. of directors	Total	Rakuten, Inc	People	7	7	7
	No. of female directors	Total	Rakuten, Inc	People	1	1	1
	No. of external directors	Total	Rakuten, Inc	People	4	4	4
	No. of independent directors	Total	Rakuten, Inc	People	4	3	4
Board of Company Auditors	No. of directors	Total	Rakuten, Inc	People	4	4	4
	No. of external directors	Total	Rakuten, Inc	People	4	4	3
	No. of independent directors	Total	Rakuten, Inc	People	2	2	3

Above data are provided on a "as is" basis and might be subject to corrections. For the latest data, please visit the Sustainability page on our Corporate website.  
(<https://global.rakuten.com/corp/sustainability/>)

Awards and Recognition

MSCI Indexes\*

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 Indexes (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).

\*The inclusion of Rakuten, Inc. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Rakuten, Inc. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademark or service marks of MSCI or its affiliates.

FTSE4Good Index Series

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

Rakuten has been selected as a constituent of the 2019 Dow Jones Sustainability Asia Pacific Index jointly developed by S&P Dow Jones Indices and Switzerland-based RobecoSAM. The index is composed of listed companies in Asia Pacific which excel in long-term sustainability strategies and practices.

S&P/JPX Carbon Efficient Index

Rakuten has been consecutively selected as a constituent of 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.

Annual Randstad Awards

Rakuten’s appeal as a great place to work was highlighted at the Japan edition of the annual Randstad Awards 2019. Rakuten placed 6th in the general ranking, and took the top spot in the "Information and Communications/Services" category.

Initiative Participation

In December 2019, Rakuten joined the following three environmental initiatives to support collaborative efforts to address climate change.

RE100

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.

TCFD

Rakuten officially became a supporter of the Task Force on Climate-related Financial Disclosure (TCFD) and aims to implement its recommendations.

JCI

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 envisioned by the Paris Agreement.



2020 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)



FTSE4Good



FTSE Blossom  
Japan



In collaboration with



Financial Section

10-year Key Financial Data

JGAAP					IFRS						
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	(Millions of Yen)	¥ 346,144	¥ 379,900	¥ 400,444	¥ 518,568	¥ 598,565	¥ 713,555	¥ 781,916	¥ 944,474	¥ 1,101,480	¥1,263,932
Non-GAAP Operating Income	(Millions of Yen)	0	0	0	103,344	118,092	152,153	119,615	167,010	161,130	95,129
Operating Income	(Millions of Yen)	63,766	70,789	50,055	90,244	106,397	94,689	78,512	149,344	170,425	72,745
Income (Loss) before income tax	(Millions of Yen)	—	—	49,106	88,610	104,691	94,076	74,458	138,082	165,423	(44,558)
Net income (loss)	(Millions of Yen)	34,956	(2,287)	21,136	43,481	71,412	45,885	38,435	110,488	141,889	(33,068)
Comprehensive income (loss)	(Millions of Yen)	—	(7,706)	31,574	67,881	122,847	52,725	20,106	100,981	124,452	(42,818)
Equity attributable to owners of the Company	(Millions of Yen)	249,233	231,025	235,942	300,063	424,020	666,111	682,391	683,181	774,473	735,672
Total assets	(Millions of Yen)	1,949,516	1,915,892	2,287,634	3,209,808	3,680,695	4,269,953	4,604,672	6,184,299	7,345,002	9,165,697
"Equity attributable to owners of the Company per share"	(Yen)	18,160.62	170.89	179.48	227.7	320.6	467.65	478.4	507.32	572.83	542.43
Basic earnings (losses) per share	(Yen)	2,666.28	(1.74)	15.59	32.6	53.7	33.5	26.96	80.03	105.43	(23.55)
Diluted earnings (losses) per share	(Yen)	2,657.43	—	15.56	32.41	53.38	33.25	26.74	79.28	104.38	(23.55)
Equity attributable to owners of the Company ratio	(%)	12.2	11.7	10.3	9.3	11.5	15.6	14.8	11	10.5	8.0
"Net income to equity attributable to owners of the Company ratio"	(%)	15.8	(1.0)	9.2	16	19.5	8.4	5.7	16.2	19.5	(4.2)
Price earnings ratio	(Times)	25.5	—	43.2	48	31.3	41.9	42.5	12.9	7	—
Cash flows from operating activities	(Millions of Yen)	30,304	27,585	104,687	1,485	111,860	78,245	30,700	162,056	145,615	318,320
Cash flows from investing activities	(Millions of Yen)	(60,538)	56,351	67,440	30,584	(261,085)	(224,078)	(26,841)	(203,718)	(67,569)	(286,290)
Cash flows from financing activities	(Millions of Yen)	27,609	(34,648)	(56,820)	75,252	189,512	221,831	45,200	194,458	208,418	458,370
Cash and cash equivalents at end of the year	(Millions of Yen)	100,736	149,752	270,114	384,008	428,635	501,029	548,269	700,881	990,242	1,478,557
Employees	(Persons)	7,119	7,615	9,311	10,867	11,723	12,981	14,134	14,845	17,214	20,053

