

Corporate Governance Report

Last Update: March 27, 2020

Rakuten, Inc.

Representative: Hiroshi Mikitani,
Chairman, CEO, and Representative Director

Contact: +81-50-5581-6910

Securities Code: 4755

<https://global.rakuten.com/corp/>

The corporate governance of Rakuten, Inc. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners
The Company does not have a corporate pension fund, and as such is not applicable.

[Disclosure Based on the Principles of the Corporate Governance Code]

<Principle 1.4 Cross-Shareholdings>
Regarding the classification of investment shares, if the purpose is to profit from changes in the value of shares or dividends on shares, the Company will classify them as “investment shares for pure investment purposes”, and for any other purpose will be classified as “investment shares for purposes other than pure investment”. Also, within “investment shares for purposes other than pure investment”, for strategically held shares for the long-term based on trade practices without rational reasons, or if we regard the shares as hindering the improvement of capital efficiency, in principle we do not hold such shares.
If the Company holds “Special Investment Shares” (investment shares for purposes other than pure investment) as defined in the Financial Instruments and Exchange Act, it shall ensure that such investment will contribute to the increase in shareholder value of the Company and the investee. In holding Special Investment Shares, members, including Outside Directors, of the Investment Committee preliminarily deliberate on whether the holding should proceed or not. The result of such deliberation shall be reported to the Board of Directors.
In exercising voting rights of Special Investment Shares held under shareholding arrangements, the Company makes decisions upon comprehensive consideration of various factors, such as whether each agenda item is expected to contribute to efficient and sound management, as well as the increase in corporate value of the issuing company. However, there are no standardized criteria for exercise of voting rights at this point since they require comprehensive judgement appropriate for individual Special Investment Shares.

<1.4.1 Supplementary Principle>
Principle is not applicable.

<1.4.2 Supplementary Principle>
Principle is not applicable.

<Principle 1.7 Related Party Transactions>

The Company requires resolution by the Board of Directors for conducting conflict-of-interest transactions and competitive transactions with Directors or corporations where Directors serve as representatives. Directors who have special conflict of interest on such matters are not entitled to vote on such matters. In addition, the results of such transactions shall be reported to the Board of Directors. Further, the Company discloses terms and conditions as well as the policy for determining terms and conditions for related party transactions in the securities report and other documents.

<Principle 2.6 Fulfillment of Roles as a Pension Asset Owner>

The company has no corporate pension fund.

< Principle 3.1 Full Disclosure>

(i) The Company's corporate philosophy, basic management policy, the Rakuten Shugi (Rakuten principles) and management strategy are disclosed in the financial reports and the website of the Company.

(ii) The basic policy of corporate governance is available for reference on the Company's website, and in this corporate governance report and securities report of the Company.

(iii) Compensation of directors of the company are based on the following policy.

For Executive Directors, we have a compensation system with a high weighting of stock options which are linked to company performance, aiming to secure and retain excellent globally competitive human resources, in order to promote sustainable growth by increasing medium to long term corporate value and achieving management goals.

For Non-executive Directors, the compensation level shall reflect their global knowledge and to secure and maintain excellent human resources who support management.

The Board of Directors explains the process of determining remuneration to independent Outside Directors and obtains appropriate advice. The amount of individual remuneration is determined by the Chairman of the Board, President and Representative Director, who has discretion from the Board of Directors, within the remuneration limit determined at the Annual General Shareholders' Meeting in accordance with the remuneration policy.

Executive Officers, who are executives of the management team, are evaluated by senior management based on the same criteria as executive directors, then evaluated by the Vice Chairman and Vice President, and approved by the President.

(iv) With regard to the policy and procedures for nominating candidates for Directors, the Company, based on its corporate philosophy, selects candidates for Directors who embody such corporate philosophy at a high level and who have high potential to contribute to further development of the Group. By making each Director's term of office one year, the Company upholds the principle of reflecting the will of its shareholders. In particular, the Board of Directors of the Company selects persons who have extensive experience, professional knowledge, and are able to play a leading role in areas such as IT, corporate management, legal, public administration, and consulting, and who are capable of appropriately guiding and supervising the execution of business at Rakuten Group. With regard to the policy and procedures for nominating candidates for Audit & Supervisory Board Members, the Company, based on its corporate philosophy, shall select persons from among those who are able to conduct supervision and audit to ensure that the duties of Directors and Executive Officers are appropriately executed in accordance with laws and regulations as well as social norms, at the same time capable of increasing the corporate value of the Group. In addition, the Company obtains advice from Independent Outside Directors, when appropriate, in selecting candidates for Directors and Audit & Supervisory Board Members.

