



Strong in the New Normal 2.0

CORPORATE REPORT 2020

Rakuten

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)

The core values of the Rakuten Group, along with the values and principles understood and practiced by Rakuten employees, embody Rakuten Shugi. The two components it consists of are the Brand Concepts and Five Principles for Success.

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.

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EDITORIAL POLICY

The Rakuten Corporate Report 2020 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 2020 fiscal year (January 1, 2020–December 31, 2020), but it also includes references to activities in FY2021.

Cross-use ratio*4
73.0%
(as of the end of Dec. 2020)

Membership value*1
¥8.9 trillion
+66.3% YoY

Domestic EC
GMS*5*6
¥4.5 trillion
+19.9% YoY

Rakuten Ichiba
New
purchasers
+27.6%
YoY

Rakuten Card
Card membership
**22.00
million**
(as of Feb. 2021)

Rakuten Ichiba
Returning
purchasers*
+27.1%
YoY

* Returning purchasers: Purchasers who make a purchase after more than a year of not purchasing anything.

Rakuten Card
Rakuten Card
Shopping GTV*
¥11.6 trillion
* Management accounting basis

Ad business
Ad revenue*
¥129.4 billion
+15.7% YoY

* Revenue includes internal transactions.

A Massive Expansion of Rakuten Ecosystem Amidst a Once-in-a-century Digital Transformation of Society

The pandemic has dramatically changed the way we live. Even in the midst of this rapid change, Rakuten was able to predict and provide for evolving consumer shopping habits, further expanding our businesses. Despite the pandemic, our businesses, including e-commerce and fintech, are achieving strong growth.

Consolidated
revenue
**¥1,455.5
billion**

Global GTV*2*3
¥22.3 trillion
+18.0% YoY

Rakuten Bank
Number of
accounts
**10 million
accounts**
(as of Jan. 2021)

Rakuten Bank
Total deposits
¥5 trillion

Rakuten Securities
Number of
general accounts
**6.00 million
accounts**
(as of end of May 2021)

Rakuten Pay
Total users*
50 million
* Monthly active payment users with a registered Rakuten ID. Cumulative number of all businesses.

Rakuten Pay
5 million+
usage locations
(as of end of Dec. 2020)

*1 Q4/2020. Calculated based on total Rakuten service usage (unique users x cross use) and lifetime value.

*2 Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card GTV + Rakuten Edy GTV + Rakuten Pay GTV + Rakuten Point Card GTV + Overseas E-Commerce GMS + Rakuten Rewards (Ebates) GMS + Digital Content GTV + Rakuten Advertising (Rakuten Marketing) GTV

*3 Includes intercompany transactions for settlement and affiliate services.

*4 Percentage of users who have used two or more Rakuten services during the past 12 months divided by the number of users of all services in the past 12 months Limited to the use of services that can earn Rakuten Points.

*5 Domestic E-Commerce GMS (excludes some non-taxable businesses; includes consumption taxes) is comprised of the total combined GMS of Ichiba, Travel GTV on checkout basis, Books, Golf, Fashion, Dream business, Beauty, Delivery, Rakuten 24 (Direct), Auto business, Rakuma, Rebates, Rakuten Seiyu Netsuper, etc.

A History of Creating Value Through a Wide Range of Services

Since its founding in 1997, the Rakuten Group has continued to expand its businesses and operations. Our mission is to contribute to society by creating value through innovation and entrepreneurship, and we have developed a range of businesses under this banner, including internet services, fintech, mobile communications and advertising.

2020

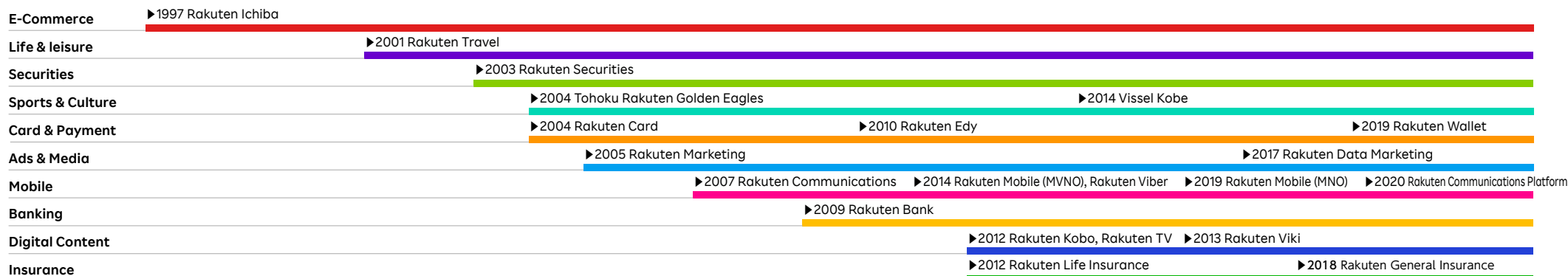
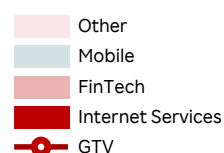
Revenue

¥1.455 trillion

Global Gross Transaction Value

¥22.3 trillion

Revenue growth and GTV



* For the Rakuten Ecosystem color categories, see "Rakuten Group's Value Creation Process" on page 4.

Birth and Growth of Rakuten Ichiba

At a time when few people shopped on the internet, we launched Rakuten Ichiba as an online shopping mall. Today, online shopping has become a part of our everyday lives, and Rakuten Ichiba's e-commerce GMS has been growing steadily since founding.

Expansion of the Rakuten Ecosystem

Centered on membership, brand and data, the Rakuten Ecosystem has rapidly expanded to include fintech services such as Rakuten Card and Rakuten Bank, and our advertising business. Rakuten offers more than 70 services with operations in 30 countries and regions around the world, with over 1.5 billion members worldwide.

Establishing a Global Brand

We have partnered with world-renowned sports teams, including FC Barcelona and the NBA's Golden State Warriors, which has led to an increase in Rakuten's recognition as a global brand. We are working to strengthen our brand globally through brand integration.

Full-Scale Commercial Launch of the Mobile Carrier Business

We are enabling mobile services with an innovative, fully virtualized cloud-native mobile network. In addition to taking on the challenge of building our own network five years ahead of schedule, we are offering a 4G+5G-ready mobile network with one flexible plan that's right for every customer.

Rakuten Group's Value Creation Process

The Rakuten Group offers a wide range of services in Japan and around the world, including internet, fintech and mobile services. The Rakuten Ecosystem is formed by connecting a variety of services with membership, brand, data and communications as the core.

Philosophy

MISSION

Contribute to society by creating value through innovation and entrepreneurship

VISION

Global Innovation Company

VALUE AND PRINCIPLES

Rakuten Shugi (Rakuten Basic Principles)

Capital Investment



Logistics Capital
P.30



Communications Capital
P.32



Human Capital
P.16



Social Capital
P.17

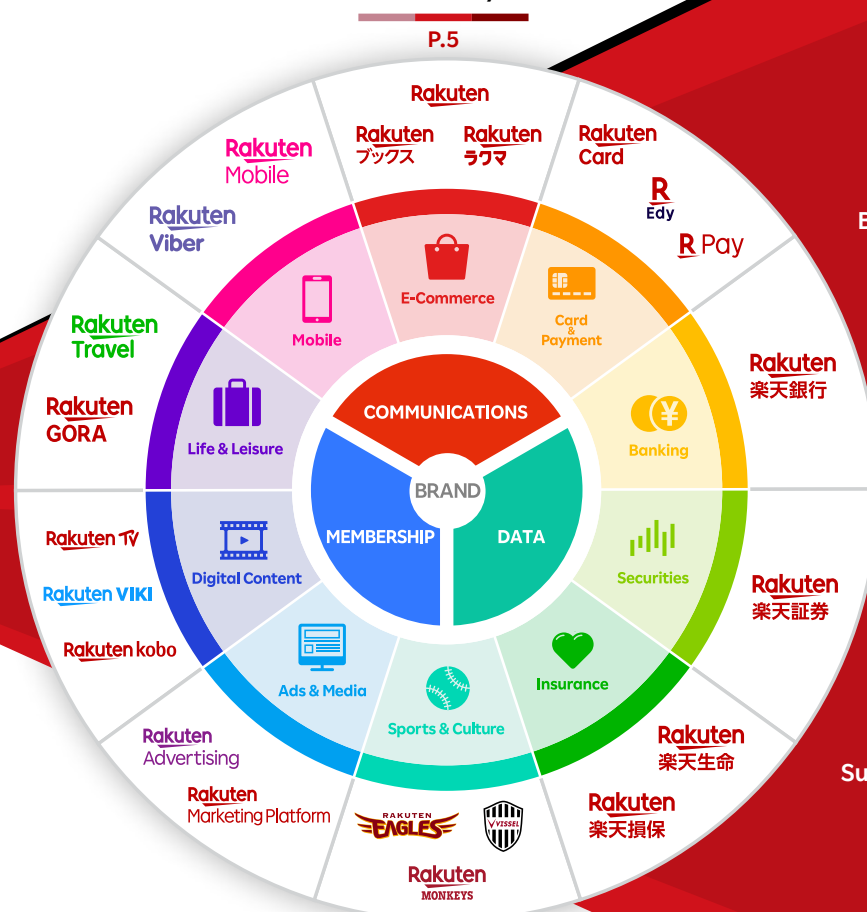


Intellectual Capital
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Financial Capital
P.19

Rakuten Ecosystem



Business Strategy

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Sustainability Strategy

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Value Creation

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Economic Value

Membership Value

Social Value

Sustainability Policy

Corporate Governance

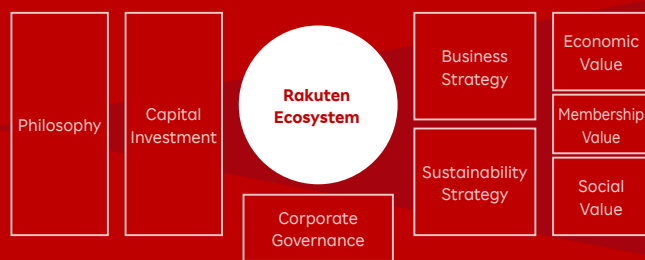
Why Do People Choose the Rakuten Ecosystem?

Q

A

Rakuten members choose the Rakuten Ecosystem because they can use a common ID to access a variety of services that cover a wide range of lifestyle needs, all while accumulating Rakuten Points.

Rakuten's Value Creation Process



One common ID to access multiple Rakuten Group services

The Rakuten Group provides more than 70 services across a wide variety of sectors, including internet services such as e-commerce, travel and digital content; fintech services such as credit cards, banking, securities, e-money and smartphone app payments; and mobile services such as the mobile carrier business. Rakuten members can use a common ID to access multiple services in the Rakuten Ecosystem while accumulating and using Rakuten Points when shopping or using services. By catering to a wide range of lifestyle needs, we encourage customers to explore our ecosystem at their leisure and enjoy everything our services have to offer.



High level of user convenience achieved across a wide range of Group services

Rakuten is continuously working to improve user convenience across the Group's more than 70 diverse services. For example, in March 2020, we introduced a free shipping program for orders above ¥3,980 on Rakuten Ichiba from participating merchants. This has been well received by users, with average spend per user steadily growing. In addition, we are constantly improving our UI and UX and incorporating customer and merchant feedback. Rakuten Card has been ranked No. 1* in customer satisfaction for 12 consecutive years, garnering high user loyalty. Rakuten Mobile also achieved the No. 1 overall customer satisfaction rating*2 in an external survey, thanks to its price competitiveness and efforts to improve convenience. We are also implementing a variety of strategies for other services, and the Rakuten Group's NPS*3, a customer recommendation index, continues to rise year over year.

*1 Fiscal 2020 JCSI (Japanese Customer Satisfaction Index) Survey

*2 MMD Research Institute, June 2020 "Survey of Users after Rakuten UN-LIMIT Service Launch."

*3 Net Promoter Score. NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems.

Rakuten Points: No. 1 in Overall Point Satisfaction*4

Rakuten offers a variety of point programs centered around the Super Point Up (SPU) program, which awards users more points the more Rakuten services they use. Additionally, there are more than 5 million online and offline stores where users can accumulate and use points, a major factor that sets Rakuten Points apart from competitors. As of the end of September 2020, the cumulative number of points issued exceeded ¥2 trillion. Point usage rate is very high at over 90%, and Rakuten Points is very popular with users as evidenced by its No.1 ranking in overall point satisfaction.

*4 MyVoice Communications July 2020 Survey on Points

Rakuten Points

Participating Merchants



The Reason for Rakuten Ichiba's High User Loyalty

Q

A

Rakuten Ichiba garners high user loyalty because, since our founding, we have continued to evolve while aiming to become an attractive online shopping mall for both customers and merchants.

Since its founding, Rakuten Ichiba has, together with merchants, implemented a variety of strategies to improve customer convenience, based on the concepts of “Empowerment” and “Shopping is Entertainment.” The cumulative effect of these strategies has steadily attracted new users, and today Rakuten has more than 100 million Rakuten member IDs, with total Rakuten Ichiba GTV topping ¥3 trillion in 2020.

This growth in GTV leads to more merchants opening stores, making the online shopping mall a safe and comfortable place for users to discover and purchase a wide variety of products. Rakuten Ichiba will continue to walk together with our merchants and customers to meet a growing diversity of needs in the future.



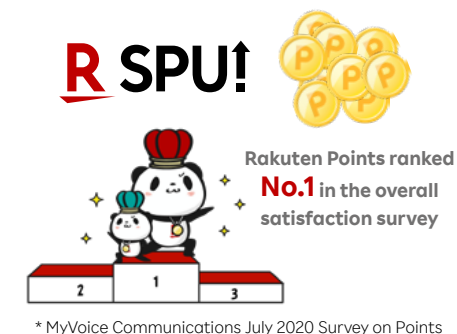
“Walk Together” initiatives carried out with merchants

Rakuten Ichiba has been partnering with merchants to improve user convenience, help merchants themselves to grow, and in turn, grow Rakuten Ichiba as a whole. We introduced a free shipping program (cost of shipping included in price) in March 2020 — well received by many users — which led to improvements in spend per user and repeat purchases. In addition, we have been working with merchants to continuously improve our UI and UX, with the goal of creating a secure and enjoyable place to shop. As our corporate motto “Walk Together” promises, we will continue working together to become an even more enjoyable online shopping mall.



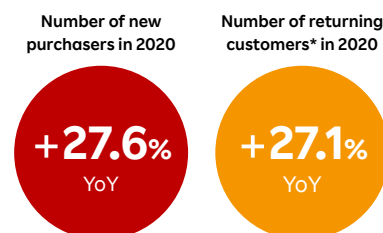
Super Point Up Program: The more Rakuten services you use, the more points you earn

Rakuten Ichiba offers the Super Point Up (SPU) program, where the more customers use Rakuten Group services, the more points they earn on purchases. As of the end of April 2021, the maximum point-award rate was 15.5 times. This encourages users of our fintech services — such as Rakuten Card — as well as Rakuten Mobile users, to use Rakuten Ichiba. In addition, SPU serves as a catalyst, promoting the use of other Group services. The point-award rate further rises with the use of more services, creating intra-group synergies such as increased shopping frequency on Rakuten Ichiba.



Customer loyalty improvement initiatives: 2020 achievements

In 2020, we reaped the rewards of our past initiatives, such as the introduction of a common free shipping threshold for participating merchants on Rakuten Ichiba, while also benefiting from the increased demand for home delivery brought on by the global pandemic. Not only did existing users increase their use of Rakuten Ichiba, but the number of new purchasing customers rose by 27.6% YoY, and the number of returning inactive customers* grew substantially by 27.1% YoY. In addition, spend per user grew steadily, up 15.1% YoY in the fourth quarter of 2020. Furthermore, some 78% of the users who used Rakuten Ichiba in the third quarter returned to use the service again in the fourth quarter. This trend has continued into 2021, and user loyalty is steadily increasing.



* Number of returning inactive customers = Users who made a purchase after not having made a purchase for more than one year

Why Is Rakuten Card the Credit Card Used Most Commonly in Japan?

Q

A

Because users enjoy the benefits of earning Rakuten Points, and because it offers a variety of functions designed for a cashless society.

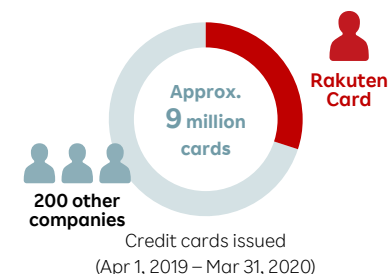
The Rakuten Group is also a fintech company, with a variety of financial services centered on the Rakuten Card, with 22 million*1 members. The aggregation of these services under one ID, one point program, and one brand creates substantial synergies within the Rakuten Ecosystem. In particular, the Rakuten Card, which combines a credit card, loyalty points, and e-money functions in a single card, has surpassed Japan's leading bank credit cards to lead the industry in terms of shopping transaction volume (issuance base)*2.



Ease of collecting points drives popularity: Over 20 million members and sustained growth acceleration

As a credit card company offering exclusively online service, in contrast to traditional credit card services with face-to-face customer service, Rakuten Card leveraged its extremely competitive cost model to offer a point-award rate of 1% on all transactions, in comparison to a previous industry norm of 0.5%, and rapidly expanded its customer base. The credit card service also boosted the attractiveness of the point awards with a mechanism to boost the award rate when also using other Rakuten Group services, thereby driving membership to surpass the 22 million mark and continuing to drive double-digit growth. From April 2019 to March 2020, membership grew by 2.54 million, and one out of every four new cards issued in the credit card industry*3 were issued by Rakuten Card.