(Notes)

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

	(Millions of yen)	
	As of December 31, 2018	As of December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	¥ 990,242	¥ 1,478,557
Accounts receivable – trade	181,026	222,485
Financial assets for securities business	1,789,832	1,976,009
Loans for credit card business	1,464,030	1,828,216
Investment securities for banking business	205,641	272,711
Loans for banking business	891,925	1,049,993
Investment securities for insurance business	277,057	287,200
Derivative assets	27,388	28,050
Investment securities	384,788	163,259
Other financial assets	275,800	390,234
Investments in associates and joint ventures	12,788	177,199
Property, plant and equipment	91,335	376,424
Intangible assets	553,815	609,450
Deferred tax assets	50,049	80,153
Other assets	149,286	225,757
Total assets	7,345,002	9,165,697
<b>Liabilities</b>		
Accounts payable – trade	255,353	329,483
Deposits for banking business	2,355,114	3,160,748
Financial liabilities for securities business	1,753,216	1,860,645
Derivative liabilities	9,213	10,172
Bonds and borrowings	1,234,143	1,727,096
Other financial liabilities	444,531	820,440
Income taxes payable	13,243	12,952
Provisions	90,516	109,845
Insurance business policy reserves	334,536	318,090
Employee retirement benefit liabilities	5,164	11,374
Deferred tax liabilities	13,059	2,049
Other liabilities	60,707	65,603
Total liabilities	6,568,795	8,428,497
<b>Equity</b>		
Equity attributable to owners of the Company		
Common stock	205,924	205,924
Capital surplus	218,856	224,379
Retained earnings	424,568	413,603
Treasury stock	(97,300)	(92,305)
Other components of equity	22,425	(15,929)
Total equity attributable to owners of the Company	774,473	735,672
Non-controlling interests	1,734	1,528
Total equity	776,207	737,200
Total liabilities and equity	7,345,002	9,165,697

Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)
<b>Continuing Operations</b>		
Revenue	¥1,101,480	¥1,263,932
Operating expenses	1,027,753	1,266,902
Other income	120,634	86,901
Other expenses	23,936	11,186
Operating income	170,425	72,745
Financial income	954	3,642
Financial expenses	4,132	9,027
Share of loss of investments in associates and joint ventures	1,824	111,918
Income (loss) before income tax	165,423	(44,558)
Income tax expense	23,534	(11,490)
Net income (loss)	141,889	(33,068)
Net income (loss) attributable to:		
Owners of the parent company	142,282	(31,888)
Non-controlling interests	(393)	(1,180)
Net income (loss)	141,889	(33,068)
(Yen)		
Earnings (losses) per share attributable to owners of the parent company		
Basic	¥105.43	¥(23.55)
Diluted	104.38	(23.55)

Consolidated Statement of Comprehensive Income

		(Millions of yen)
	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)
Net income (loss)	¥ 141,889	¥ (33,068)
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	(4,347)	16,505
Income tax effect of gains or losses on equity instruments measured at fair value through other comprehensive income	1,156	(4,061)
Remeasurement of insurance business policy reserves based on current market interest rates	(1,059)	(4,582)
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	296	1,283
Remeasurement of defined benefit plans	(65)	(1,257)
Income tax effect of remeasurement of defined benefit plans	18	376
Other comprehensive income of investments in associates and joint ventures	(4)	25
Total items that will not be reclassified to net income	(4,005)	8,289
Items that will be reclassified to net income		
Foreign currency translation adjustments	(21,553)	(11,211)
Foreign currency translation adjustments reclassified from other comprehensive income to net income	7,476	154
Corporate income tax on foreign currency translation adjustments	—	1,166
Gains on debt instruments measured at fair value through other comprehensive income	1,459	1,560
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	87	(123)
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(789)	(1,420)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(229)	7
Losses on cash flow hedges recognized in other comprehensive income	(425)	(1,652)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	10	431
Gains on cash flow hedges reclassified from other comprehensive income to net income	550	649
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	19	(136)
Other comprehensive income of investments in associates and joint ventures	43	(7,464)
Reclassified from other comprehensive income to net income for the investments in associates and joint ventures	(80)	—
Total items that will be reclassified to net income	(13,432)	(18,039)
Other comprehensive income, net of tax	(17,437)	(9,750)
Comprehensive income (loss)	124,452	(42,818)
Comprehensive income (loss) attributable to		
Owners of the Company	124,838	(41,643)
Non-controlling interests	(386)	(1,175)
Comprehensive income (loss)	124,452	(42,818)