The appointment of Executive Officers who are senior management executives are based on recommendations by the Vice Chairman and the Group Executive Vice Presidents, and after careful examination at a Board of Directors meeting. Such persons are expected to contribute to the development of our business and have specialized knowledge. In addition, when the execution of duties of Executive Officers

who are senior management executives falls under the dismissal reasons stipulated in the Company regulations, the Board of Directors will deliberate fully and make necessary resolutions.

(v) The Company discloses the reasons for selecting each of the candidates for Directors and Audit & Supervisory Board Members in the Notice of Annual General Shareholders' Meeting. The reasons for appointment or dismissal of management executives will be notified on the corporate website etc., as necessary.

<4.1.1 Scope and Content of the Matters Delegated to the Management>

The Company makes determinations and decisions via board resolution about matters that are legally required to be resolved at the Board of Directors, as well as about strategically important matters that the Company has deemed should be resolved by the Board. These items are stipulated in the Rakuten Group Authority Table, which includes matters related to Finance, M&A, Assets, Accounting, Annual Budget and Business Plan, Cost Expenditure, Human Resources, Intellectual Property, Organizations and Information security. Similarly, approving authority is entrusted to the CEO and the executive officers responsible for Company, and stipulated in the Rakuten Group Authority Table,

In addition to regular meetings, the Board of Directors holds extraordinary meetings as required. At these meetings, Directors make decisions on important management matters and supervise Executive Officers' activities. Executive Officers, upon receiving business execution orders from the CEO, carry out business execution within the administrative authority set forth by the Company. To enhance the corporate value, for any case that requires new capital expenditure including any investment, members of the Investment Committee, including External Directors, preliminarily deliberate on whether the case should proceed or not. The result of such deliberation shall be reported to the Board of Directors.

<Principle 4.8 Effective Use of Independent Directors / Principle 4.9 Independence Standards and Qualification for Independent Directors / 4.11.1 View on the Appropriate Balance Between Knowledge, Experience and Skills of the Board as a Whole, and Also on Diversity and Appropriate Board Size>

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

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

The Board of Directors consists of seven Directors, which the Company believes to be an appropriate size in order to conduct management decision-making and supervision. Additionally, the Company places emphasis on the diversity of its Directors. This is reflected by the appointment of one woman and two foreign nationals as Directors among its seven Directors, and one woman and one foreign national among its four Outside Directors.

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

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

(including a close relative of non-executive Director or accounting advisor of the Company or its subsidiary, in the case where Outside Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)

- *1: An executive as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, which includes employees in addition to executive Directors.
- *2: Refers to cases in which, their transactions with the Company exceed 1% of the combined total of the cost of goods sold and selling, general, and administrative expenses.
- *3: Cases which are considered effectively equivalent to the present condition, such as when a party or person falls under any of a) through d) at the time the contents of the proposal of the General Shareholders' Meeting are determined for the election of such Independent Directors or Independent Audit & Supervisory Board Members as Outside Directors or Outside Audit & Supervisory Board Members.

<4.11.2 Concurrent positions of Directors and Audit & Supervisory Board Members>

The Company discloses the status of significant concurrent positions of Directors and Audit & Supervisory Board Members each year in its disclosure materials, such as Notice of Annual General Shareholders' meeting and securities report.

<4.11.3 Analysis and Evaluation of Effectiveness about the Board of Directors as a whole>

To enhance effectiveness of the Board of Directors, the Company carried out a survey among all of the Directors and the Audit & Supervisory Board Members from December 2019 to January 2020 about the operation of the Board meetings and the composition of the Board of Directors, and the results were reported to the Board of Directors in February 2020.

Through the survey the effectiveness of the Board of Directors was generally confirmed. The Company will continue to work to improve the Board to enhance its effectiveness.

<4.14.2 Training Policy for Directors and Audit & Supervisory Board Members>

The Company provides explanation to Outside Directors and Outside Audit & Supervisory Board Members upon their appointment concerning the roles and responsibilities they are required to fulfill in accordance with the Companies Act.

Starting from April 2016, the Company has been holding long meetings consisting primarily of Directors and Audit & Supervisory Board Members, where we discuss Rakuten Group management strategy and other matters, separately from the Board of Directors. These meetings allow for discussions with a medium to long-term perspective that is not dominated by near-term challenges or the Board of Directors agenda items. Through these sessions, the Company provide opportunities for Outside Directors and Audit & Supervisory Board Members to deepen their understanding about the businesses and issues of the Company.