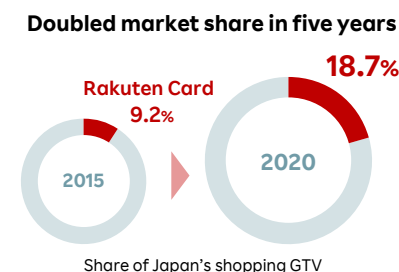
One in four of all new credit cards issued in Japan is a Rakuten Card



Domestic credit card shopping GTV: Doubled market share in 5 years*4

As customers have chosen Rakuten Card for the ease of collecting points, and it has increasingly become the main card for daily transactions, it has steadily expanded market share and became the No. 1*4 card in Japan in 2017. In particular, while the credit card industry suffered a decline in transaction volume during 2020 amid the COVID-19 pandemic, Rakuten Card continued to grow and further widen its competitive lead by capturing demand for cashless transactions and e-commerce credit card payments. As a result, it achieved a leading market share of 18.7% for annual shopping GTV in 2020.

By capturing the rise of credit card use for both e-commerce and cashless transactions



Customer satisfaction: No. 1 for 12 consecutive years*5

Rakuten Card was ranked No. 1*5 in the Fiscal 2020 JCSI Survey for the 12th consecutive year. This high level of customer satisfaction is backed by a high level of customer convenience. Through the use of a smartphone, customers are able to easily check account statements and switch to revolving repayments. Rakuten Card has also continued to strive to provide new services and improve quality based on feedback and requests from its customers. As a leader in the cashless age, Rakuten Card will continue to pursue even greater convenience and user-friendly services for its customers.



*1 As of February 2021

*2 According to Yano Research Institute Co., Ltd., based on the shopping transaction volume of domestic credit card issuers (issued by the company) in 2019, as of November 2020. The results of this survey are estimates based on qualitative survey and analysis methods.

*3 Japan Credit Association Survey on Number of Credit Cards Issued

*4 Ministry of Economy, Trade and Industry, Current Survey of Select Service Industries, Credit Card Industry

*5 2020 Japanese Customer Satisfaction Index; Credit Card Industry Customer Satisfaction

Why Become Japan's Fourth Entrant to the Mobile Operator Business?

Q

A

Because in a mobile-centric world, we are confident that we can strengthen user engagement through multiple touchpoints, while also leveraging disruptive innovation with world-first end-to-end fully virtualized technology.

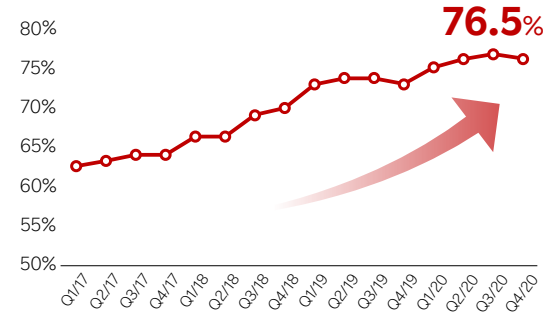
Telecommunication costs as a proportion of household spending in Japan are increasing yearly, to the point where mobile phone and related costs have created a strain on household expenses. In addition, switching mobile carrier services has been difficult because of common industry practices such as locking customers in with complicated and difficult to understand plans, two-year binding contracts, and excessive penalties. Rakuten Mobile is championing the democratization of mobile networks by providing customer-oriented services such as a simple one-plan service, elimination of minimum contract periods and cancellation fees, and promotion of eSIM, eKYC (customer identification technology) and other convenient services.



Accelerating the shift to mobile

In the early days of the growth in popularity of smartphones, the Rakuten Group launched a mobile-first strategy and has since been working to provide services optimized for use on mobile devices and through apps. 76.5% of the gross transaction volume on Rakuten Ichiba came through mobile devices in this period, and the mobile

Rakuten Ichiba Mobile GTV Ratio*



* Mobile GTV ratio = Rakuten Ichiba mobile GTV / Total Rakuten Ichiba GTV (including smartphones and tablets)

transaction volume for other services is also consistently on the rise. With the understanding that mobile devices will continue to be our most important touch point with users, the Rakuten Group decided to enter the mobile carrier business.

Rakuten Group offers over 70 services in Japan, and its mobile carrier business is a subscription service based on monthly fees that also generates high contact frequency with its users. Accordingly, we expect the mobile business to contribute to improved cross-use of Rakuten Group services and to become a customer entry point for use of other services.

Cutting-edge technology delivers unparalleled price competitiveness

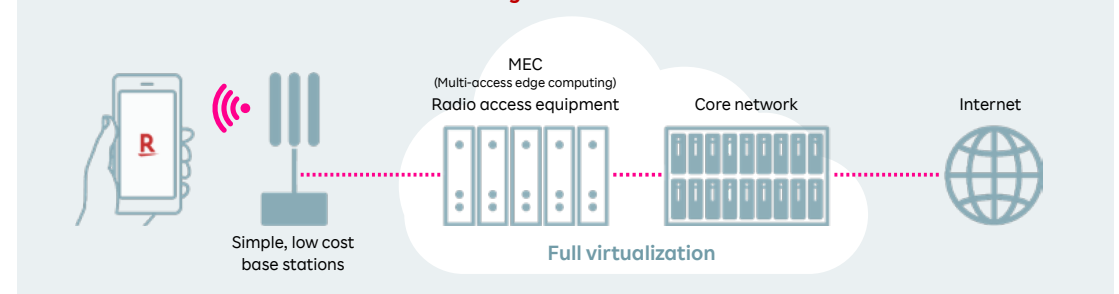
Rakuten Mobile leveraged its position as a telco industry newcomer without legacy assets to implement cutting-edge technology to build the world's first* end-to-end fully virtualized mobile network.

In just 18 months, through collaboration with global partners and thanks to the dedication and commitment of our talented engineers, we built and launched a network based on a combination of architecture and systems technology that was previously thought to be impossible. This allowed us to substantially reduce costs in comparison to legacy mobile operators and enabled us to offer low-price plans to our customers.

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

World's first fully virtualized cloud native mobile network

Full virtualization enables significant reductions in CAPEX and OPEX





Contributing to Society by Creating Value Through Innovation and Entrepreneurship

Firstly, I would like to extend my deepest sympathies to everyone affected by the coronavirus pandemic. As this crisis of unparalleled proportions has swept our world, impacting social values, everyday habits and creating a “New Normal,” Rakuten will continue to drive innovation that aims to transform and enrich society.

Chairman and CEO

Hiroshi Mikitani

■ Empowerment as a Core Philosophy

Since founding in 1997, Rakuten has placed enormous importance on the power of innovation.

We launched the Rakuten Ichiba marketplace with a vision to support regional retailers and small and medium-sized businesses to expand their enterprises nationwide, at a time when nobody thought consumers would purchase goods online. We started with six employees, one server and 13 merchants. Ever since, we have grown together with our stakeholders, staying true to our core philosophy of empowerment.

As we approach our 25th anniversary, we have expanded our ecosystem beyond e-commerce to include a diverse portfolio of businesses centered on fintech and mobile. I look forward to Rakuten continuing to deliver on our corporate mission of contributing to society by creating value through innovation and entrepreneurship, in order create a brighter future together with our stakeholders.

Looking back on 2020

■ Toward a Digital Future: The Accelerating Convergence of Online and Offline

2020 was a year of historic change. The coronavirus pandemic substantially affected society and the economy, as well as personal values and everyday lives. While vaccines are becoming more widely available worldwide, depending upon the potential impact on economic activity of a major resurgence in cases, ongoing negative effects of economic stagnation may be expected.

Meanwhile, as people's lifestyles have changed during the pandemic, there has been a major shift from offline to online services in a number of industries, both on the consumption and supply sides. Demand for online services is seeing significant growth, especially in e-commerce. Growth of our membership base in the fintech business is substantially outperforming the industry. While our mobile business is still in the investment phase, our user base continues to grow steadily. New business opportunities are emerging from the digital transformation taking place all around us. We aim to continue to lead and empower society in the post-pandemic New Normal.

■ Substantial Growth in E-Commerce, Anchored by Rakuten Ichiba

In 2020, our e-commerce shopping gross merchandise*¹ sales grew at the high rate of 35.0% year-on-year, reflecting higher demand underpinned by pandemic-driven stay-at-home consumption, as well as our own unique initiatives. In particular, we introduced a common free shipping threshold for orders above ¥3,980 on Rakuten Ichiba from participating merchants in March 2020. Simplifying shipping costs made shopping easier for customer and helped to drive a steady rise in purchase value and shopping frequency per user. Sales growth of merchants that have joined the free shipping program is approximately 25 points higher*² than that of other merchants, driving further overall growth of Rakuten Ichiba.

In addition, user loyalty has been strengthened by the versatility of the Rakuten Points loyalty program for use on both online and offline services, along with various point promotions such as the Super Point Up Program launched in 2016.

*¹ Shopping e-commerce GMS = Rakuten Ichiba + 1st Party (Rakuten Fashion, Books, Rakuten24 (Direct), Rakuten Seiyu Netsuper) + Open EC (Rebates, Checkout) + Rakuma

*² YoY difference between merchants that have implemented the free shipping program and merchants that have not. (From April 2020 to December 2020.)



Consolidated Sales
Appx. ¥1.5 trillion
(+15.2% YoY)

Domestic EC GMS
¥4.5 trillion
(+19.9% YoY)

**Rakuten Card
Shopping GTV**
¥11.6 trillion
(+21.9% YoY)

**Rakuten Mobile
Applications**
4.0 million lines
(As of end of April 2021)

Advertising Sales
¥129.4 billion
(+15.7% YoY)

Fintech Business Continues to Outperform the Industry

In the fintech business, our membership base expanded, particularly for Rakuten Card, and we achieved strong growth throughout 2020 despite sluggish consumption due to the pandemic in some areas such as accommodation and restaurant services. Rakuten Card shopping gross transaction value reached ¥11.6 trillion in 2020, with our domestic market share doubling to approximately 20% in just five years. We reached 21 million members in November 2020, and our membership continues to grow. In addition, Rakuten Bank became the first online bank in Japan to reach 10 million accounts in January 2021, following a record-breaking increase of one million accounts in a period of around seven months – the fastest increase yet. Furthermore, with 1.33 million new accounts opened in 2020, up 78% year-on-year, Rakuten Securities topped the industry for the most new accounts opened for the third consecutive year. We reached 5 million accounts in December 2020, and our pace of growth has accelerated since.

Mobile Carrier Business: An Essential Part of Social Infrastructure

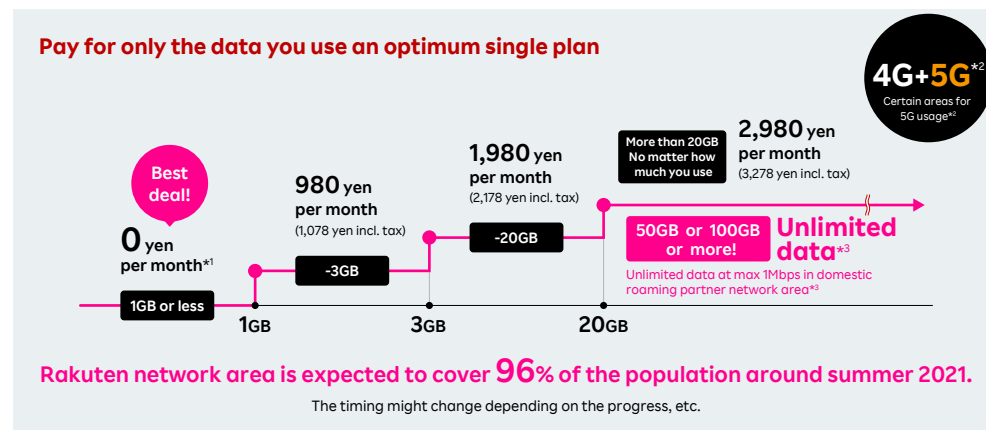
Following full-scale commercial service in April 2020, Rakuten Mobile moved quickly to lead the industry with the offer of a low-price unlimited data plan, Rakuten UN-LIMIT, set at ¥2,980 per month (incl. tax ¥3,278). Since then, we have steadily expanded our membership base, and total applications reached 4.0 million at the end of April 2021. The turmoil brought on by the pandemic

throughout 2020 strengthened my determination to offer everyone affordable, high-quality telecommunications services, as they have become an essential part of social infrastructure in the modern world. We unveiled the Rakuten UN-LIMIT VI plan in January 2021, a flexible new pricing plan aimed at further disrupting the status quo of Japan's mobile industry. While data usage is expected to rise as digital transformation accelerates across all facets of society, we will continue to offer our unlimited plan at ¥2,980 per month. The plan is structured to be flexible and simple, adjusting to even lower fees with lower monthly data usage. It is designed to satisfy the needs of all customers, from light to heavy users, and we expect to further boost customer acquisition. In addition, we are accelerating the Rakuten 4G network area buildout five years ahead of plan, and our population coverage* reached 70% at the end of December 2020. We are on track to achieve our target population coverage of 96% by the summer of 2021.

* Population coverage is calculated as the ratio of the population included in the mesh corresponding to our service area to the total population of the mesh, based on the whole country being divided into 500m square units.

Strong Expansion of Advertising Fueled by E-Commerce Growth

Rakuten has accumulated over 100 million Rakuten IDs, along with relevant diverse and accurate data. This consumer behavior analysis data is what differentiates us from our competitors in the advertising business. In 2020, the business grew 15.7% year-on-year, fueled by strong growth in

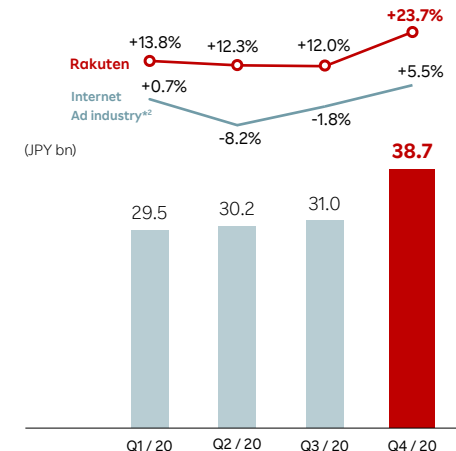


*1 Product purchases, option fees, calls, etc. will be charged separately. After the second line contract, the monthly fee for data usage of between 0GB and 3GB will be 980 yen (incl. tax 1,078 yen) per month.

*2 5G service is provided in limited areas. Please confirm the coverage area. Also, in order to use 5G service, 5G compatible products are needed.

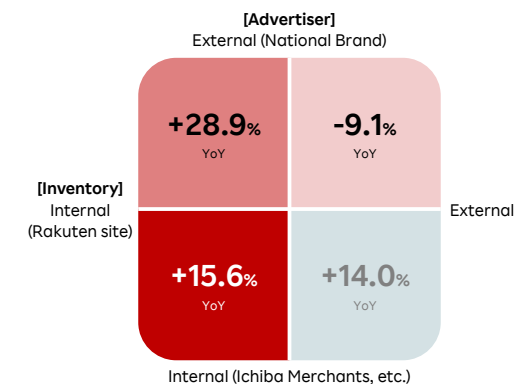
*3 Unlimited data is available only in Rakuten service areas. Communication speed may be restricted to provide a fair service. In partner network areas, can be used at a maximum 1Mbps after using the allocated 5GB in Japan and at a maximum of 128Kbps after using the allocated 2GB overseas. When using at a maximum of 1Mbps, it may take some time to play videos, download applications, etc. The communication speed is on a best effort basis (maximum speed in the standard), and the effective speed varies depending on the communication environment and conditions.

Ad Revenue*1



*1 Revenue includes internal transactions.

*2 Source: METI "Indices of Tertiary Industry Activity, Advertising Industry"



our e-commerce business despite a sluggish online advertising industry. Looking at 2020 sales growth by category, those categories that utilized Rakuten's internal advertising inventory posted robust growth. This was driven by accelerated ad placements by internal advertisers (Rakuten Ichiba merchants) and external advertisers (major consumer goods manufacturers) in line with the our platform's e-commerce growth, as well as further online sales channel expansion by other businesses. By leveraging the data accumulated in line with e-commerce growth for omni-commerce initiatives, we will also support further business expansion.

For Future Growth

Loyal Customer Base and Expanding Membership Value Set Stage

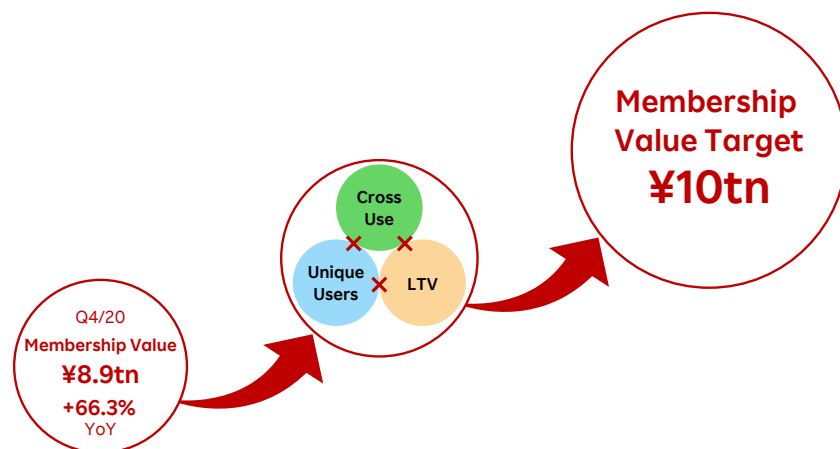
Rakuten has more than 1.5 billion members globally, with over 100 million Rakuten IDs in Japan alone. By providing an ecosystem within which domestic and international members can seamlessly explore and use multiple services, we aim to maximize the lifetime value (LTV) per user; By driving synergies such as reduction of customer acquisition costs, we aim to maximize profitability. To measure this, we use an index called membership value, expressed as follows.