Consolidated Statements of Changes in Equity

	(Millions of Yen)												
	Other components of equity												
	Common stock	Capital Surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasure-ment of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2018	¥ 205,924	¥ 217,185	¥ 320,397	¥ (103,616)	¥ 15,586	¥ 31,866	¥ (664)	¥ (3,497)	¥ —	¥ 43,291	¥ 683,181	¥ 227	¥ 683,408
Cumulative effects of change in accounting policy	—	—	(35,421)	—	—	315	—	—	—	315	(35,106)	—	(35,106)
Adjusted balance reflecting change in accounting policy	205,924	217,185	284,976	(103,616)	15,586	32,181	(664)	(3,497)	—	43,606	648,075	227	648,302
Comprehensive income													
Net income	—	—	142,282	—	—	—	—	—	—	—	142,282	(393)	141,889
Other comprehensive income net of tax	—	—	—	—	(14,124)	(2,663)	153	(763)	(47)	(17,444)	(17,444)	7	(17,437)
Total comprehensive income	—	—	142,282	—	(14,124)	(2,663)	153	(763)	(47)	(17,444)	124,838	(386)	124,452
Transactions with owners													
Contributions by and distributions to owners													
Cash dividends paid	—	—	(6,060)	—	—	—	—	—	—	—	(6,060)	—	(6,060)
Reclassification from other components of equity to retained earnings	—	—	3,737	—	—	(3,737)	—	—	—	(3,737)	—	—	—
Disposal of treasury stock	—	(6,103)	—	6,316	—	—	—	—	—	—	213	—	213
Issuance of share acquisition rights	—	7,776	—	—	—	—	—	—	—	—	7,776	—	7,776
Forfeiture of share acquisition rights	—	(72)	72	—	—	—	—	—	—	—	—	—	—
Others	—	—	(439)	—	—	—	—	—	—	—	(439)	—	(439)
Total contributions by and distributions to owners	—	1,601	(2,690)	6,316	—	(3,737)	—	—	—	(3,737)	1,490	—	1,490
Changes in ownership interests in subsidiaries													
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	319	319
Acquisition and disposal of non-controlling interests	—	70	—	—	—	—	—	—	—	—	70	—	70
Others	—	—	—	—	—	—	—	—	—	—	—	1,574	1,574
Total changes in ownership interests in subsidiaries	—	70	—	—	—	—	—	—	—	—	70	1,893	1,963
Total transactions with owners	—	1,671	(2,690)	6,316	—	(3,737)	—	—	—	(3,737)	1,560	1,893	3,453
As of December 31, 2018	¥ 205,924	¥ 218,856	¥ 424,568	¥ (97,300)	¥ 1,462	¥ 25,781	¥ (511)	¥ (4,260)	¥ (47)	¥ 22,425	¥ 774,473	¥ 1,734	¥ 776,207