<Principle 5.1 Policy for Constructive Dialogue with Shareholders>

Rakuten, Inc., as a listed company, discloses timely and appropriate information to shareholders and investors in accordance with related laws and regulations as well as rules, such as the Financial Instruments and Exchange Act and timely disclosure rules set forth by the financial instruments exchanges. In addition, the Group, as a social entity, aims to contribute to increased shareholder value by disclosing information fairly to stakeholders, such as business partners, customers, users and employees, and developing a transparent and highly reliable information disclosure system. In order to carry out the above, the Company implements the following measures.

(1) System

The Rakuten Group Regulations and other internal regulations stipulate that the Group's Chief Financial Officer (CFO) is responsible for implementing timely and appropriate disclosure of information for the Company and its Group Companies. The Company has notified the Tokyo Stock Exchange, Inc. of the designation of the Executive Director of Finance Department as Executive Director of Information Disclosure. When holding dialogue with shareholders and investors, the Company appoints dedicated IR staff in the IR Department and regularly communicates with the stock market. In addition, we offer an opportunity to interview the Representative Director, CFO and other Directors, or Executive Directors in charge of principal businesses, etc., as necessary.

(2) Measures to enhance IR activities

The Company explains to shareholders about the medium-term business strategy in addition to the business performance for the quarterly period at the quarterly financial results conferences which Representative Directors attend. It also strives to provide information fairly and promptly through live streaming and on-demand videos of the quarterly financial results conferences on the website.

The Company also holds the “Strategy Session” and small meetings for domestic and international institutional investors and analysts as well as individual investors, in which the Chairman, CEO and Representative Director and officers responsible for major businesses explain about the business strategy in Japanese (with English simultaneous interpretation) to create an opportunity to deepen the understanding of said investors and analysts about the Group’s measures for enhancement of shareholder value over the medium- to long-term.

With regard to businesses and areas in which shareholders and investors have high interests, we hold briefing sessions and on-site tours as appropriate to create an opportunity for deepening their understanding about the potential value of such businesses and areas.

In addition, we actively disclose information utilizing our website to provide information fairly and promptly to a wide range of shareholders and investors. We release the following information on our website: IR information, such as the details of financial results announcements, timely disclosure information, English annual reports, and corporate governance information, etc. In addition to the video streaming of quarterly financial results conferences, the latest company information, etc. is made available on the website in video and other formats.

(3) Internal information gathering

The Group sets up opportunities for group-wide information sharing, such as “Asakai” (morning meetings), which is a weekly information sharing meeting that all employees participate in, and regular meetings in which information on business performance, the status of budget and results concerning KPI indicators, etc. for each business are reported to and shared with Executive Officers, etc.

These opportunities enable the CFO, dedicated IR staff and other persons involved to grasp the status of business appropriately and in a timely manner. In addition, when making decisions on disclosure concerning quarterly financial results or material facts of determined and/or occurred matters, they coordinate with each department responsible for corporate functions and officers in charge of principal businesses, etc., such as the IR Department, Finance Department, Accounting Department, CFO Office, Governance, Risk and Compliance Department and Corporate Communication Department.

(4) Provision of internal feedback

The CFO reports on IR activities, trends of shareholders and investors, and opinions, etc., along with the movement of the Company’s share price, at a regular meeting of the Board of Directors. At the “Asakai” (morning meeting) held immediately following the announcement of quarterly financial results, the CFO shares with all employees the details of the financial results announcement and opinions of shareholders and investors, etc. In addition, dedicated IR staff report weekly on IR activities, the details of questions and opinions from shareholders and investors, analyst reports, market trends and movement of share prices of the Company and its competitors, etc. to Directors, Audit & Supervisory Board Members (full-time), Executive Officers and senior staff, etc. The Company is stepping up activities to share the opinions of the stock market to the Company through holding IR sharing meetings, etc. for on-site employees.

(5) Stock options

The Group grants stock options to a wide range of executives and employees, including comparatively junior first-year employees, in addition to the management. The Group believes that this can improve the motivation of its executives and employees to contribute to the enhancement of the Group’s business performance and increase its share price by having them share with shareholders the benefits from an increase in price and loss from a decrease in price.

(6) Management of insider information etc.

The Group deeply acknowledges that information on the Group, including the Company, and its customers, etc. is an extremely important property of the Group. Based on this recognition, the Rakuten Group Code of Ethics stipulates the proper use and management of such information. The Group has formulated the Rakuten Group Regulations and other internal regulations for internal information management and the prevention of insider trading, and strictly manages material facts and related parties and carries out awareness building activities for employees. When a material fact occurs, the date on which related parties and information recipients became aware of the material fact and the method of acquisition of the information thereof is strictly managed. In addition, related parties must submit a written pledge to comply with related laws and regulations, as well as regulations.