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

LTV: Lifetime value of customers

CAC: Customer acquisition cost

In the fourth quarter of 2020, membership value expanded substantially to ¥8.9 trillion, up 66.3% quarter on quarter. This was driven by growth in



the e-commerce business anchored by Rakuten Ichiba, as well as an expanded user base and improved profitability in the fintech business, including Rakuten Card and Rakuten Securities. By continuing to expand our membership base and the Rakuten Ecosystem, we will continue to increase our corporate value toward our goal of ¥10 trillion.

Initiatives for Accelerating Digital Transformation

We are in the middle of great societal change, the kind that happens only once a century. Particularly in 2020, the global pandemic accelerated the pace of digitalization. As this trend continues, in five or ten years time, we can expect the major transformation that will come through seamless integration of the online and offline worlds. By continuing to take on bold challenges and evolving as a company in this fast-changing environment, Rakuten is building a robust organizational structure that will be resilient in the face of competition from other industries, from within and outside Japan, and withstand industry realignment.

In addition to growing our existing businesses including Rakuten Ichiba, we are also working on collaborative initiatives with other companies. In November 2020, we made the decision to take a 20% stake in Seiyu, and plan to start providing a digital transformation platform for retailers in Japan that transcends the boundaries of the online and offline spheres to provide new shopping experiences to customers. In December, we also announced a strategic partnership agreement with Japan Post to spur the growth of digital transformation in the logistics industry. We also expect society to become fully cashless in the near future. In fact, many countries around the world are implementing or considering implementing blockchain technology, and it is not difficult to see a future in which digital currencies are the norm. The Rakuten Group already has a diverse portfolio of fintech services that will flexibly adapt to a cashless world. By providing even greater added value to our users, we will continue to make strides to empower society toward this future.

Logistics Business: Supporting Further E-Commerce Growth

After the logistics crisis in 2017, Rakuten began to make full-scale strategic investments in the logistics business to fulfill its responsibilities as an e-commerce platform provider. Along with the expansion of our logistics business, we have expanded our network of automated and labor-efficient fulfillment centers, which now consists of seven locations and eight facilities, including the Chuorinkan facility scheduled to open in the second half of 2021. In particular, 2020 was marked by considerable expansion of the logistics business in tandem with the growth of the

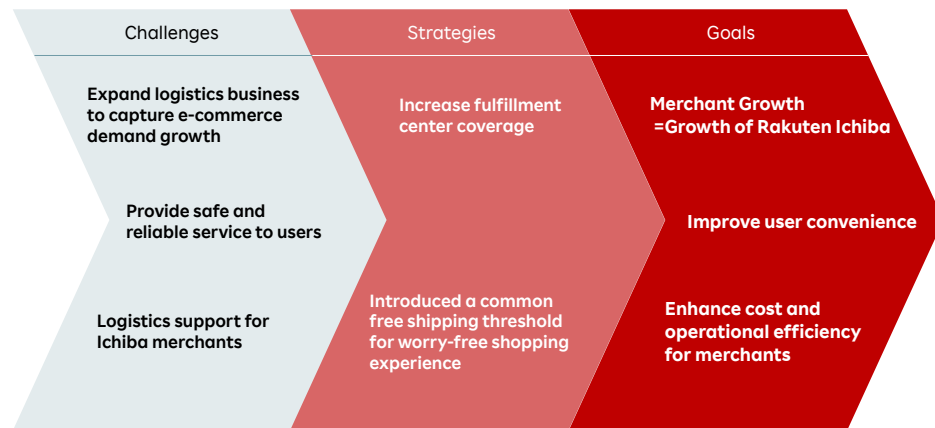
CEO Message

e-commerce business. Rakuten Super Logistics, a comprehensive logistics service that handles the entire process from receiving products from Rakuten Ichiba merchants to shipping them to customers, saw participating merchant numbers grow by 87.4% YoY with shipment volume rising by 140.7% YoY.

With the e-commerce share of the total retail market in Japan at approximately 7%*, relatively low compared to 20% in the U.S. and Europe, this has the future potential to triple in size. Looking ahead, we will continue to propel forward a logistics strategy to support the e-commerce business.

* 2019 International Economic Research Project for the Establishment of an Integrated Domestic and International Economic Growth Strategy (Market Research on E-Commerce)

Logistics Strategy for Further Growth of E-Commerce Business



Mobile Business: At the Core of the Rakuten Ecosystem

The mobile carrier business, which commenced full-scale commercial service in April 2020, is steadily expanding its user base. We consider the mobile business, centered on our mobile carrier operations, to be a central pillar of further expansion of the Rakuten Ecosystem. In the future, with our communication app Rakuten Link, we plan to provide not only calling and messaging services, but also cloud and AI-based services, e-commerce, fintech and various other

services through this single app. Already, we have seen the average spend on Rakuten Ichiba of users who have newly started using Rakuten Mobile increase by a remarkable 44%*1. Considering that the increase in spend for users not using Rakuten Mobile was 13%*2 over the same period, we can see that mobile service subscriptions have become a factor driving the use of other services. By further expanding our mobile service user base, we aim to drive growth of the Rakuten Ecosystem around the mobile business.

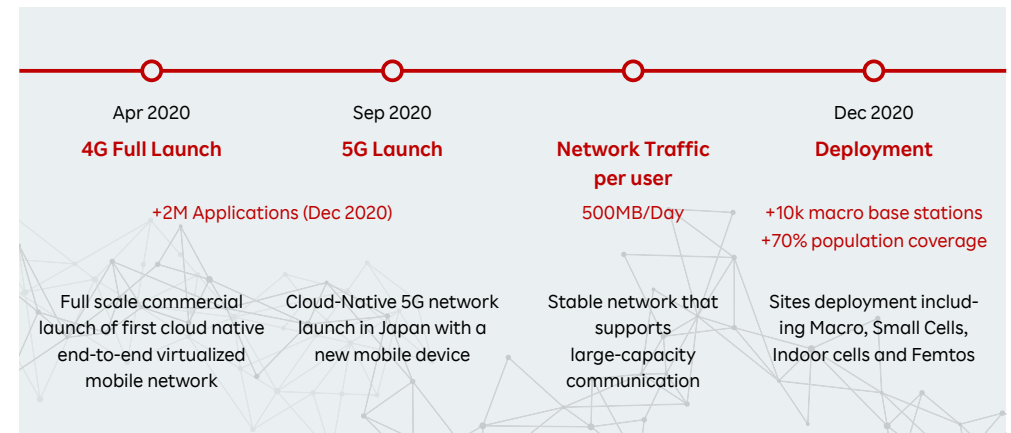
*1 Users who used Rakuten Ichiba between May 2019 and May 2020 and subscribed to Rakuten Mobile (MNO) in May 2020.

*2 Users who used Rakuten Ichiba between May 2019 and May 2020 and did not subscribe to Rakuten Mobile as of December 2020.

Global Expansion of Rakuten Mobile

We are also moving forward with the Rakuten Communications Platform (RCP), a cloud-native telco platform that allows operators, governments or enterprises to build secure and open mobile networks at high speed and low cost. More than ten global customers are already using parts of the platform in their networks, including software and OSS services. RCP has the exciting potential to generate revenue equal to or even greater than the mobile carrier business.

2020 – What Rakuten Mobile has achieved



From Rakuten, Inc. to Rakuten Group, Inc.

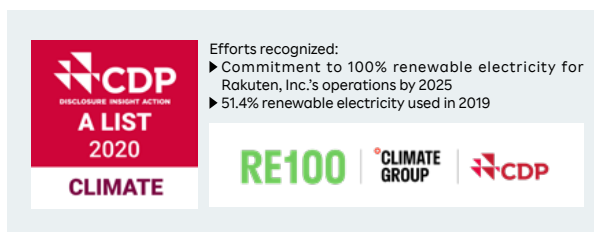
We changed our company name to Rakuten Group, Inc. on April 1, 2021. There are two major reasons behind this change.

The first is related to the diversification of group procurement. Until now, funding has been centralized at the parent company, but from now on, we will look into various forms of funding, including through our subsidiaries. In particular, we believe the financial business needs growth funding. The second reason is to develop new businesses. We would like to open up the Rakuten Ecosystem and expand outwards, including through collaboration with other companies. Compared to working in isolation, by leveraging the strengths of a variety of partners we will aim to achieve greater synergies.

Sustainability Initiatives

The Importance of Sustainability Management and 2020 Initiatives

Rakuten was founded with the aim to expand the market reach of local businesses through an online shopping platform, based on a vision to energize Japan. That spirit of empowerment has been carried on to this day. It is my mission as chief executive to not only make our business sustainable for the future, but also to create social value for the achievement of a sustainable society. In 2020, many companies' sustainability was put to the test as the COVID-19 pandemic significantly impacted society across the globe. At Rakuten, we worked with our stakeholders on a variety of initiatives. For example, we supported Rakuten Travel accommodation partners to accept COVID-19 quarantine patients with mild symptoms, introduced non-face-to-face delivery, and carried out online fundraising activities. Although the pandemic continues, I am convinced that by swiftly taking preventive measures and making decisions with correct information and proper judgment, we will overcome this challenge and move toward a better future.



Environmental Initiatives to Create a Sustainable Society

With greenhouse gas emissions rising every year, climate change is negatively impacting people around the world in many ways. Rakuten's business activities and infrastructure relies

heavily on electricity, and we recognize our impact on climate change and our responsibility to contribute to the creation of a low-carbon society. As part of our initiatives to address climate change, we announced that we will join the international RE100 initiative in December 2019, and that we will source 100% of the electricity used in Rakuten Group business activities from renewable energy sources by 2025. Then, in December 2020, our commitment and activities were recognized when we were included for the first time in the Climate Change A-List, the highest possible rating given to a company in a climate change survey conducted by CDP, an international environmental non-profit organization. We will continue contributing to the creation of a sustainable world by reducing greenhouse gas emissions from our business activities, while at the same time leveraging our assets to provide our customers with more environmentally friendly products and services.

Employee Engagement to Create a Vibrant Workplace

As a company that empowers people and society, we believe in the importance of maintaining and developing the mental and physical health of each and every employee. The pandemic served as another reminder of this, and we are implementing various measures to create a vibrant workplace for all of our employees.

Particularly in 2020, we had substantially less in-person communication as we promoted teleworking due to the pandemic. Under these circumstances, we established an opportunity for me to personally communicate and share our founding corporate philosophy at weekly all-employee meetings to reinforce our ties with our corporate culture. In addition, to support the physical and mental health of teleworking employees, we distributed exercise videos and proactively held health-related seminars online. These initiatives helped improve communication even as we continued to telework.

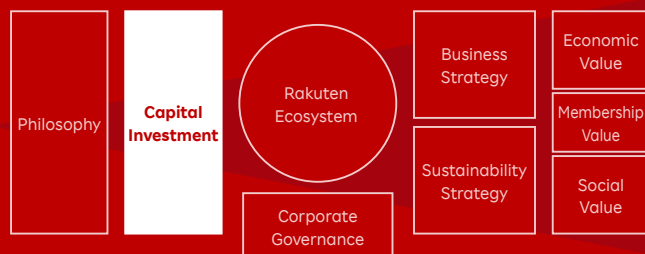
Creating a Sustainable Society

The world is in the middle of a major once-in-a-century social transformation, and digital transformation is progressing very quickly. Based on the spirit of empowerment that we have cherished since our founding, we will go beyond conventional norms to flexibly promote innovative initiatives that contribute to the development of society. Rakuten's vision of a sustainable society is one where people all over the world can pursue their dreams and live happily. To achieve this vision, we will continue to create groundbreaking innovations by combining our knowledge, creativity, and corporate culture of determination.

What Kinds of Capital Does Rakuten Invest?

We aim to strengthen the Rakuten Ecosystem, and achieve sustainable growth, by investing six unique and competitively advantageous types of capital.

Rakuten's Value Creation Process



Capital Investment



Logistics capital



Communications capital



Human capital



Social capital



Intellectual capital



Financial capital



Logistics capital



We are investing in strengthening our own logistics network to meet the growing demand for e-commerce. Through this, we aim to improve user convenience and further grow our e-commerce business.



Communications capital



We will form a stronger business foundation by adding the telecommunications business to the Rakuten Ecosystem, which is a powerful touch point with customers in today's mobile-centric world.



Human capital



Our diverse set of talented employees from around the world come together in a global work environment, where English is the official language, to provide innovative services that enrich the lives of our customers.



Social capital



In line with our corporate slogan, "Walk Together," we aim to build win-win relationships with all of our stakeholders to achieve a sustainable future.



Intellectual capital



To prepare for the further acceleration of IT adoption, we have established Rakuten Institute of Technology (RIT) centers in Japan and overseas, where many engineers are working to develop AI and deep learning technologies.



Financial capital



In order to enable strategic investments for the sustainable growth of the Rakuten Group, and improvement of customer convenience, we carry out financial management aiming to ensure stable and diverse financing methods and financial soundness.

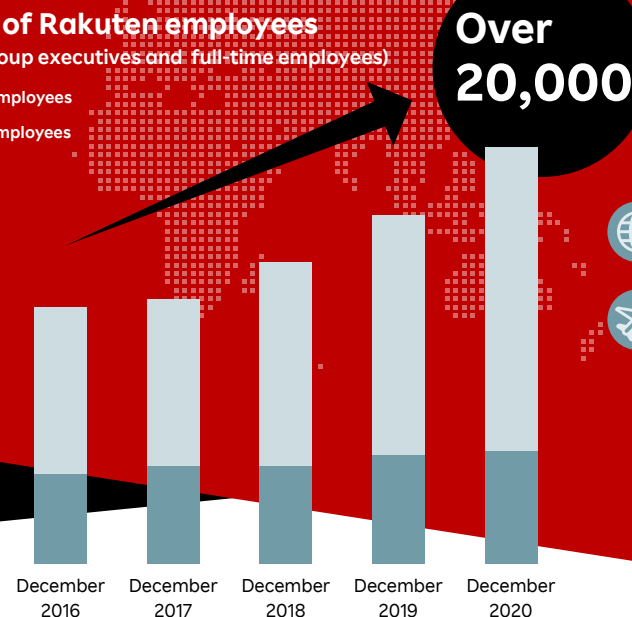
Strengthening the Rakuten Ecosystem with Human Capital

Rakuten provides more than 70 different services in Japan and overseas, and the key asset that supports all of these services is our employees. Hailing from around the world, our diverse and talented employees work together in a dynamic environment, where English is the official language, to provide innovative services that enrich the lives of our customers. In addition, Group productivity has been steadily improving, even as our organization grows rapidly.

Actions to Enhance Human Capital

Number of Rakuten employees (Rakuten Group executives and full-time employees)

Domestic employees
Overseas employees



Over
20,000

Operating in 30 countries and regions

Employees from over 70 countries and regions

Englishnization for Global Talent Acquisition and Communication

By making English the official corporate language in 2012, we have been able to build a unified global management system, even as the number of Group companies and offices increases globally. This has enabled us to recruit and appoint the best and brightest talent from around the world by facilitating swift and seamless information sharing among all employees without language barriers.

Employee-Led Improvement Activities

Quality Control Circle (QCC) activities are employee-led, bottom-up quality improvement activities, conducted as part of our comprehensive quality management program. In addition to enhancing the quality and productivity of our operations and services, they have helped improve the skills of each and every employee, as well as create dynamic workplaces. They have also greatly contributed to strengthening and promoting Rakuten's "Kaizen" (improvement) culture and business growth.

Group Productivity

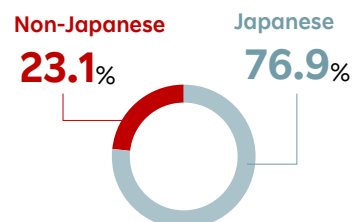
In 2020, as the world was severely impacted by the pandemic, Rakuten focused on reinforcing its corporate foundations by going back to basics. While ensuring the safety of all employees, steady improvements were made through productivity and quality enhancement activities. As a result, productivity rose substantially by more than 40% YoY.

Diverse Workforce*

Number of nationalities represented

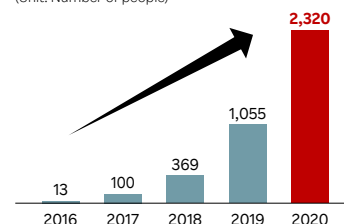
Over 70

Ratio of Japanese vs. Non-Japanese employees



Quality Improvement Activities and Number of Participants (Japan)

Number of participants (Japan)
(Unit: Number of people)



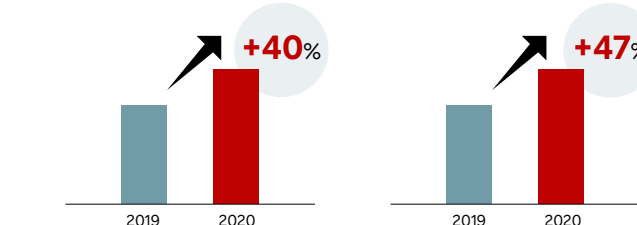
Quality improvement activities

Approximately
600 activities

Group Productivity Improvement*

Operating income per full-time employee

Operating income / Total cost



* excluding mobile, logistics, and investment businesses

* Rakuten Group, Inc.