	(Millions of Yen)												
	Other components of equity												
	Common stock	Capital Surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasure-ment of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2019	¥ 205,924	¥ 218,856	¥ 424,568	¥ (97,300)	¥ 1,462	¥ 25,781	¥ (511)	¥ (4,260)	¥ (47)	¥ 22,425	¥ 774,473	¥ 1,734	¥ 776,207
Cumulative effects of change in accounting policy	—	—	(2,087)	—	—	—	—	—	—	—	(2,087)	—	(2,087)
Adjusted balance reflecting change in accounting policy	205,924	218,856	422,481	(97,300)	1,462	25,781	(511)	(4,260)	(47)	22,425	772,386	1,734	774,120
Comprehensive income													
Net income	—	—	(31,888)	—	—	—	—	—	—	—	(31,888)	(1,180)	(33,068)
Other comprehensive income net of tax	—	—	—	—	(17,354)	12,487	(708)	(3,299)	(881)	(9,755)	(9,755)	5	(9,750)
Total comprehensive income	—	—	(31,888)	—	(17,354)	12,487	(708)	(3,299)	(881)	(9,755)	(41,643)	(1,175)	(42,818)
Transactions with owners													
Contributions by and distributions to owners													
Cash dividends paid	—	—	(6,084)	—	—	—	—	—	—	—	(6,084)	—	(6,084)
Reclassification from other components of equity to retained earnings	—	—	28,599	—	—	(28,599)	—	—	—	(28,599)	—	—	—
Disposal of treasury stock	—	(4,927)	—	4,995	—	—	—	—	—	—	68	—	68
Issuance of share acquisition rights	—	10,584	—	—	—	—	—	—	—	—	10,584	—	10,584
Forfeiture of share acquisition rights	—	(93)	93	—	—	—	—	—	—	—	—	—	—
Others	—	—	153	—	—	—	—	—	—	—	153	—	153
Total contributions by and distributions to owners	—	5,564	22,761	4,995	—	(28,599)	—	—	—	(28,599)	4,721	—	4,721
Changes in ownership interests in subsidiaries													
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	1,226	1,226
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	(41)	249	—	—	—	—	—	—	—	208	(257)	(49)
Total changes in ownership interests in subsidiaries	—	(41)	249	—	—	—	—	—	—	—	208	969	1,177
Total transactions with owners	—	5,523	23,010	4,995	—	(28,599)	—	—	—	(28,599)	4,929	969	5,898
As of December 31, 2019	¥ 205,924	¥ 224,379	¥ 413,603	¥ (92,305)	¥ (15,892)	¥ 9,669	¥ (1,219)	¥ (7,559)	¥ (928)	¥ (15,929)	¥ 735,672	¥ 1,528	¥ 737,200



Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)
Cash flows from operating activities		
Income (loss) before income tax	¥ 165,423	¥ (44,558)
Depreciation and amortization	72,429	106,370
Impairment loss	4,168	4,641
Other loss (Income)	(101,050)	55,297
Increase in operating receivables	(36,059)	(47,356)
Increase in loans for credit card business	(281,335)	(364,138)
Increase in deposits for banking business	409,403	805,850
Decrease (increase) in call loans for banking business	25,000	(15,000)
Increase in loans for banking business	(149,964)	(158,068)
Increase in operating payables	22,988	73,658
Decrease (increase) in financial assets for securities business	99,080	(186,289)
Increase (decrease) in financial liabilities for securities business	(36,938)	107,535
Others	(7,323)	12,290
Income tax paid	(40,207)	(31,912)
Net cash flows from operating activities	145,615	318,320
Cash flows from investing activities		
Increase in time deposits	(9,943)	(9,708)
Decrease in time deposits	8,863	10,929
Purchase of property, plant and equipment	(23,442)	(108,065)
Purchase of intangible assets	(64,140)	(99,173)
Payments for acquisition of subsidiaries, net	(11,944)	(12,332)
Proceeds from acquisition of subsidiaries, net	10,826	—
Proceeds from sale of subsidiaries resulting as a loss of controls	26,234	—
Acquisition of investments in associates and joint ventures	(1,159)	(9,273)
Purchase of investment securities for banking business	(270,099)	(383,885)
Proceeds from sales and redemption of investment securities for banking business	267,557	316,698
Purchase of investment securities for insurance business	(111,154)	(150,338)
Proceeds from sales and redemption of investment securities for insurance business	121,901	161,501
Purchase of investment securities	(30,432)	(26,057)
Proceeds from sales and redemption of investment securities	18,547	53,740
Other payments	(9,222)	(42,077)
Other proceeds	10,038	11,750
Net cash flows used in investing activities	(67,569)	(286,290)

Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	¥ (51,297)	¥ 107,701
Net increase in commercial papers	80,000	18,500
Proceeds from long-term debt	290,976	490,805
Repayment of long-term debt	(271,356)	(324,166)
Proceeds from issuance of bonds	169,394	215,516
Redemption of bonds	(150)	(20,000)
Repayment of lease liabilities	(852)	(17,577)
Cash dividends paid	(6,056)	(6,113)
Others	(2,241)	(6,326)
Net cash flows from financing activities	208,418	458,340
Effect of change in exchange rates on cash and cash equivalents	2,897	(2,055)
Net increase in cash and cash equivalents	289,361	488,315
Cash and cash equivalents at the beginning of the year	700,881	990,242
Cash and cash equivalents at the end of the year	990,242	1,478,557

Corporate Information

(As of December 31, 2019)

Corporate Overview

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

Stock Information

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

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 **Rakuten** are registered trademarks of Rakuten, Inc. in Japan.

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 word "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.

Financial and CSR Information

More detailed information is disclosed at the following URL.

Annual Securities Report

[https://global.rakuten.com/corp/investors/documents/securities\\_report.html](https://global.rakuten.com/corp/investors/documents/securities_report.html)

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/>





**Rakuten, Inc.**

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