The Company sets a “quiet period” ahead of the date of financial results announcements in order to ensure fairness and prevent the leakage of financial results information. The Rakuten Group Regulations stipulate that external comments shall not be made and inquiries about information related to financial results shall not be answered during this period; provided, however, that this shall not apply to inquiries about facts that have already been announced, or occurrence of a material fact that requires timely disclosure or statutory disclosure during this period.

2. Capital Structure

Foreign Shareholding Ratio	Between 20% to 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Crimson Group, LLC.	226,419,000	16.69
Hiroshi Mikitani	176,346,300	13.00
Haruko Mikitani	132,625,000	9.78
The Master Trust Bank of Japan, Ltd. (Trust account)	61,102,900	4.51
Japan Trustee Services Bank, Ltd. (Trust account)	46,108,000	3.40
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	31,879,381	2.35
JP MORGAN CHASE BANK 380055	24,968,856	1.84
Japan Trustee Services Bank, Ltd. (Trust account 7)	20,053,100	1.48
Japan Trustee Services Bank, Ltd. (Trust account 5)	18,066,200	1.33
Culture Convenience Club Co., Ltd.	17,162,000	1.27
Total	754,730,737	55.65

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

1 There are 78,318,938 shares (5.46%) of treasury stocks apart from those above.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Services

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	CEO
Number of Directors	7
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)
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Name	Attribute	Relationship with the Company*
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		a	b	c	d	e	f	g	h	i	j	k
Ken Kutaragi	From another company											
Sarah J. M. Whitley	From another company							△				
Takashi Mitachi	From another company								○			
Jun Murai	Academic								○			

* Categories for “Relationship with the Company”

* ”○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors’ Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Ken Kutaragi	○	—	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. Additionally, he is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Director.
Sarah J. M. Whitley	○	Worked as an executive (employee) of an institutional investor who holds shares of	Appointment is requested in anticipation of her advice to the management of the Company to enhance its corporate value based on

		the Company until April 2018.	her many years of experience in observing the Company and other Japanese companies as an investor. Additionally, she is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Director.
Takashi Mitachi	○	Adjunct Professor of Graduate School of Management of Kyoto University, and the Company makes donations, etc. to Kyoto University. The ratio of the amount of donations in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year. He is also Chief Executive Director of Ronald McDonald House Charities Japan, and the Company makes donations to the organization. The ratio of the amount of donations in fiscal 2019 was less than 1% of the combined total amount of the Cost of sales and Selling, general and administrative expenses of the Company for the year.	Appointment is requested in anticipation of his advice to the management of the Company based on his expertise as a management consultant along with his extensive experience in corporate management. Additionally, he is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Director.
Jun Murai	○	Professor of Faculty of Environment and Information Studies at Keio University (scheduled to retire in March 2020); the university shares a role in operating international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year. He is also Outside Director of	Appointment is requested in anticipation of his advice to the management of the Company based on his academic expertise in the Internet technology along with his extensive experience. Additionally, he is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Director.

		BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year.	
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Company has four Audit & Supervisory Board Members, the majority of which are Outside Audit & Supervisory Board Members (including one Full-time Auditor).

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 Members 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.

Financial audits of the Company and its principal subsidiaries are conducted by ERNST & YOUNG SHINNIHON LLC based on the Companies Act and the Financial Instruments and Exchange Act. In addition to holding regular exchanges of opinions and conducting information sharing, the Company shares the results of the internal audits with the Independent Auditors, as necessary.

Internal audits are conducted by the Internal Audit Department which is an independent unit reporting directly to the CEO. Head office divisions, business units and group companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the CEO and Audit & Supervisory Board Members, and the results of particularly important internal audits are reported to the Board of Directors. The Internal Audit Department also shares the results of internal audits at regular meetings to the Audit & Supervisory Board Members, and also shares results and exchange opinions with the accounting auditors on a regular basis. In addition, a three-way audit meeting is held as necessary to exchange opinions. Furthermore, the Internal Audit Department is working to enhance the effectiveness of internal audits throughout the group by strengthening cooperation with the internal audit departments of Group Companies.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masahide Hiramoto	From another company													
Takeo Hirata	Academic										○			
Katsuyuki Yamaguchi	Lawyer										○			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board Members of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any off, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
 m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Masahide Hiramoto	○	—	Appointment is requested in anticipation of his contribution to the Company's audit system based on his extensive knowledge and experience related primarily to finance and business management. Additionally, he is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Auditor.
Takeo Hirata	○	Professor of Waseda University Graduate School of Sport Sciences and Dean of Waseda University Research Institute for Strategy of Natural Resources, and the Company pays research expenses to Waseda University. The ratio of the amount of expenses in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses at the Company for the year. He is also Chairman of Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses at the Company for the year.	Appointment is requested in anticipation of his contribution to the Company's audit system based on his extensive knowledge and experience related primarily to sports and education. Additionally, he is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Auditor.