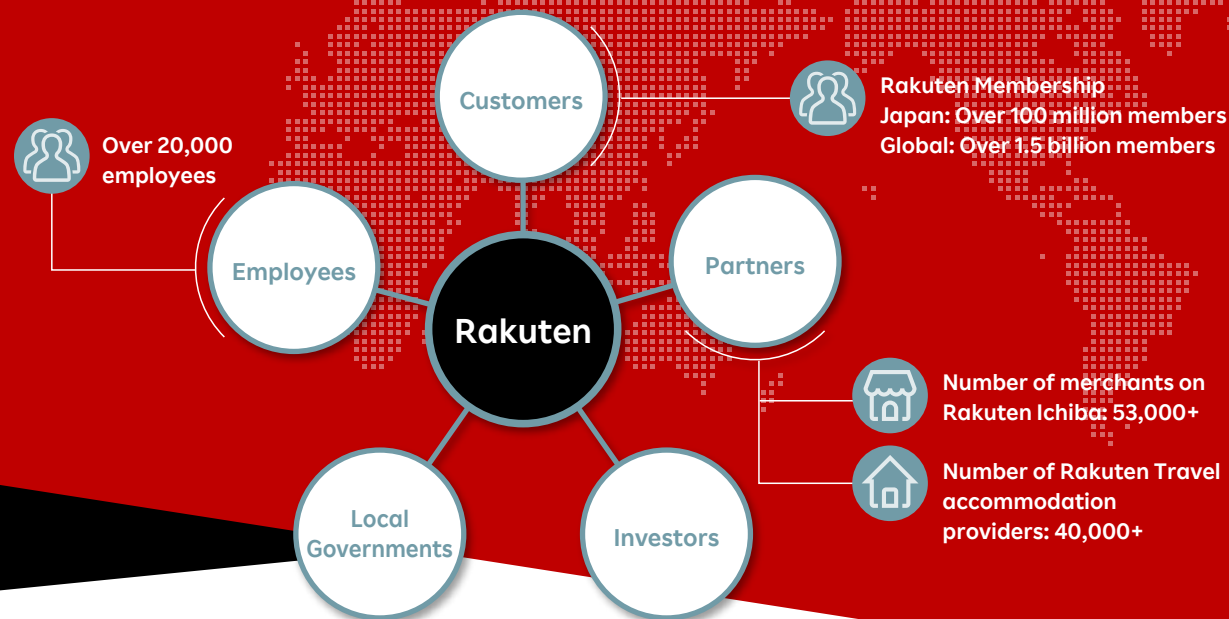


Strengthening the Rakuten Ecosystem with

Social Capital

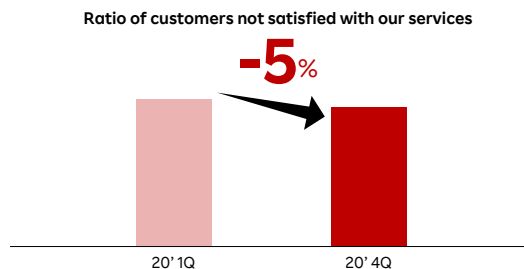
The Rakuten Group's corporate slogan, "Walk Together," expresses our determination to build a new era together with our business partners, current members, future customers and everyone connected to the Rakuten Group. We aim to create a sustainable future by building win-win relationships that promote mutual growth with our stakeholders.

Actions to Enhance Our Social Capital



Customer Engagement

Maximizing customer satisfaction is one of Rakuten's core values. Based on analysis of opinions and requests received through social media and our call centers, we are continually striving to eliminate our customers' frustrations while simultaneously improving service quality. In 2020, 45 major services engaged in quality improvement activities and implemented more than 600 actions based on analysis of more than 420,000 customer comments.



Partnerships Accelerating Growth

Rakuten Ichiba holds the Rakuten New Year Conference and Rakuten Expo every year to share business strategies and operations for Rakuten Ichiba with merchants. It also presents the Rakuten Shop of the Year awards to the best merchants based on factors like customer votes, sales, order volume, or customer service. This enables us to share best practices with other merchants and build a mutually rewarding relationship.

The strength of our partnerships was also demonstrated in the swift construction of base stations for Rakuten Mobile, where the support of partners across different services helped accelerate the installation of our base stations. In addition, we launched the Rakuten Mobile Partner Program for corporations and local governments to create new services together using Rakuten Mobile's unique end-to-end fully virtualized 5G network and IoT platform.

We will continue to create innovative services and monetize them through collaboration with partners in various industries and sectors.

Vision for Community Development with Local Governments

The importance of contributing to local communities has been an unchanging principle of Rakuten's philosophy ever since the company was founded. We work to support local governments by proposing the Group services best suited to solving the social issues faced by individual communities.

Over 1,100 local governments across Japan have joined the Rakuten Hometown Tax Payment platform.

The number of community development initiatives planned in cooperation with local governments is increasing every year, and as of May 2021, we have signed cooperation agreements with 39 local governments nationwide. By leveraging Rakuten's assets, we are working with local governments to empower communities by promoting tourism, revitalizing local economies, and fostering the next generation of local talent.



Strengthening the Rakuten Ecosystem with

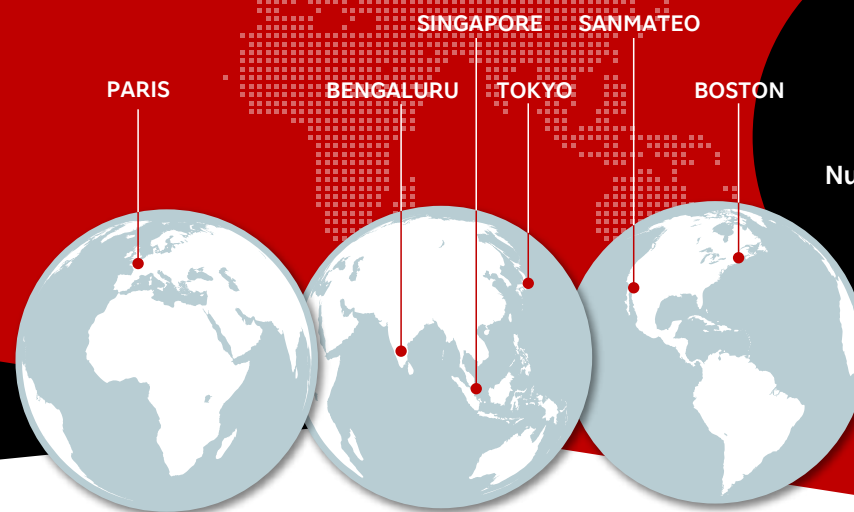
Intellectual Capital

Since founding, the Rakuten Group has constantly pursued the potential of the internet, expanding its business based on its mission to empower and enrich society through innovation. Amid concerns that the adoption of IT technology in Japan has been slower than other countries around the world, and recognizing the need to develop original technology, the Rakuten Group 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.

Actions

to enhance intellectual capital

Rakuten Institute of Technology Locations



Locations

5 Countries
6 Centers

Number of researchers

Over 100
people

Rakuten Institute of Technology Locations

The first Rakuten Institute of Technology (RIT) was established in Tokyo in 2005. Since then it has expanded globally, and now has six centers in five countries worldwide, including RIT Tokyo. These facilities employ over 100 research personnel. As a strategic R&D organization independent of Rakuten's business side, RIT researchers work collaboratively with engineers from the more than 70 Rakuten services in a unique R&D structure.

At RIT Tokyo located in Rakuten's Tokyo headquarters, research is carried out in fields ranging from AI, natural language processing, data mining and computer vision, to HCI*.

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

* HCI (Human-computer interaction): A scientific field focusing on interaction between humans and digital technology

AI Platform Program

The Rakuten Group's AI strategy is based on the "Rakuten AI Platform Program" which has the mission of "Empowering Membership in the Rakuten Ecosystem." We aim to provide comprehensive customer value from infrastructure to customer services, and formulate a product portfolio according to each program.

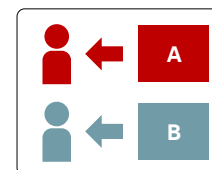
Customer services	Business consulting & solutions
AI services	Communication interfaces
	Customer management: Alris & PITARI
	Increasing customer numbers
	Increasing customer LTV
	Increasing NPS
AI frameworks & tools	Digital twin: Customer DNA
	Core science & AI: Customer, Language, Vision and Voice
Infrastructure	AI & data democratization
	Data platform: Super DB
	Infrastructure & cloud

Utilization of Data and AI by Rakuten Mobile

The use of AI and geoscience is contributing to Rakuten Mobile's base station installation process by allowing engineers to explore more than 20,000 candidate properties from a building database with more than 52 million data points. This helps accelerate the construction of base stations by making the search process more than three times more efficient than the traditional manual approach.

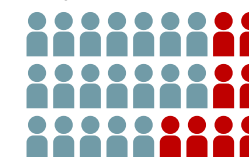
We are also boosting the effectiveness of the customer acquisition process through AI-based targeting and personalization, for example by optimizing our campaign banners for individual customers.

Personalized information



PITARI
Personalization and Targeting Platform

Identifying and optimizing for potential customers



Alris

Strengthening the Rakuten Ecosystem with Financial Capital

Rakuten Group's basic policy on financial management is to ensure stable and diverse means of procuring funds to meet funding needs in order to enable the realization of sustainable growth for the entire Group Companies, and to ensure sufficient liquidity in order to maintain the financial soundness of subsidiaries engaged in the finance business.

Actions for the advancement of financial capital

To Ensure a Robust Financial Base

We are working to improve the Group's capital efficiency and ensure liquidity by utilizing the Group's internal cash management services. In order to fund capital expenditures in its mobile business, in March 2021 Rakuten Group, Inc. raised ¥242.3 billion by issuing new shares through a third-party allotment and disposing of treasury stock, and in April 2021, the Group issued USD- and euro-denominated perpetual subordinated bonds totaling approximately ¥320 billion. Since it is also engaged in the financial business, the Group aims to raise funds in a stable manner and operate with an emphasis on ensuring a robust financial base.

Selection and Focus

With respect to business management, we have established a Business Portfolio Committee, which regularly reviews business synergies, monitors performance, and discusses continuity. The committee conducts reviews while taking into consideration competitive trends and the market environment, making separate decisions for each project based on business synergies and the economic rationality of investment recovery. In 2020, we sold OverDrive and closed our marketplace business in the US, Germany, and elsewhere. Our goal is to achieve optimal allocation of management resources for the entire Group.

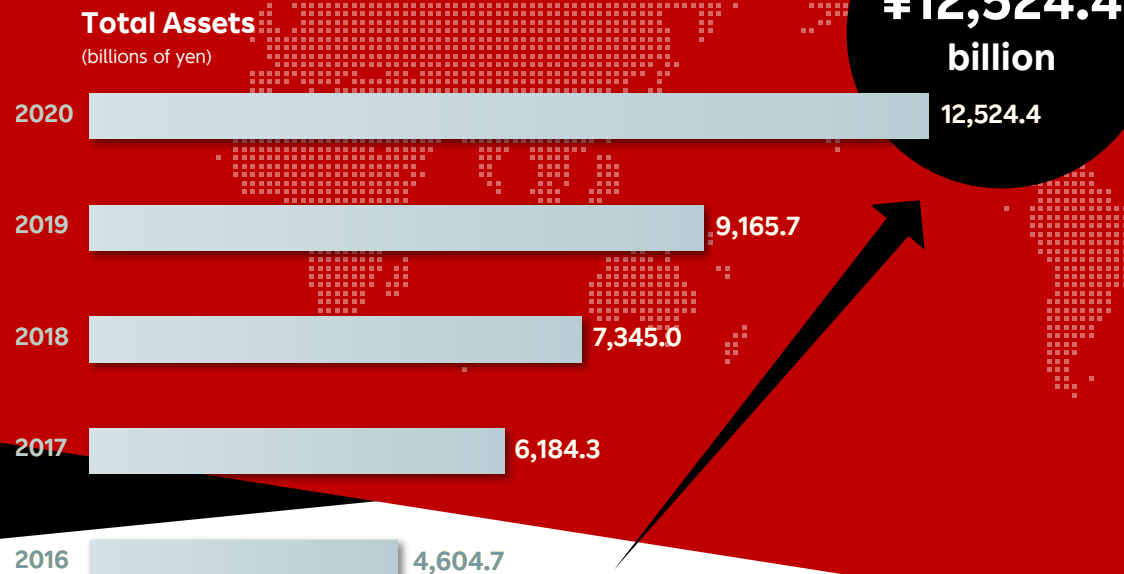
Recent Exits and Asset Financing

Exit	 Pinterest Q4/19	 Careem Up to Q3/20 (Partial)			
Business Selection and Concentration (Optimization)	 O-net Q4/18	 Rakuten Brazil Q4/19	 Rakuten OverDrive Q2/20	 Rakuten USA ^{*1} Q3/20	 Rakuten Germany ^{*2} Q3/20
Asset Financing ^{*3}	 Lyft Q4/20				

^{*1} Exit of Marketplace business (formerly Buy.com) in the United States

^{*2} Exit of Marketplace business in Germany

^{*3} Monetization of Lyft shares using Collar (Variable Prepaid Forward Sales) Transaction



Financial Status

In line with the expansion of total assets due to the steady growth of the financial business, Rakuten Group bonds and borrowings totaled ¥2,487.5 billion in fiscal 2020, a year-on-year increase of ¥760.4 billion. Of this amount, short-term bonds and borrowings increased by ¥547.0 billion year-on-year to ¥950.3 billion. Furthermore, Rakuten Group, Inc., on a non-consolidated basis, has been taking all possible measures to ensure liquidity in its financial operations in the face of the COVID-19 pandemic. For example, we increased the limit on the issuance of commercial papers from ¥100 billion to ¥150 billion in April 2020, and increased the total amount of commitment line borrowing from ¥80 billion to ¥120 billion in June 2020.

As of December 31, 2020

Credit Agency	Long-term	Short-term
Rating and Investment Information, Inc. (R&I)	A-	a-1
Japan Credit Rating Agency, Ltd. (JCR)	A	J-1
S&P Global Ratings	BBB-	—

Advancing Economic Capital Management and building a financial base that supports growth by raising funds in a variety of ways.

Kenji Hirose

Group Executive Vice President
CFO (Chief Financial Officer)



Can you share an overview of Rakuten's 2020 business results and financial strategy?



In 2020, Rakuten Group revenues grew 15.2% YoY to ¥1,455.5 billion owing to strong growth in our core businesses, including a 19.9% YoY rise in domestic EC GMS to ¥4.5 trillion and Rakuten Card Shopping GTV surpassing ¥11 trillion. Non-GAAP operating loss was ¥102.7 billion, but if we exclude our mobile and logistics businesses, which are in the upfront investment stage, operating profit rose 37.6% YoY to ¥148.9 billion. Although some of our businesses faced challenges amid the COVID-19 pandemic, we were able to leverage our unique strength of integrated operations across a wide diversity of services to capture the demand driven by stay-at-home consumption and digital transformation trends.

On the financial front, in addition to issuing hybrid bonds with equity characteristics, we also

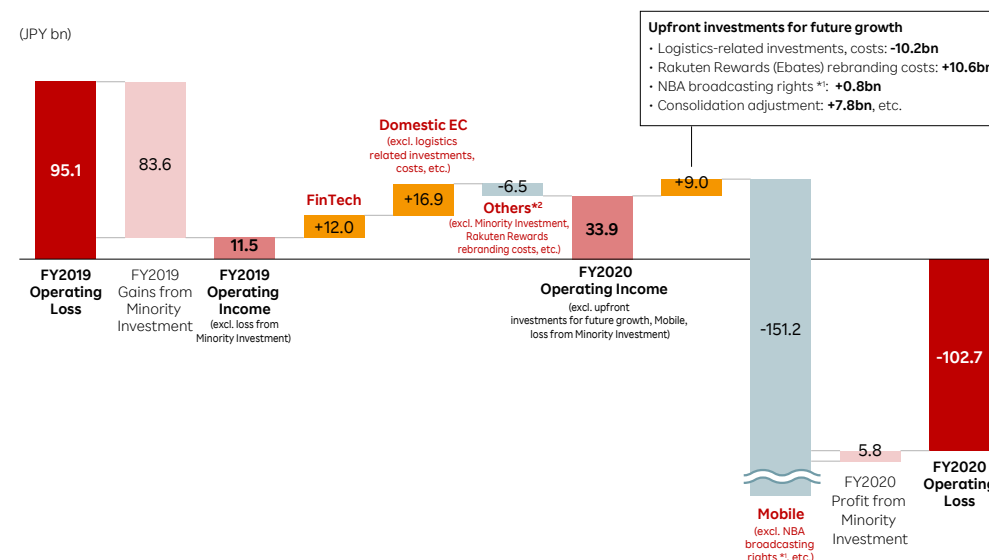
FY2020 Consolidated Results Summary

(JPY bn)

	FY2020	YoY
Revenue	1,455.5	+15.2%
Non-GAAP Operating Income	-102.7	-197.8
Non-GAAP Operating Income Excluding Mobile, Logistics and Investment Business	148.9	+37.6%
IFRS Operating Income	-93.8	-166.6

FY2020 Non-GAAP Operating Income Breakdown

(JPY bn)



*1 NBA broadcasting rights are included in Mobile segment due to Segment change in Q4/20

*2 "Others" segment mainly includes overseas EC businesses

made progress in funding through Group companies, including a bond issuance for individual investors by Rakuten Card Co., Ltd. In addition, we continued to exit from businesses with low group synergies and profitability, and made steady progress in our efforts to build a financial base that can support medium- to long-term growth.