Katsuyuki Yamaguchi	○	Managing Partner of Nishimura & Asahi NY LLP, which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Nishimura & Asahi NY LLP and the Company in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses of the Company for the year.	Appointment is requested in anticipation of his contribution to the Company's audit system based on his extensive as a legal attorney on corporate legal affairs and his extensive knowledge and experience to the Company's audit system. Additionally, he is considered sufficiently independent in accordance with the criteria established by the Company based on the standards for independence stipulated by the Tokyo Stock Exchange, and is designated as an Independent Auditor.
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[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	7
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Matters relating to Independent Directors/Audit & Supervisory Board Members

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

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

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

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

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

[Incentives]

Incentive Policies for Directors	Stock Options
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Supplementary Explanation

Since the value of the Share Options is linked with the Company's stock price, delivering the Share Options as part of a performance-linked compensation package to the executives and employees of the Group will allow executives and employees of the Group to share the gains of shareholders when stock prices rise and feel shareholders' losses when stock prices fall, thus enhancing their motivation to achieve higher performance and higher stock prices.

In addition, the exercise period of a portion of the Share Options will commence on the date on which one year has passed from the issuance of the Share Options, while the proportion of the Share Options, which may be exercised, will increase gradually in stages until the date prior to the date on which four years have passed from the issuance, with the rest of the Share Options becoming exercisable thereafter. By making the stock options exercisable in stages in this way, it will be possible to exercise the Share Options on the date on which one year has passed from the issuance of the Share Options. This will offer an attractive compensation package to prospective recruits to the Group, especially in countries and regions where the competition for talented human resources is intense. On the other hand, by making a portion of the Share Options exercisable gradually in stages until the date prior to the date on which four years have passed from the issuance, it will be possible to further raise the incentive of the Group towards higher performance and higher stock prices in the long term, and retain existing talented staff.

Accordingly, the Share Options may only be exercised by the Officers of the Company within ten days from the date following the date on which they retire from the Company, its subsidiaries, and its affiliates. As a result of these Share Options, it will be possible to further raise the incentive of the Group towards higher performance and higher stock prices in the long-term, and retain existing talented staff, unlike those that were previously granted. The Company intends to implement retirement compensation stock option plans for the Officers of the Company in order to continuously enhance the Group's corporate and shareholder value by recruiting and retaining talented staff and by raising the motivation of the Officers of the Company towards higher performance.

Recipients of Stock Options	Internal directors, employees of the Company, directors of subsidiaries, employees of subsidiaries, and others.
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Supplementary Explanation

[Determination Methods and Main Features of the Group's Compensation System]

In determination of the total amount of compensation, including the granting of Share Options, several factors are taken into account, such as the degree to which the Group's operating profit targets were achieved; the business performance of each Group company, business segment or division; and the personnel evaluation of each individual.

As a general rule, the Group has designed its compensation system so that as an individual's rank and their role played increases, the portion of their total compensation comprised of performance-based bonuses (based on individual, Group Company, business unit or department performance) and stock options (that are linked to stock prices) also increases. Nevertheless, a major feature of the Group's compensation system is that it delivers Stock Options to a wide range of personnel from comparatively junior first-year employees up to Directors. This reflects the Group's belief that making the majority of its executives and employees potential shareholders will further raise the awareness of each executive and employee towards enhancing corporate and shareholder values. Additionally, this is expected to reinforce the sense of unity among Group members, which is thought to be an indispensable element in expanding and fostering the "Rakuten Ecosystem" both in Japan and abroad.