Q Please tell us about the concept of “Economic Capital Management” that you introduced when you became CFO, as well as any related initiatives.

A Under our previous internet service-oriented model, our core focus was managing profitability. However, the Rakuten Group also includes fintech businesses that require strict financial discipline, and we are making rapid progress on new fixed-cost businesses, such as mobile and logistics. With this in mind, I believe allocating resources in anticipation of changes in the balance sheet and cash flow has become even more of a priority.

In line with this, we introduced a new internal company system in 2019 to restructure the organization according to the nature of our businesses and financial risks. This was aimed at facilitating rapid decision-making, ensuring optimal resource allocation from a holistic perspective, and improving operational efficiency. In April 2021, we changed our company name from Rakuten, Inc. to Rakuten Group, Inc. We are now in the process of determining our capital requirements based on the balance sheet of each business: In order to appropriately allocate capital, we would like to enhance transparency of the contribution of each business by adding into each balance sheet the cost of capital. This is the fundamental idea behind Economic Capital Management.

In particular, the mobile business requires substantial investment. Given these circumstances and taking into consideration the depth of the Group’s equity base, we decided that we needed to finance with equity characteristics. As such, we raised approximately ¥240 billion through third-party allotments to Japan Post, the Tencent Group, and Walmart in March 2021, as well as approximately ¥320 billion in perpetual subordinated bonds in April 2021, which are incorporated into equity under IFRS accounting, strengthening our financial base.



Q What are your thoughts on financial discipline in the mobile business, where price competition is fierce?

A In the mobile business, we are expected to continue to improve network coverage, quality and capacity, which requires the construction of base stations, and the key to profitability lies in our ability to secure an appropriate subscriber base. In other words, we need to think about subscription numbers and coverage area when figuring out how many base stations to build and maintain. We announced that we will achieve 96% population coverage*1 by summer 2021, five years ahead of our original plan, and also raised our final base station target from 27,000 to 44,000 stations, thereby increasing related investments by 30-40% from the original 600 billion yen. This is a representation of our confidence in our ability to acquire subscribers faster than initially expected.

Our affordable unlimited data plan*2, Rakuten UN-LIMIT, was well received, pushing us past 2 million total mobile subscriber applications as of the end of 2020. Going into 2021, we upgraded this plan to better cater to light users by offering monthly data use under 1 GB free of charge, which boosted our application pace. Competitors followed suit and announced low-cost plans, but none of them offer a comparable low-price one-plan service. We are able to do this because we have a completely different fixed-cost cost structure from our competitors.

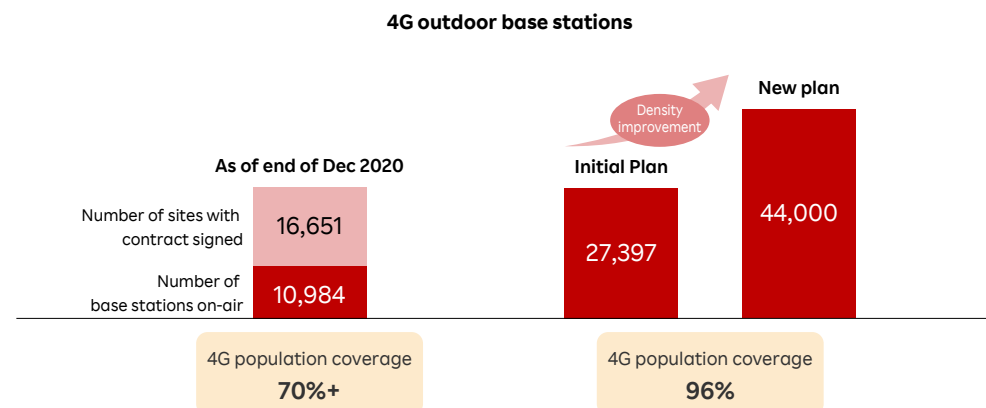
*1 Population coverage is calculated as the ratio of the population included in the mesh corresponding to our service area to the total population of the mesh, based on the whole country being divided into 500m square units.

*2 Unlimited data when connected to Rakuten base stations. To provide a fair service, restrictions on transmission speed may be implemented. In domestic roaming partner network areas, after using the allocated 5GB, unlimited data is available at a maximum speed of 1Mbps.

Base Station Build-out and CAPEX Plan

■ Aim to build out 44,000 base stations to cover 96% of the population, in order to improve quality with high density of base stations and to respond to the expected increase in users in the future.

■ 4G CAPEX is expected to increase by approx. 30%-40% from JPY 600bn



By entering the mobile business, the Rakuten Group redefined the mobile communication network, virtualizing complex radio access networks (RANs) and replacing much of the reliance on specialized hardware with software. By doing this, we also lowered our operating costs substantially, implementing software-centric controls for what was traditionally labor-intensive maintenance work. In addition, in this new network architecture, there is less attenuation of radio waves and we can expand our coverage more efficiently. Because our operational cost structure is fundamentally different from our competitors, we can build a business plan around a low-cost service plan. In this context, we re-examined our projections for future subscriber growth and committed to boosting our investment in the mobile business.

Q Please tell us your strategy for turning the mobile business into the black.

A As we upgraded our pricing plan from the initial one plan of ¥ 2,980 (¥ 3,278 including tax) per month, we are expecting ARPU (average revenue per user) to come in lower than initially planned, but at the same time our subscription numbers have grown much faster than expected. Since the mobile business is basically a fixed cost business, our profits will expand as soon as we cross the break-even point. We will continue to focus on expanding coverage and customer acquisition, and aim for early monetization.

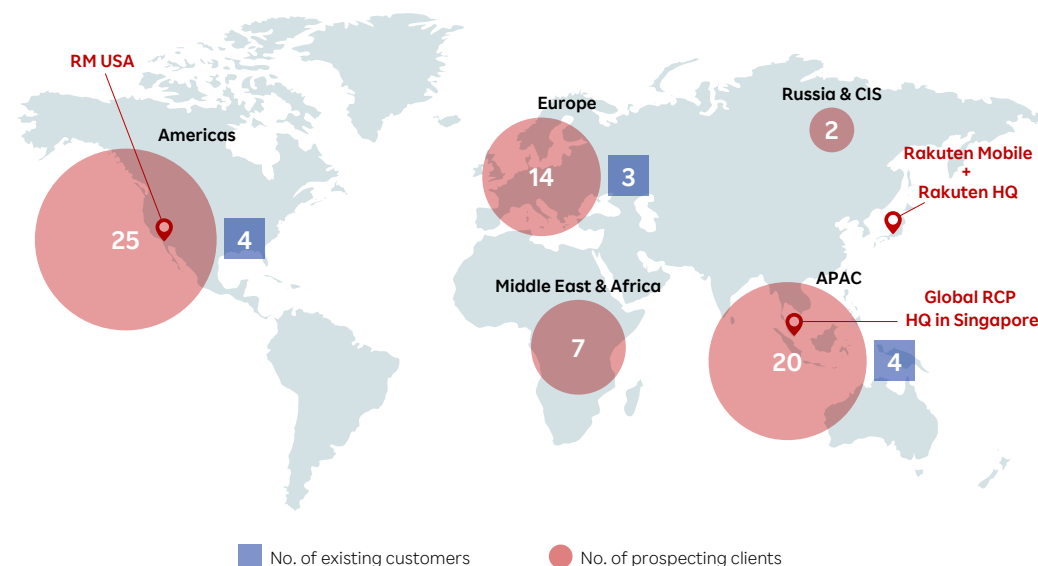
Q Can you also talk about investment recovery in the logistics business?

A In the logistics business, in April 2021, we announced plans to establish a new joint venture by Japan Post and Rakuten Group to take over the logistics business of Rakuten Group. The new company will promote efficiency by creating shared logistics centers, a common delivery system and shared pick-up service. Specifically, by incorporating the labor-efficient, automated fulfillment centers invested into and developed by the Rakuten Group into the delivery network of Japan Post and jointly operating it through the new company, we will realize digital transformation of our logistics operations, improving customer experience, shortening lead time, improving logistics efficiency and maximizing capacity. We will also build and jointly commercialize a new digital transformation platform for logistics. Through these efforts, we believe we can dramatically improve the profitability of the logistics business.

Q Please tell us about your approach to growth investments going forward.

A To date, we have focused on investing in service-oriented businesses to strengthen the Rakuten Ecosystem. However, we have also begun to boost the Rakuten Group's corporate value through technology-oriented strategies, as highlighted by our mobile business' virtualization

RCP Existing Customers and Sales Pipeline



technology. In particular, we would like to accelerate to full-scale sales to external clients of the Rakuten Communications Platform (RCP), the platform we have established to offer the latest technology in virtualization and automation to telecommunications providers and enterprises around the world. We also plan to proactively pursue investments and M&A to bring these types of innovative technologies into the Group and use them to fuel our growth.

Q Can you tell us about why you disclose Membership Value* as a unique indicator of corporate value?

A After starting our business in e-commerce, the Rakuten Group has boosted corporate value by expanding services into various fields, incorporating financial services such as the fin-tech business and adding the subscription-based mobile business. However, because the Rakuten Group operates a wide variety of businesses, some external stakeholders have pointed out that its corporate value is difficult to gauge. To address this, we began to quantify and disclose the current value of Rakuten membership.

The core business model of the Rakuten Group is to expand the Rakuten Ecosystem based on membership by encouraging customers to use multiple services in the ecosystem through a common Rakuten ID and boosting customer engagement through our loyalty point program. This

model is designed to maximize LTV (customer lifetime value) by growing the number of unique users and encouraging cross-use of services, which in turn streamlines the CAC (customer acquisition cost) of the various services we offer.

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

LTV: Lifetime value of customers

CAC: Customer acquisition cost



How do you think membership value will grow going forward?

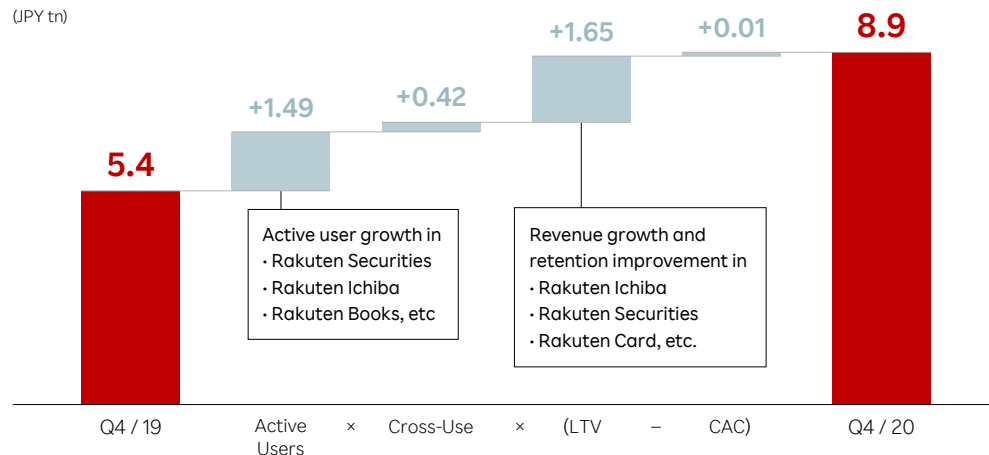


Membership value is calculated by multiplying the active users of each service, cross-use between services and LTV of each service, then subtracting CAC. Generally speaking, the profitability of a business really relies heavily on how well it can control CAC. One of the greatest strengths of the Rakuten Ecosystem is that we can effectively lower our CAC by using our loyalty

Rakuten Ecosystem Membership Value

■ Membership Value climbed +66.3% YoY from increased Ichiba, Securities, and Rakuten Card users and improved gross profit amid pandemic

(JPY tn)



* Membership value of MVNO is excluded due to the ending of new applications

* Membership value of German marketplace business is excluded due to its closure

point program. For example, Rakuten Securities has reached a scale on par with the industry's largest players in terms of the number of accounts opened, driven by initiatives utilizing Rakuten Points which encourage people to open accounts. In addition, the number of accounts at Rakuten Bank is also rapidly increasing, thanks to automatic deposits and withdrawals through the Money Bridge feature with Rakuten Securities, which makes the service highly convenient, and our loyalty point program offering customers good value.

The Rakuten Points loyalty program has many touch points both when earning and using points, and has been very popular with users. By leveraging this loyalty point program, we have been able to acquire users more cost-efficiently. Our CAC is considerably lower than that of our competitors, and we are giving back this portion of the savings to our users. This has grown our active user base, increased cross-use, multiplied LTV and raised our membership value.

Furthermore, our reach has extended beyond the online marketplace and into the real world through Rakuten Point Card and Rakuten Pay.

Excluding the mobile business, our membership value at the end of 2020 was ¥8.9 trillion. It is steadily growing toward our target of ¥10 trillion. And with new users from the mobile business now beginning to flow into Rakuten Ichiba and other Rakuten services, we expect this to further accelerate the growth of our membership value.



What are your views on cost of capital, and can you tell us about your shareholder return policy?



We internally set a hurdle rate that we believe is appropriate for calculating EVA (Economic Value Add) and managing our balance sheet and cash flow as part of our monitoring process for each business. In particular, since we are currently concentrating our capital on fixed-cost businesses such as the mobile and logistics businesses, we believe it is important to be conscious of our cost of capital to maintain overall balance and properly allocate resources based on the concept of economic capital management.

In terms of shareholder returns, our policy is to maintain this level of financial discipline and to provide stable and continuous dividends. Overall, our understanding is that we are still in a growth investment stage, and our main focus is to provide stable dividends, rather than to increase them. For the foreseeable future, we would like to increase our total shareholder return by allocating the stable cash flow from our existing core businesses to growth investments in order to sustainably boost our corporate value.

Business Strategies for Further Growth

Core
Businesses
1

E-commerce services show strong growth alongside acceleration of digitalization

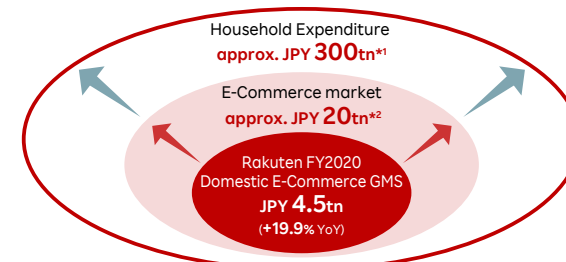
The recent acceleration of digitalization has encouraged consumers to use e-commerce services, and Rakuten's e-commerce services have also seen substantial growth in the user base and usage of the services.



Significant growth potential in Japanese e-commerce and Rakuten e-commerce services

Modern society is seeing a convergence of offline and online services and an acceleration of digitalization. In 2020 in particular, the global spread of COVID-19 accelerated the shift from offline to online services. In Japan, the pace of growth in e-commerce spending per household and the number of households using e-commerce services accelerated from 2019 to 2020, and e-commerce spending as a percentage of household consumption is on the rise*1. On the other hand, of Japan's annual household consumption of approximately ¥300 trillion, e-commerce spending accounts for only an approximate ¥20 trillion. This equates to an e-commerce ratio of around 6-7%, indicating significant potential for future growth. Expansion of Rakuten's e-commerce services has outpaced that of the Japanese e-commerce industry, with domestic EC GMS reaching ¥4.5 trillion (+19.9% YoY) in 2020. Furthermore, our total shopping EC GMS*2, which includes Rakuten Ichiba and other shopping-related e-commerce services, grew 35.0% YoY in 2020, demonstrating strong growth

Amidst an acceleration of digitalization, advancing fusion of online and offline, and an expansion of the E-Commerce market, Rakuten has exceeded the growth rates of the overall market



*1 Cabinet office "2019 Quarterly Estimates of GDP"

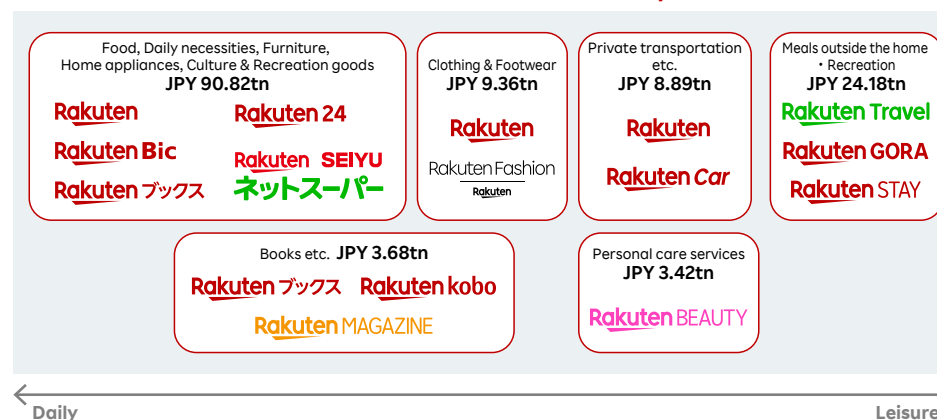
*2 Ministry of Economy, Trade and Industry "2019 E-Commerce Market Survey"

even in comparison against competitors. As shown in the chart below, Rakuten provides e-commerce services that cover a wide range of household consumption categories, and we see substantial potential for future growth given the market size for each of these categories.