In addition, it is the Group's belief that the Officers of the Company, in particular, compared to the other executives and employees of the Company, its subsidiaries or affiliates, are responsible for and should contribute to the further enhancement of performance and share holder value of the entire Group in the long-term. Accordingly, in order to raise the motivation of the Officers of Company to contribute to the enhancement of performance and stock prices in the long-term more than ever, the Company shall issue Share Options separate from The Company intends mentioned above.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Partial Disclosure
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Supplementary Explanation

Director compensation in FY2019

To 8 Directors: 256 million yen

To 4 Audit & Supervisory Board Members: 68 million yen

(Notes)

1. The amounts in the above includes one Director who retired at the conclusion of the 22nd Annual General Shareholders' Meeting held on March 28, 2019.
2. The amounts in the above do not include amounts related to employees' salaries and bonuses to Directors serving concurrently as employees.
3. The amounts in the above include compensation of total ¥136 million in total for Outside Officers (five Directors and four Audit & Supervisory Board Members).
4. In addition to the amounts shown above, the amount recorded as expenses during the fiscal year for Share Options granted as stock options is ¥324 million paid to seven Directors and ¥5 million paid to four Audit & Supervisory Board Members. Of these, the amount recorded as expenses for Outside Officers (four Directors and four Audit & Supervisory Board Members) accounts for ¥10 million.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Compensation of directors of the company are based on the following policy.

For Executive Directors, we have a compensation system with a high weighting of stock options which are linked to company performance, aiming to secure and retain excellent globally competitive human resources, in order to promote sustainable growth by increasing medium to long term corporate value and achieving management goals.

For Non-executive Directors, the compensation level shall reflect their global knowledge and to secure and maintain excellent human resources who support management.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The Company provides Board of Directors materials to the Outside Directors in order for them to fully demonstrate and exercise their experience in and knowledge about business management supervision and audits. The Company intends to create opportunities on an ongoing basis to provide explanation to Outside Directors and Outside Audit & Supervisory Board Members upon their appointment concerning the roles and responsibilities they are required to fulfill in accordance with the Companies Act.

Since April 2016, the Company has been holding intensive meetings, held separately from the meetings of the Board of Directors, where Directors and Audit & Supervisory Board Members mainly engage in debate about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective, rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors.

In addition, the Company established the Audit & Supervisory Board Members Office, which has full-time staff for assisting the Audit & Supervisory Board Members-- (including Outside Audit & Supervisory Board Members) --in the performance of their duties.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

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

Through such efforts, Rakuten Group will continue to build a management structure with more highly effective governance functions that enables swift management decisions.

(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 Members 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.

(Independent Auditors)

Financial audits of the Company and its principal subsidiaries are conducted by ERNST & YOUNG SHINNIHON LLC based on the Companies Act and the Financial Instruments and Exchange Act.

In December 2019, audits were conducted by the following certified public accountants and assistants.

[Certified public accountants]

Designated and Engagement Partner	Takeshi Saida
Designated and Engagement Partner	Isamu Ando
Designated and Engagement Partner	Kenji Kuroki

[Names of Assistants]

34 certified public accountants and 45 others

(Internal Audit)

Internal audits are conducted by the Internal Audit Department, which is an independent unit reporting directly to the CEO. Head office divisions, business units and group companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the CEO and Audit & Supervisory Board Members, and the results of particularly important internal audits are reported to the Board of Directors. The Internal Audit Department also shares the results of internal audits at regular meetings to the Audit & Supervisory Board Members, and also shares results and exchange opinions with the accounting auditors on a regular basis. In addition, a three-way audit meeting is held as necessary to exchange opinions. Furthermore, the Internal Audit Department is working to enhance the effectiveness of internal audits throughout the group by strengthening cooperation with the internal audit departments of Group Companies.

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

3. Reasons for Adoption of Current Corporate Governance System

As explained in the “2” above, the Company enhances the effectiveness of its corporate governance through supervision by Outside Directors who are independent from the Company and have expertise in various fields.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company strives to send the Convocation Notice on the legal term. In addition, the Convocation Notice was posted on the Company website and submitted to the Tokyo Stock Exchange 6 days earlier than the legal term.
Scheduling AGMs Avoiding the Peak Day	The Company holds Annual General Shareholders’ Meeting in March
Allowing Electronic Exercise of Voting Rights	Electronic exercise of voting rights is available.
Participation in Electronic Voting Platform	The Company participates in the “electronic exercise of voting rights platform” operated by ICJ, Inc.
Providing Convocation Notice in English	The Company discloses the Convocation Notice in English on the Company website and “electronic exercise of voting rights platform” For the Annual General Shareholders’ Meeting held in March 2020, the Convocation Notice

	in English was posted on the website of the Company and submitted to the Tokyo Stock Exchange on the legal term.
Other	<p>In an effort to promote understanding of business performance and business conditions, the Company uses a video with narration for the business report in the Annual Shareholders' Meeting, which is also posted on the Company website. However, for the Annual Shareholders' Meeting this year, in order to prevent the spread of the Coronavirus, business reports that utilize video and narration have been omitted and will be posted on the Company website at a later date.</p> <p>To facilitate the smooth exercise of voting rights, the Company has introduced a system for exercising voting rights using smartphones in addition to the Internet.</p>

2. IR Activities

	Supplementary Explanations	Explanations by the Representative Himself/Herself
Preparation and Publication of Disclosure Policy	The Company discloses its Disclosure Policy on the Company website.	-
Regular Investor Briefings for Individual Investors	<p>The Company uses a video with narration for the business report in the Annual Shareholders' Meeting, which is also posted on the Company website to promote understanding of business performance and business conditions. However, for the Annual Shareholders' Meeting this year, in order to prevent the spread of the Coronavirus, business reports that utilize video and narration have been omitted and will be posted on the Company website at a later date.</p> <p>The Company also holds the "Strategy Sessions", in which the CEO and officers responsible for principal businesses explain about the business strategy. It can be viewed with live streaming and the materials are posted on the Company website a few days after the briefings.</p>	Yes
Regular Investor Briefings for Analysts and Institutional Investors	<p>The Company conducts quarterly financial results briefing sessions for analysts and institutional investors. The Company also holds the "Strategy Sessions" and small meetings for domestic and international institutional investors and analysts, in which the CEO and officers responsible for principal businesses explain about the business strategy.</p> <p>It can be viewed with live streaming and the materials are posted on the Company website a few days after the briefings.</p> <p>The Company also holds briefings and tours for businesses and fields that are of great interest from analysts and institutional investors, providing opportunities to deepen their understanding of the potential value.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The sessions explained above are held in Japanese and English.</p> <p>The Company also holds "Overseas Road Shows" to visit overseas investors, mainly in North America, Europe and Asia, to create opportunities for direct dialogue.</p>	Yes

Posting of IR Materials on Website	Materials, Corporate Reports and the video streaming of quarterly financial results briefing sessions are posted on the Company website together with the disclosure quarterly financial results. Also, these materials in English are also posted on the Company website for overseas investors at the same quality and at the same time as Japanese.	-
Establishment of Department and/or Manager in Charge of IR	The Company appoints dedicated IR staff in the Investor Relations Department and sets IR inquiry form on the Company website.	-
Other		

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates internal rules for respecting the Position of Stakeholders in “Rakuten Group Code of Ethics”.
Implementation of Environmental Activities, CSR Activities etc.	The Company strives to tackle issues facing society through our core businesses and to achieve a sustainable society for all. To fulfill this commitment, Rakuten Group Sustainability Policy which covers critical issues such as climate change and human rights has been established, and various efforts have been made guided by the policy. Details of Rakuten's commitment and actions towards sustainability are described by ESG information in our annual Corporate Report and Sustainability pages of our corporate website. Sustainability page: https://global.rakuten.com/corp/sustainability/ Corporate Report: https://global.rakuten.com/corp/investors/documents/annual.html
Development of Policies on Information Provision to Stakeholders	The Company discloses Disclosure Policy on the Company website.
Other	For our sustainability action plan to be in line with the expectations of our stakeholders and of society as a whole, we identified our "materiality" which is the key issues that the Company has the responsibility to address in order to realize long-term business growth while contributing to the realization of a sustainable society. For more details, please visit Sustainability page (Materiality) https://global.rakuten.com/corp/sustainability/commitment/materiality/ 【Safety and Quality】 The Company prioritizes the provision of services that customers worldwide feel safe using, that comply with laws and regulations, notably concerning the protection of personal information, in the areas where we operate. ● To comply with Europe’s General Data Protection Regulation (GDPR) - an EU law on data protection and privacy that is considered to be the best practice for personal information protection, the Company

introduced a set of global privacy protection standards, referred to as Binding Corporate Rules, which have been approved by the European Union data protection authorities.

- For more details, please visit Sustainability page (Information Security) <https://global.rakuten.com/corp/sustainability/services/security/>

【Responsible Practices】

The Company has been accelerating its efforts towards sustainability through its businesses.

- Launched within Rakuten Ichiba under the banner of “shopping that changes the future”, the “EARTH MALL with Rakuten” promotes responsible consumption and production by introducing a selection of sustainable products that customers can purchase on Rakuten Ichiba. The store features in-depth articles that share the stories behind the products on offer: Goods with international certifications such as MSC (responsible fishery), FSC (responsible forestry management) or Fairtrade, as well as products manufactured by merchants with sustainable practices.
- For more details, please visit EARTH MALL with Rakuten (page in Japanese) <https://event.rakuten.co.jp/earthmall/>

【Talent Attraction and Development】

Diversity is one of the Company's key corporate strategies. Our diverse employees from over 70 countries and regions have been our major driving force to be a global innovation company.