*1 Statistics Bureau, Ministry of Internal Affairs and Communications "Summary of the Results of the 2020 Household Income and Expenditure Survey" and "Summary of the Results of the 2019 Household Income and Expenditure Survey"

*2 Shopping E-commerce = Rakuten Ichiba + 1st Party (Fashion, Books, Rakuten24 (Direct)), Rakuten Seiyu Netsuper + Open EC (Rebates, Checkout) + Rakuma

Domestic EC Services and Market Size by Item*



* Market size by item: Estimated number referring to Ministry of Internal Affairs and Communications "The Family income and Expenditure Survey 2019- Yearly Amount of Expenditures per Household" and Cabinet office "Quarterly Estimates of GDP"

FY2020 Shopping EC GMS



Rakuten Ichiba: Evolving together with merchants

Since establishment in 1997 with 6 employees, 1 server, and 13 merchants, Rakuten Ichiba has demonstrated consistent growth, reaching annual GMS of over ¥3 trillion on a stand-alone basis in 2020. Even now, at a scale that leads Japan's industry, Rakuten Ichiba continues to expand rapidly and drive industry growth.

There are two main reasons for Rakuten Ichiba's continued growth. The first is a highly convenient and user-friendly loyalty point program. With the expansion of the Super Point Up (SPU) program, the cumulative number of Rakuten points issued exceeded 2 trillion as of September 2020. The Rakuten Points Loyalty Program ranked No. 1 in overall point satisfaction*³ in a third-party survey, and approximately 80% of Rakuten Ichiba shoppers participate in the SPU program.

The second reason behind the continued growth is that Rakuten Ichiba has constantly improved and evolved together with its merchants since founding. Our growth strategies include "diversity" initiatives to maximize the individual appeal of our many unique merchants and "unity"

initiatives to improve user convenience by unifying the functions within Rakuten Ichiba. The diversity initiatives include enhancing tools such as R-Messe and R-SNS that enable direct communication between merchants and users, category-specific marketing measures, and creating an intuitive UI/UX that makes it easy for users to search for products and services. The unity initiatives include consumer protection initiatives centered on monitoring inappropriate products and warranty programs, as well as the introduction of unified payment methods and a standard free shipping program. Combined with the recent acceleration of digitalization, we saw the fruits of these ongoing initiatives in 2020 when we achieved our highest growth rate in a decade. Going forward, we will continue to strive to improve user convenience and achieve sustainable growth.

*³ MyVoice Communications July 2020 Survey on Points

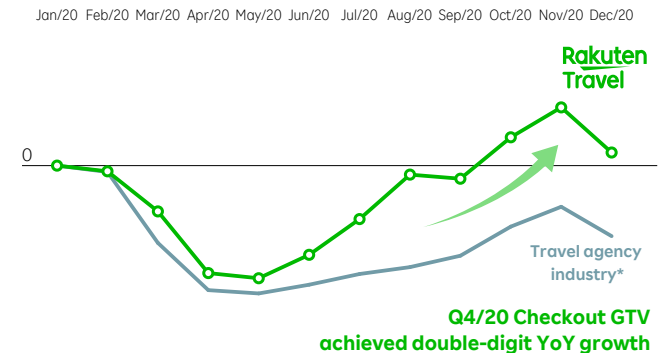
Rakuten Travel: Leading Japan's travel industry

Rakuten Travel's market share in Japan places it among the domestic leaders in online travel agencies (OTA). Its market share has grown year after year, from around 15% in January 2018 to around 20% in December 2020. This means that one out of every five nights booked in Japan is already reserved through Rakuten Travel, and its market presence continues to grow.

With the spread of COVID-19 and the Japanese government's state of emergency declaration, Rakuten Travel suffered a substantial drop in business for a portion of 2020. However, it posted double-digit growth in Q4 aided by the government's Go To Travel campaign and its own loyalty point and coupon campaigns. Business is recovering quickly,

GTV (Rakuten Travel vs Travel Agency Industry)

vs Jan/20 Checkout GTV change rate



* Source: Japan Tourism Agency's Flash report on major travel agency transaction amounts

even when compared to the gross sales volume of the overall travel industry. This is partly driven by the influx of users from offline travel agencies amid the pandemic, but also a result of Rakuten Travel's own measures and our Rakuten Ecosystem cross-selling strategy. Specifically, in addition to strengthening relationships with accommodation properties, issuing exclusive coupons to offer discounts on dates with the number 5 or 0, and improving UI/UX, Rakuten's unique loyalty point promotion programs, including the Super Point Up (SPU) program, boosted cross-use from services such as Rakuten Ichiba and Rakuten Card.

In order to overcome the impact of the pandemic together with our accommodation partners, we led various initiatives such as supporting facilities in accepting patients with little to no COVID-19 symptoms, clearly stating the facilities' implemented infection prevention measures, and providing cash flow support. Although the outlook on conditions for the future is not entirely clear, we will continue working alongside our stakeholders to implement proactive initiatives.

Growth strategy of Rakuten Ichiba

Diversity

Originality of the merchants

Reinforcement of communication tools
Burden reduction via analytical and logistical support
Genre-specific marketing measures and UI/UX
Expansion and utilization of catalog data and tags



Uniformity

Customer convenience

Safety and security initiatives
Fraud control / compliance
Easy to view product images
Standardization of payment methods
Introduction of a common free shipping threshold

Full lineup of fintech services

We provide every financial service users need, everything from payments and savings to investment and insurance, all under the Rakuten brand.

Achieving fintech milestones

We reached a number of important milestones in the fintech business in 2020, such as reaching 21 million cardholders for Rakuten Card, 9 million accounts for Rakuten Bank and 5 million accounts for Rakuten Securities. Rakuten's fintech services lead the industry as financial services move online at an accelerating pace, driven by changes in lifestyles and consumer habits in the New Normal and the Japanese government's push for a cashless society.

One reason behind our growing customer base is the exceptional convenience of our services, which are backed by our decades of experience as an online business dating back to the early days of the internet. Customers can use the Rakuten Card app as a household account book to easily check their monthly payments and manage their spending. Meanwhile, the Rakuten Bank app, which is designed to enable easy access to a wide range of banking functions and services at the touch of a smartphone, won the

2020 Good Design Award. In addition, the iSPEED app by Rakuten Securities is a trading app for iPhone, Android™ and iPad devices that enables users to make trades and collect information on stock prices, exchange rates, news and other investment information. In 2020, the app expanded its support to include trading stocks on the U.S. market*. Furthermore, the Rakuten Group's "Super Point Up" program has also proven to be very effective marketing initiative for acquiring customers. 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. This, in turn, motivates Rakuten Ichiba users to use those services as well. As our customer base steadily expands, our key KPIs and business performance have also grown steadily, and fintech services have become an increasingly integral part of the Rakuten Group.

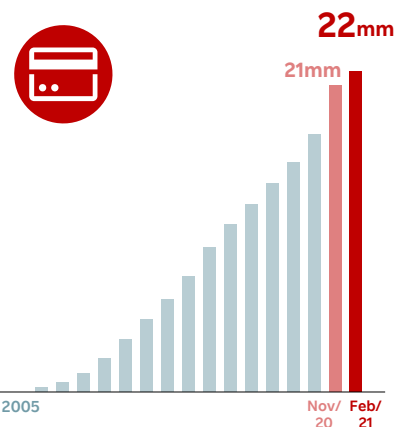
* The option to trade stocks on the U.S. market is only available on iPhone and Android devices.

* iPhone, iPad, and the Apple logo are trademarks of Apple Inc., registered in the United States and other countries.

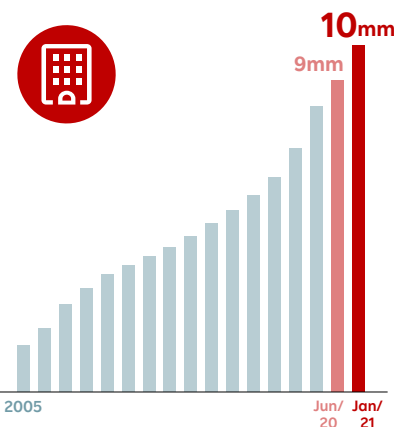
* Android is a trademark of Google LLC.

FinTech Milestones

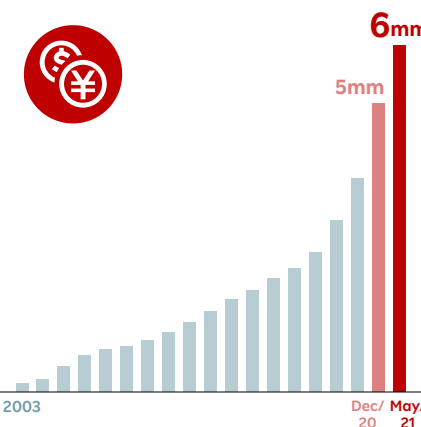
Rakuten Card Holders



Rakuten Bank Accounts



Rakuten Securities Accounts



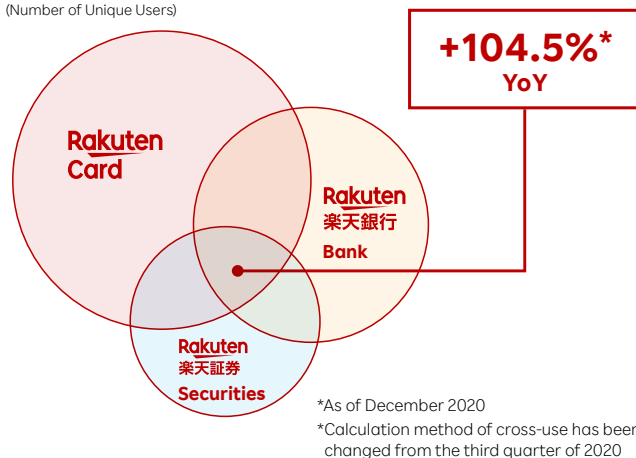
Strong fintech ecosystem anchored by Rakuten Card

The fintech business provides a variety of synergies centered around Rakuten Card, and growing the Rakuten Card customer base creates connections for other fintech services. For example, customers can use their Rakuten Bank account to pay off their Rakuten Card balance, or use their Rakuten Card to purchase investment trusts from Rakuten Securities on credit or pay for insurance products. This enables us to direct Rakuten Card customers to high-margin asset-based businesses.

By leveraging our strengths across the Rakuten Group, we also provide unique and convenient services such as Money Bridge, which enables smooth transactions by connecting our customer's Rakuten Bank account with their Rakuten Securities account, and mortgage products with a cancer protection clause for group credit life insurance from Rakuten Bank and Rakuten Life Insurance. This synergy encourages cross-use of fintech services, and as a result, the number of customers using Rakuten Card, Rakuten Bank and Rakuten Securities rose by 104.5% YoY.

Cross-use among FinTech services is rapidly expanding

(Number of Unique Users)



Becoming the preferred main service for more of our users

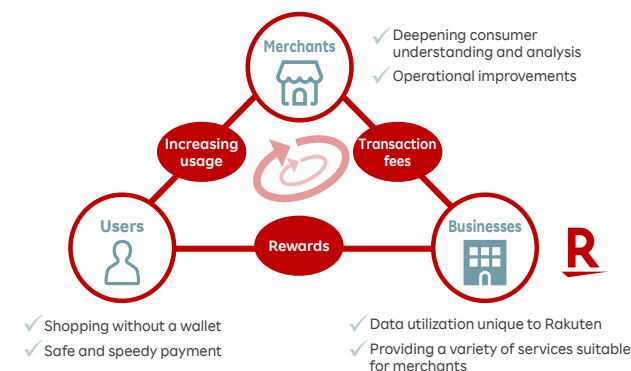
On top of expanding its customer base, the fintech business is increasingly being used as a main service. In 2017, Rakuten Card took the top spot for shopping transaction volume in Japan^{*1}, and has continued to gain market share, commanding more than 20% of the market as of March 2021. We created a system that facilitates easy and secure payments, for example by expanding options for paying bills such as public utilities and credit cards through Rakuten Bank payment transfers. We also expanded the number of companies offering the Rakuten Bank Convenience Store Payment Service, which lets customers use the Rakuten Bank app to make payments at convenience stores. As a result, more customers started using their Rakuten Bank account as their main account for daily life, with the number of payroll accounts rising 53.2% YoY in the fourth quarter of 2020. While domestic securities brokers are moving toward eliminating transaction fees for stocks and other securities, Rakuten Securities is working to diversify its earnings by focusing on expanding asset building services that generate stable income streams. Since August 2017, as a result of launching investment services leveraging the Rakuten Points loyalty program, we have not only gained users from within the Rakuten Ecosystem, but also successfully gained traction with the general public, which has long been a challenge for the securities industry. We command a 29.0% domestic share in the number of Tsumitate NISA accounts among Japanese financial institutions^{*2}, and our asset-based business is steadily expanding. In addition, Rakuten Life Insurance and Rakuten General Insurance also saw significant growth in online insurance sales after the introduction of insurance products that give customers Rakuten Points. Going forward, we will continue to collaborate with Rakuten Group services to create unique product offerings.

Future core business: Harnessing the cashless movement through Rakuten Payment

While Japan's cashless payment ratio has been low compared to other countries, it has been on the rise in recent years, backed by the Japanese government's cashless policies as well as changes in people's shopping habits in the New Normal. Rakuten Payment aims to improve customer convenience by integrating various payment methods such as Rakuten Pay (app payment), Rakuten Edy, and Rakuten Point Card into a common ID and interface. In addition, the ability to accumulate and use Rakuten Points, which ranks as the No. 1 loyalty points program in Japan by overall customer satisfaction^{*3}, is a differentiating factor for Rakuten's payment services, enabling us to acquire users and promote the use of cashless services with less promotional cost than other payment providers.

Rakuten Payment's strength is its sustainable business model, and we receive a reasonable merchant fee from merchants using our services in exchange for providing them with benefits such as higher customer traffic and improved operational efficiency. By giving back a portion of these fees to our users, we are able to continue expanding and operating our business, and plan to continue growing sustainably.

Rakuten Payment Sustainable Triangle Model



*1 Ministry of Economy, Trade and Industry, Current Survey of Select Service Industries, Credit Card Industry

*2 Calculated from the Financial Services Agency's NISA and Junior NISA Account Usage Survey, as of the end of December 2020.

*3 Source: "Survey on Points Systems." Survey conducted by MyVoice Communications, Inc. in July 2020.

Business Strategies for Further Growth

Growth
Stage
Businesses

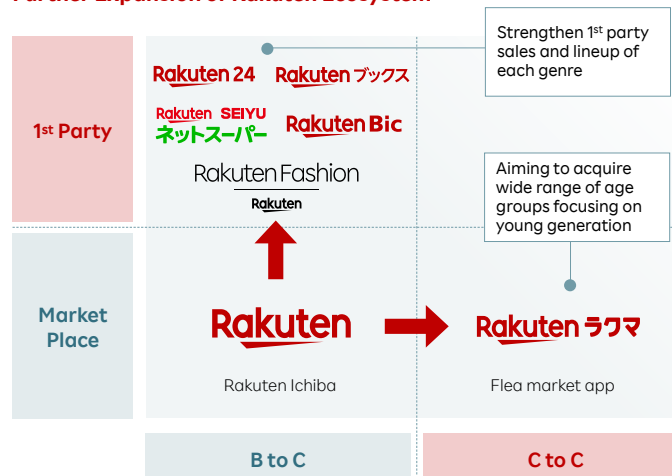
Promote growth-stage businesses to further expand the Rakuten Ecosystem

With the aim of further evolving our e-commerce services centered on Rakuten Ichiba and creating an appealing e-commerce site, we are expanding our category-specific first-party businesses and our C2C business, Rakuten Rakuma.

Strengthening first-party and C2C businesses to expand the Rakuten Ecosystem

With the aim of achieving further growth and improving the convenience of its e-commerce services centered on Rakuten Ichiba, Rakuten is strengthening its first-party businesses by category, including Rakuten Fashion, Rakuten Books, Rakuten Seiyu Netsuper, Rakuten Bic for home appliances, and Rakuten 24 for daily necessities. In addition, Rakuten operates its C2C business Rakuten Rakuma, an app that enables users to buy and sell items. With the expansion of Rakuten Rakuma, we are attracting new users from a wider range of age groups, especially the younger generation, who have not used Rakuten's e-commerce services. By promoting these businesses, which are currently in the growth stage, we are aiming to further expand the Rakuten Ecosystem.