- English has been the official company language at the Company and training to deepen employees' cross-cultural understanding has been provided. In addition, we extended the definition of "spouse" in our internal regulation to include same-sex partners so that partners of employees of all genders are eligible to company benefits. To further promote diversity and equal opportunity, internal employee networks concerning family, LGBT, mindfulness have been established as well.
- The Company responds to various needs so that our diverse employees can enjoy working together as one team: office environment friendly to employees with disabilities, multi-purpose toilets, Halal-compliant and vegetarian meals at the company cafeteria, a prayer room and foot-washing station.
- For more details, please visit Sustainability page (Diversity)

<https://global.rakuten.com/corp/sustainability/employees/diversity/>

【Environment Protection】

The Company is committed not only to reducing its adverse environmental impact caused by its business activities, but also to leveraging the Group's technologies and innovation to offer more environmentally friendly options to our customers. Among all environmental challenges facing the world, the Company considers climate change, resource management and biodiversity to be the most critical issues to address.

- In December 2019, Rakuten, Inc. joined the international initiative RE100 as part of its efforts to mitigate the impact on climate change. The Company aims to switch to 100% renewable electricity at its offices, data centers and fulfillment centers by 2025.

- For more details, please visit Sustainability page (Environment)

<https://global.rakuten.com/corp/sustainability/environment/>

【Local Communities】

Based on the Company's corporate mission of contributing to society by creating value through innovation and entrepreneurship, its social contribution activities focus on the following areas: social innovation, local communities, sustainable consumption, and humanitarian aid.

For more details, please visit Sustainability page (Philanthropic Activities)

<https://global.rakuten.com/corp/sustainability/communities>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

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 Companies' business operations. The CFO, CISO, COO and Function CCO will liaise with each Company President to manage Company-specific risks in relation to their respective fields of finance, information security, and compliance, etc., as well as deal with important Group-wide risks relating to their respective fields.

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

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

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

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

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

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

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on “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 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.

2. Basic Views on Eliminating Anti-Social Forces

< Basic Policy on Eliminating Antisocial Forces >

The "Rakuten Group Code of Ethics" calls for confronting antisocial forces with a resolute attitude and for standing staunchly on the side of social justice for the greater good. In addition, the Rakuten Group Regulations and other internal regulations establish detailed methods for handling antisocial forces. We have fully communicated these methods and established related systems internally and coordinate closely with Group companies.

< Systems for Eliminating Antisocial Forces >

(1) Establishment of a Response Department and Appointment of Managers Responsible for Preventing Inappropriate Demands.

The General Affairs and Facilities Management Department has been determined as the department in charge of responding to antisocial forces, and its General Manager has been given responsibility for coordinating response. In addition, person in charge of responding to antisocial forces have been assigned at each business and branch offices appropriately.

(2) Coordination with Outside Specialists

We keep in regular contact with the police, attorneys, the National Center for the Elimination of Boryokudan ("violent elements") and other outside specialists, and closely coordinate with them. We are also members of the Special Violence Prevention Council and receive guidance on handling antisocial forces.

(3) Collection and Management of Information on Antisocial Forces

The response department regularly collects and manages information to help in handling antisocial forces. The information is shared with the person in charge of responding to antisocial forces.

(4) Establishment of a Response Manual

The Rakuten Group Regulations and other internal regulations have been established. General principles and specific methods for handling antisocial forces are broadly communicated internally coordinate closely with Group companies.

(5) Training Activities

Along with sharing information on antisocial forces internally, managers and staff in charge of dealing with antisocial forces undergo regular training on response guidelines in order to improve their response capabilities.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

1. Basic Policy for Timely Disclosure

The Group, as a listed company, discloses timely and appropriate information to shareholders and investors in accordance with related laws and regulations as well as rules, such as the Financial Instruments and Exchange Act and timely disclosure rules set forth by the financial instruments exchanges. In addition, the Group, as a social entity, aims to contribute to increased shareholder value by disclosing information fairly to stakeholders, such as business partners, customers, users and employees, and developing a transparent and highly reliable information disclosure system.

2. System for Timely Disclosure

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

Specifically, when there is a possibility of a matter becoming necessary for timely disclosure, or organizational decision-making is necessary, the IR Department plays a key role under the conduct of the Executive Director of Information Disclosure, and undertakes the collection and sorting of the information with each division, and discloses it in a timely manner.

【Overview of Corporate Governance System】