Growth Phase Businesses: Further Expansion of Rakuten Ecosystem

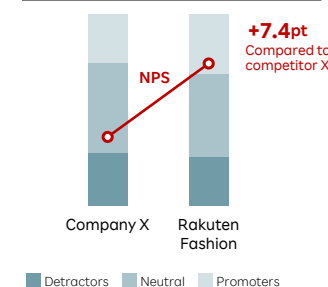


Rakuten Fashion

Rakuten Fashion offers a wide range of products from domestic and international fashion brands' shops. While Rakuten Ichiba also offers a wide variety of fashion goods at different price points and in different categories, Rakuten Fashion aims to differentiate by specializing in brand products. Through Rakuten's own point programs, such as the Super Point Up (SPU) and Rakuten Super Deal, the point-award rates are set high, and more users are using Rakuten Fashion. Particularly in 2020, with the acceleration of digitalization amid the COVID-19 pandemic, fashion brands stepped up efforts to expand their online sales channels. This has further boosted the number of fashion brand shops on Rakuten Fashion. In addition, our brand image has improved since we launched Rakuten Fashion Luxury, which features luxury brands and publishes fashion coordination related contents. Furthermore, we released the Rakuten Fashion app in June 2020. Downloads have been steadily increasing, and our user

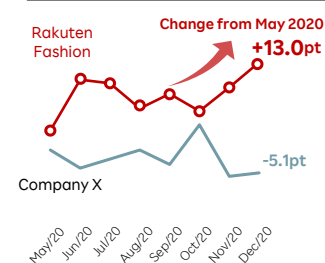
Rakuten Fashion NPS and Brand Image

NPS



* Rakuten NPS Survey (Nov 2020)

Brand Image Improvement (Good fashion sense)



* Rakuten Fashion Mind Share Survey (May-Dec 2020)

base is expanding. As a result of these efforts, our NPS^{®*1}, which indicates the level of customer recommendation, came in 7.4 points higher than that of our competitors, and our brand image substantially improved by 13.0 points compared to May 2020.

Moreover, from around the summer of 2021, we will begin offering the Rakuten Fashion Omni-Channel Platform, a digital platform that will enable brands on Rakuten Fashion to centrally manage inventory as well as customer and product information to create an omni-channel business. The platform is designed to help brands enhance their digital solutions by integrating and managing their information across e-commerce and physical stores. By promoting brand growth and user convenience, we aim to enhance the appeal of Rakuten as a platform and pursue further growth.

*1 Net Promoter Score. NPS[®] is a registered trademark of Bain & Company, Fred Reichheld and Satmetrix Systems.

Rakuten Seiyu Netsuper

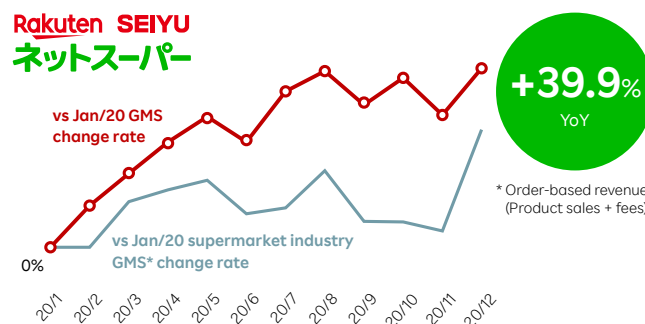
Rakuten Seiyu Netsuper is an online supermarket that we operate jointly with Seiyu. We sell fresh foods available at Seiyu, as well as daily necessities and other products. Since launching the service in 2018, GMS has steadily expanded, and in 2020 in particular, Rakuten Seiyu Netsuper posted strong growth while sales at physical supermarkets were sluggish. As a result, GMS grew 39.9% YoY in Q4 of 2020. To meet the rising demand driven by this growth, we opened a fulfillment center dedicated to Rakuten Seiyu Netsuper in Kohoku, Kanagawa Prefecture in January 2021. Since commencing operations, we've steadily added capacity. In addition, we plan to add a

new facility in Ibaraki City, Osaka Prefecture during 2021, and begin full-scale shipping operations in 2022. Currently, we are delivering mainly in the Kanto area, but by opening this new facility, we will greatly expand service coverage in the Kansai area and strive for further growth.

Furthermore, to promote the digital transformation of offline retail, Rakuten announced in November 2020 that it would establish Rakuten DX Solutions and acquire a 20% stake in Seiyu. Through this, we will promote OMO^{*2} initiatives at Seiyu's physical stores. Specifically, we will make shopping, payment and delivery services available over an app, introduce cashless payments, improve seamless online and offline store service experience, and anticipate consumer needs to expand the Everyday Low Price product line. In the future, we plan to support the push for digital transformation not only at Seiyu, but also at other retail businesses in Japan.

*2 OMO (Online Merges with Offline) is a marketing measure to help customers have a more efficient purchasing experience by eliminating the barriers between online and offline stores (physical stores).

Growth of Rakuten Seiyu Netsuper



* National Supermarket Association of Japan, Japan Supermarket Association and All Japan Supermarket Association: "Supermarket sales statistical survey"

C2C business Rakuten Rakuma

Our C2C business Rakuten Rakuma, an app that enables users to buy and sell items, has had over 30 million app downloads in total. Users can use Rakuten Points when making a purchase on the service and earn Rakuten Points through campaigns, etc. In addition, the sales proceeds from Rakuten Rakuma can be spent through other Rakuten Group services, promoting cross-use of other services in the Group. The user base is centered on the younger generation in their teens to 30s, which is helping expand our membership base. In addition, nearly half of the sales proceeds converted to online e-money Rakuten Cash is being used for services other than Rakuten Rakuma, which has helped strengthen the Rakuten Ecosystem not only financially but in terms of expanding the customer base.

In January 2021, Rakuten Rakuma revised its sales commission rate from 3.5% to 6.0%, excluding tax, on the price of products sold. Through this, we aim to ensure profitability by reinvesting in further expanding our customer base and service offerings.

In 2020, changes in consumer behavior caused by the COVID-19 pandemic drove people to use online services, which drove up the number of items listed and purchased. As a result, user adoption is accelerating, and we expect the business to expand further. In addition, we will aim for further growth by promoting a cross-strategy which leverages point programs involving other services within the Rakuten Group, such as Rakuten Ichiba and Rakuten Card.

Logistics business: Driving Rakuten Group's E-commerce business

Improving user convenience and the efficiency of logistics services for Rakuten Ichiba merchants by expanding the logistics capabilities essential to e-commerce expansion.



Investing in the logistics business is crucial to e-commerce growth in the age of accelerating digitalization

As a platformer operating the online marketplace Rakuten Ichiba, Rakuten believes that building out logistics capabilities is crucial to our response to the growing demand for e-commerce.

The home delivery logistics crisis in 2017 led to delivery companies imposing restrictions on total delivery volume and raising shipping costs. This substantially affected Rakuten Ichiba merchants. In order to respond to e-commerce growth and achieve sustainable growth, Rakuten has consistently invested in its logistics business.

Our next stage in investment in logistics will be through succession of Rakuten's logistics business to a new joint venture established together with Japan Post, to be known as JP Rakuten Logistics. Together with Japan Post, we aim to contribute to the creation of a robust logistics industry and a sustainable society. By continuing to invest in this field, we will not only improve user convenience, but also achieve cost and operational logistical efficiencies for Rakuten Ichiba merchants. We aim to support sales growth for our merchants and, in turn, achieve continued growth for Rakuten Ichiba.



Expansion of logistics facilities and achievements in 2020

Rakuten's logistics business operates facilities for Rakuten Super Logistics, which serves Rakuten Ichiba merchants, as well as for our own first-party businesses. Rakuten Super Logistics handles all logistics operations, from receiving shipments to product delivery, and merchants can expect to improve operational efficiency by outsourcing logistics operations that they previously handled themselves. In addition, we have expanded our logistics network for our first-party businesses such as Rakuten 24, which sells daily necessities, as well as Rakuten Fashion and Rakuten Books, bringing our total number of logistics facilities in 2021 to eight, across seven locations in Japan. We also plan to start operating new logistics facilities in Tama, Yao and Fukuoka by 2023.

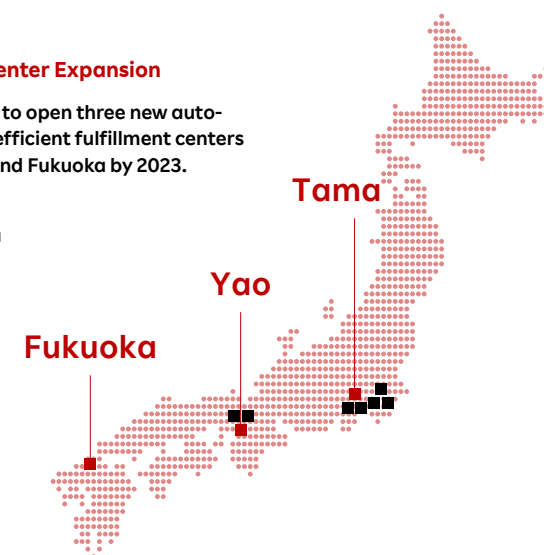
In 2020, the number of stores using Rakuten Super Logistics rose 87.4% YoY while shipment volume grew 140.7% YoY, reflecting the marked growth of Rakuten Ichiba and our other e-commerce businesses. This growth has continued uninterrupted alongside growing e-commerce demand.

In addition, Rakuten Super Logistics offers Asuraku,

Fulfillment Center Expansion

Rakuten plans to open three new automated, labor-efficient fulfillment centers in Tama, Yao and Fukuoka by 2023.

- Nagareyama
- Narashino
- Ichikawa II
- Ichikawa IV
- Chuorinkan
- Sagamiyama
- Kawanishi
- Hirakata





a next-day delivery service that covers 90% of Japan. By encouraging more merchants to use Rakuten Super Logistics, the number of products available for next-day delivery in Rakuten Ichiba will grow, leading to improved user convenience and more purchases. In fact, the sales growth rate of merchants using Rakuten Super Logistics is substantially higher than the average growth rate of Rakuten Ichiba merchants. Through 2020, the sales growth rate of merchants shipping over 70% of their products using Rakuten Super Logistics was 24.1 percentage points higher than the average Rakuten Ichiba merchant. By helping merchants boost sales and profits, we will further drive Rakuten Ichiba's growth.

FY2020 Merchants using RSL

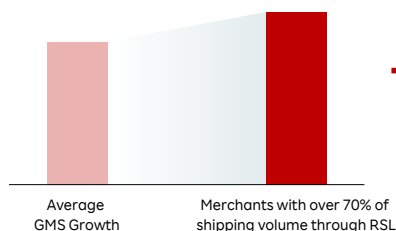


FY2020 RSL shipments



Merchants utilizing Rakuten Super Logistics achieved a higher revenue growth rate

FY2020 Average Monthly GMS Growth for Merchants (YoY)



+24.1pt
YoY difference

Rakuten's new joint venture with Japan Post: Joining forces to create a digital transformation platform for logistics

In December 2020, Rakuten and Japan Post signed a basic agreement for a strategic partnership for logistics. In March 2021, we announced a capital and business alliance with the Japan Post Group with the aim of building a more robust structure for collaboration. In April, Rakuten and Japan Post announced that we would form a new joint venture, JP Rakuten Logistics, that will succeed Rakuten's logistics business.

We are driving digital transformation in the logistics industry by integrating the automated, labor-efficient fulfillment centers developed and invested in by Rakuten with Japan Post's nationwide delivery network, and by jointly operating them through our new joint venture. We aim to improve customer UX to meet the diversified needs of users, shorten lead time from order to delivery – including same-day delivery, improve logistics efficiency by

Establishment of Joint Venture with Japan Post

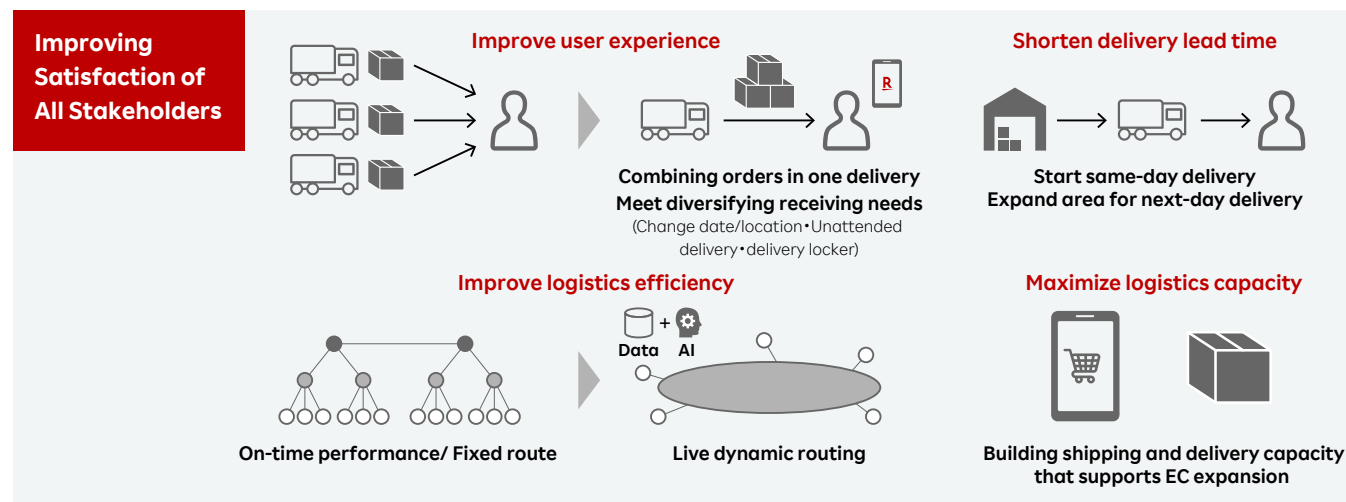


JP Rakuten Logistics, Inc.
To be established



optimizing delivery routes using AI and other technologies, and reduce delivery costs by introducing flexible operations. Furthermore, we aim to expand the shipping and delivery capacity of our fulfillment centers through future joint investments and improvements in delivery efficiency.

The new digital transformation platform for logistics we are building will be open to not only Rakuten Ichiba merchants but also other delivery companies and shippers, supporting the creation of a robust logistics industry and a sustainable society.



Rakuten Mobile is transforming the telecommunication industry

Since full-scale commercial service launch in 2020, Rakuten Mobile has led the way in democratizing mobile networks, bringing about major transformation in the telecommunications industry.



The Path to “Democratization of Mobile Networks”

Since full-scale commercial service launch in April 2020, Rakuten Mobile has led the way in democratizing mobile networks. The Rakuten UN-LIMIT service plan has evolved over time: Initially offering unlimited data*1 for a competitive ¥2,980 (¥3,278 including tax) per month, the plan was upgraded to Rakuten UN-LIMIT V, which included 5G service at no additional cost; From April 2021, this evolved into the new Rakuten UN-LIMIT VI plan, featuring a simple fee structure that flexibly adjusts in line with customer data use. The introduction of our own original communication app Rakuten Link enabled free calls in Japan, and with the ZERO Declaration made in November 2020, we waived MNP (mobile number portability fees) as well as contract fees ahead of our competitors. As smartphones and telecommunications services have become an indispensable part of today’s social infrastructure with the acceleration of digital transformation, Rakuten Mobile is leading transformation of the telecommunications industry through groundbreaking initiatives that deliver on our commitment to providing affordable and high-quality services to everyone.

Rapidly expanding customer base

By focusing on providing customer-oriented pricing plans and services, Rakuten Mobile has seen applications for its service continue to grow, reaching 1 million within 3 months of launching full-scale commercial services and 2 million at the end of 2020. Application growth picked up even further after the announcement of the Rakuten UN-LIMIT VI plan, surpassing 4 million applications in April 2021, about one year after launch of full-scale commercial services.

In addition to Rakuten Mobile’s unparalleled competitiveness on price, the simple online application process and customer acquisition strategy leveraging the Rakuten Ecosystem have all contributed to the steady expansion of the customer base. Rakuten Group has a number of services that serve as powerful touch points with customers, such as Rakuten Card, with over 22 million cardholders*2, and Rakuten Bank, with over 10 million accounts*2. By taking advantage of these assets and directing customers from various services within the Group toward Rakuten Mobile, we have been able to minimize the customer acquisition costs of driving application growth.

*1 Unlimited data when connected to Rakuten base stations. To provide a fair service, restrictions on transmission speed may be implemented. In domestic roaming partner network areas, after using the allocated 5GB, unlimited data is available at a maximum speed of 1Mbps.

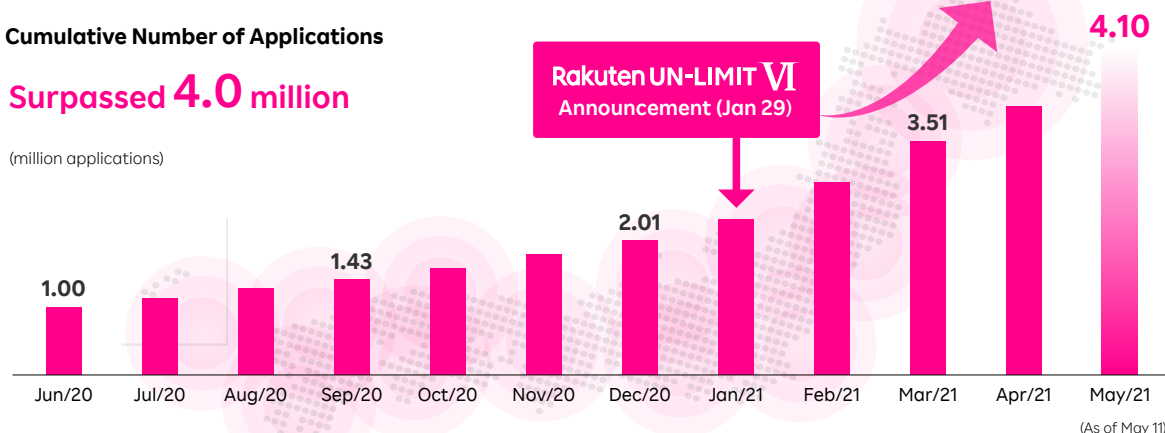
*2 As of May 2021

Acceleration of Customer Acquisition

Cumulative Number of Applications

Surpassed 4.0 million

(million applications)

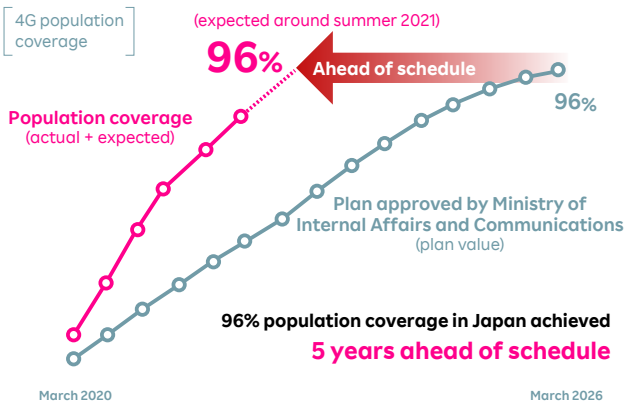


96% population coverage*3 5 years ahead of plan

In addition to competitive pricing plans, in order to accelerate our offering of better connectivity to customers across Japan, a network feature critical to providing telecommunications infrastructure services, Rakuten Mobile has accelerated construction of base stations. We are focused on expanding coverage to achieve our goal of 96% population coverage in summer of 2021, about five years ahead of our initial plan of 2026. In addition, within our existing coverage area, we will continue to improve network density to enhance connectivity with the aim of building a network that can handle more subscribers and provide higher quality services. Furthermore, through the SpaceMobile Plan in collaboration with AST & Science, we aim to eventually achieve 100% geographical coverage in Japan, including mountainous areas and uninhabited islands.

*3 Population coverage is calculated as the ratio of the population included in the mesh corresponding to our service area to the total population of the mesh, based on the whole country being divided into 500m square units.

Significantly accelerate expansion of network areas covered by Rakuten Mobile base stations



*Timeline subject to change depending on state of progress, etc.

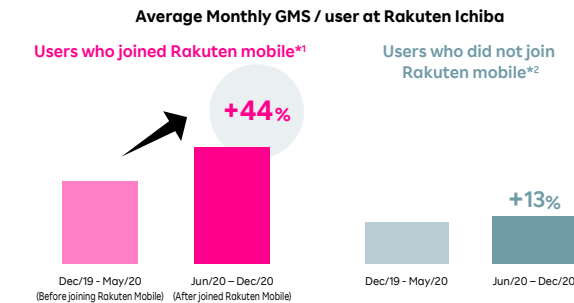
Rakuten Mobile: The cornerstone of the Rakuten Ecosystem

The Rakuten Ecosystem, which offers over 70 services in Japan and has more than 100 million members, will become even stronger with the addition of Rakuten Mobile, which will serve as a powerful touch point with customers in today's mobile-centric world.

The synergy between the Rakuten Ecosystem and Rakuten Mobile can already be seen in various areas. For example, at Rakuten Mobile stores, our customer service staff introduce several services from the Ecosystem, including Rakuten Card, and encourage customers to sign up for other services offered by the group. When applying for Rakuten Mobile online, users who are not yet using Rakuten Card or Rakuten Bank can easily apply for these services at the same time. We have also seen the monthly spend on Rakuten Ichiba of new Rakuten Mobile customers increase substantially after they begin subscription.

This has led to a virtuous cycle where Rakuten Ecosystem loyalty is further boosted by mobile service subscriptions, which in turn promotes the use of other services such as Rakuten Ichiba.

Rakuten Mobile Contributing to the Rakuten Ecosystem



*1 Users who used Rakuten Ichiba from May 2019 to May 2020 and joined Rakuten Mobile (MNO) in May 2020

*2 Users who used Rakuten Ichiba from May 2019 to May 2020 and did not subscribe to Rakuten Mobile as of December 2020

Taking Japan's mobile business to the world

Rakuten Mobile has brought innovation to the telecommunications industry by building, launching and operating the world's first end-to-end fully virtualized mobile network*4. The network not only allows substantial reduction of capital and operating expenditure, but also enables flexible deployment of new services and a speedy, low-cost transition to 5G. It has also succeeded in boosting coverage per base station by 30 to 40%*5 compared to conventional base stations by utilizing innovative technology. As reported by an independent analysis organization, we are also constantly improving network performance quality, in line with the ongoing innovation of our RAN software architecture.

Building on Rakuten's tech company DNA, Rakuten Mobile is championing network automation and is well along the road to operation of an autonomous network. The global industry is also taking great interest in the technology that Rakuten Mobile has built in Japan. Going forward, Rakuten Mobile will offer carriers and enterprises around the world the Rakuten Communications Platform, a cloud native telco platform that allows customers to build secure and open mobile networks at speed and low cost. This will allow us to target the global telecommunications market, developing the platform as a substantial new driver of earnings over the medium to long term.

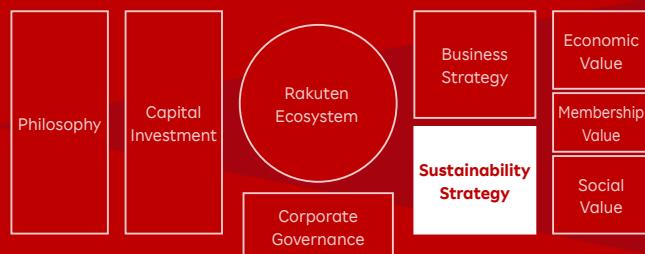
*4 For a large scale commercial mobile network (as of October 1, 2019), Research: Stella Associa

*5 Comparisons with conventional network architectures, based on internal research

Sustainability at Rakuten

Sustainability is a concept embedded in our corporate culture. Rakuten was established with the aim of empowering people and society, leveraging the potential of the internet in collaboration with partners who shared our vision. As we grew into a global company, this fundamental idea of providing services that support and enrich people's lives is unchanged. We continue to aim to contribute to the creation of a sustainable society through the power of innovation and partnership.

Rakuten's Value Creation Process



**Information
Security**

**Climate
Change**

Partnerships

Privacy

Human Rights

**Response to
COVID-19**

**Quality
Initiatives**

**Talent
Management**

**Social
Initiatives**

Rakuten's Sustainability Strategy

To create long term value for all of its stakeholders, a company must carry out sustainable business activities that incorporate economic, social, and environmental perspectives into its decision-making process. Rakuten's sustainability strategy defines our vision and priorities for all Group companies to “walk together” in improving the sustainability of operations and services.

Step1

Identification of relevant ESG issues with reference to global benchmarks

Step2

Evaluation of the importance of each issue by stakeholders & top management

Step3

Finalization and approval

Rakuten's Materiality

Sustainability encompasses a wide range of topics and, with more than 70 services, identifying which ESG aspects are of particular importance to the Rakuten Group can be challenging, but this is crucial to our combined efforts having impact. In 2017, we first created this list of important topics, also called materiality, and updated it in 2021 to reflect our latest business developments and changes in stakeholder expectations.

Using international benchmarks, such as the Sustainability Accounting Standards Board (SASB) Materiality Map® and the UN Sustainable Development Goals (SDGs), and with the support of external experts, a list of relevant ESG themes, such as information security, sustainable finance and social initiatives, was created. For each theme, our stakeholders — employees, business partners, service users, investors, and local community members — and our senior management team evaluated its relevance and importance and, through an engagement process combining online surveys and individual consultations, we arrived at the materiality below.

Rakuten Group's Materiality Matrix

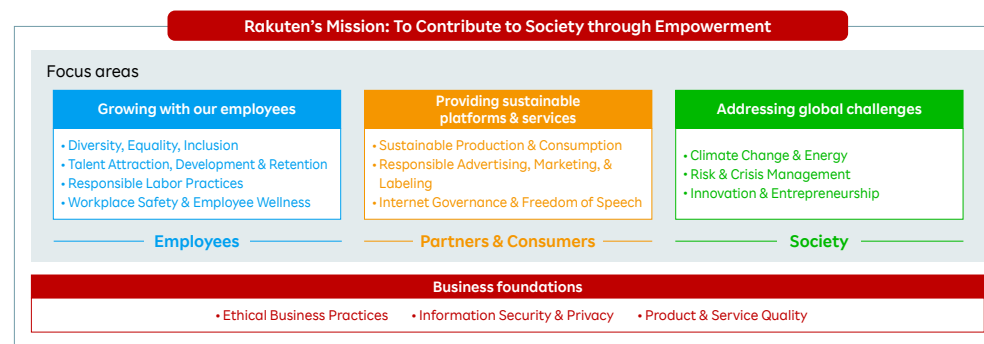


Focus Areas

Based on our materiality analysis, we have categorized important issues into four areas.

The first covers topics that are at the foundation of all our activities as a provider of internet services. These are of the highest importance and management systems are already in place to continue to address them appropriately.

The three remaining areas will be the focus of particular attention in the years ahead. They will be central to cross-organizational discussions aimed at both clarifying the vision of the Group and its role in driving positive social transformation, as well as determining any initiatives for improvements required in governance, goal-setting, communication or other fields.



Growing with our employees: Attracting talented employees and developing their potential remains critical to realizing our vision of a Global Innovation Company. Ensuring employee safety and well-being is also growing in importance. In addition, diversity and inclusion are the conditions to unleash their potential, to provide more inclusive services and, in turn, promote a more inclusive society.

Providing sustainable platforms and services: Positive change across a value chain that includes more than 1.5 billion members and an enormous array of business partners has the potential to have a significant impact on society at large. By promoting sustainable business practices with our partners, we will contribute to the achievement of more sustainable lifestyles for all.

Addressing global challenges: Innovation and entrepreneurship are at the core of our corporate mission. Combined with the potential of our growing portfolio of businesses and assets, these also have the capacity to solve some of the most pressing issues facing society, including climate change.

Reaffirming Rakuten strengths; Balance between “doing well” and “well-being” key to sustainable growth.

Masatada Kobayashi

Group Managing Executive Officer
CWO (Chief Well-Being Officer)



Looking Back on 2020

While 2020 was marked by many challenges brought on by the pandemic, it also served as a year to reaffirm Rakuten's strengths. As telecommuting became the norm to prevent the spread of infection, in-person communication among employees declined, which could have also led to a feeling of disconnection across our organization. In reality, however, we saw employee productivity indicators rise by nearly 40%, resulting in a surprisingly high level of “doing well.” I believe this result was strongly supported by the values cherished since our founding that are built into our corporate culture. This was a year that made us fully realize the importance of having everyone share a common understanding of our organization's purpose and reason for being, or what we are here to do as a team.

In 2020, our focus areas included strengthening the feeling of connection among our employees and between our employees and the company, balancing “doing well” and “well-being,” and creating a sustainable society.

To understand how telecommuting had an impact on our corporate culture and to come up with measures to strengthen our sense of community and connection, we conducted a survey asking our employees when they feel closest to Rakuten culture. The most common answer was the Asakai

(morning meetings), which over 10,000 employees attend with our CEO Mikitani every week, while many others said it was when they were with their colleagues in the office, cafeteria or an open space. From these findings, we recognized the importance of team, time and space, and worked to create new opportunities to share our corporate culture.

As mentioned earlier, productivity has improved with the rise of “doing well,” but it is not sustainable if the “well-being” of each employee is compromised. Without balance, employees will burn out. In the mid-term, this will damage our most valuable asset of human capital. To prevent this from happening, we believe that our employees must be healthy both physically and mentally, and hence we are also focusing on wellness improvement initiatives such as online health seminars and physical stretching programs.

In 2020, with the aim of achieving the sustainable development of both Rakuten and society, we strengthened the foundation of our sustainability efforts and accelerated the integration of sustainability into our business activities. For example, we formulated Group policies to serve as a guideline for Group companies and each business taking part in sustainability initiatives in their respective areas. In addition, we conducted a Group-wide human rights impact assessment for

the first time, while also continuing to execute measures to achieve RE100. To improve transparency on these initiatives and achievements, we are working to communicate further with our stakeholders.

Empowerment Amid the Pandemic

I believe it is important to put Rakuten's mission of empowering people and society into practice, especially when the entire world is suffering from the pandemic. Together with our stakeholders, Rakuten has been working to overcome this unprecedented crisis. Specifically, in response to the shortage in available hospital beds, in the space of just one week, Rakuten Travel hoteliers were able to list 110,000 rooms to be made available to accommodate COVID-19 patients in Japan with mild to no symptoms. This supported initiatives to ensure hospital resources were only used for the most serious cases. I feel that this sort of close collaboration with our partners is one of Rakuten's strengths.

New Sustainability Strategy

In 2017, we identified the priority ESG issues to be addressed by Rakuten. Subsequently, as the world changed, Rakuten itself underwent major evolutions, including the launch of its mobile network operator business. This is when we decided to reidentify our materiality by assessing and understanding what is expected of Rakuten through dialogue with our stakeholders.

This time around, we engaged with over 5,000 stakeholders, including business partners, customers, shareholders and investors, NPOs and NGOs, local governments and employees to ask about their expectations for Rakuten. We confirmed the growing importance of workplace safety, as well as a focus on diversity and climate change from within the company. We then discussed the results of these surveys with 16 members of our management team and identified 13 material topics (see p.35).

Our society is undergoing unprecedented change. With this new sustainability strategy as our guide, we will continue to work with our stakeholders to accelerate initiatives to promote well-being and create a sustainable future.

Sustainability Promotion

In line with our corporate mission of “contributing to society by creating value through innovation and entrepreneurship,” the concept of sustainability resonates strongly with Rakuten’s culture. By engaging with all employees on sustainability, we are laying the groundwork to fulfill our mission for decades to come.



Implementation and Promotion System

Contributing to the realization of a sustainable society spans a wide range of environmental, social, and governance issues. This requires a cross-sectional approach across the Group for Rakuten to efficiently fulfill its commitments. The promotion of sustainability and related cross-organizational collaboration is led by the Chief Well-being Officer (CWO).

The Sustainability Department engages with Rakuten’s many diverse businesses, as well as with departments in charge of global headquarter functions, to address sustainability from multiple perspectives, including the creation and implementation of internal regulations, risk assessment and mitigation, legal compliance, ESG reporting, and stakeholder engagement.

The CWO periodically reports the direction, initiatives, and progress of sustainability efforts to the Corporate Management and the Board of Directors.

Policies

Sustainability-related issues that need to be addressed at the Group level are the object of Rakuten Group Regulations (RGR). This works to ensure that all Group companies advance in the same direction.

Rakuten Group Sustainability Policy

In 2019, the first version of the Rakuten Group Sustainability Policy was created as part of the RGR to cover topics material to Rakuten that were still to be formally addressed, such as the environment and human rights. This Policy clarifies the stance of the Group on critical issues and is completed by a series of instructions that support Group companies with concrete guidelines for implementation.

Rakuten Group Sustainable Procurement Instruction

The Rakuten Group Sustainable Procurement Instruction is one example of Group-wide sustainability-related instructions. Our suppliers play an important role in advancing

Rakuten Group Regulation (RGR)			
Rakuten Group's Operation Group Sustainability Policy	Environment	Human Rights	Social Initiatives
Rakuten Group's Supply Chain Group Sustainable Procurement Instruction	Ethical Business Practices	Information Security & Privacy	Service Quality
	Environment	Human Rights	Local Community Contribution

sustainability across our supply chains, so having a shared understanding of what this means is essential. The Rakuten Group Sustainable Procurement Instruction sets expectations for suppliers in terms of business ethics and compliance that take into account their potential impact on the environment and society.

Engaging Employees in Sustainability

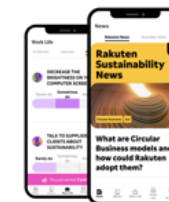
Employees play an important role in our ability to design sustainable services, improve operations, and to make a positive impact on society. Continuous engagement fosters employees’ understanding of their role, guides their actions in their daily work, and fuels their capacity to innovate for sustainability.

Group-wide Information Sharing and Training

Sustainability activities are periodically shared during Asakai, the weekly morning meeting attended by all Rakuten Group employees. Annual training on sustainability is also provided to enhance employees’ awareness of related issues, Rakuten’s policies, and targets.

Shift by Rakuten

The sustainability app “Shift by Rakuten” was launched for employees in the Europe, Middle East and Africa region in 2020 based on the principles of Learn, Act, and Influence. Focusing on environmental aspects at launch, it features a wealth of content, from news to quizzes, for building up knowledge and discovering how to best act on that knowledge to positively influence stakeholders.



Promoting Employee Engagement

Employees have the opportunity to discuss sustainability with one another through online and offline events and newsletters. In 2020, a series of casual online seminars attracted nearly 700 employees, who learned about such topics as ESG investment, ESG reporting, the SDGs, and sustainable lifestyles.



Information Security

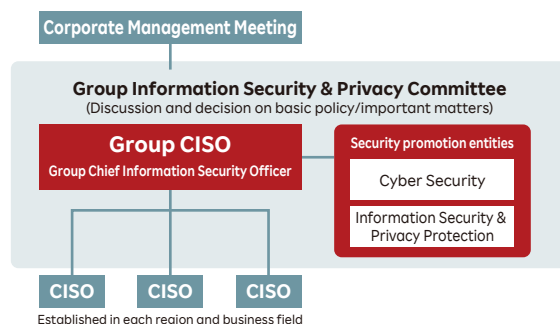
Ensuring information security is one of the highest management priorities of the Rakuten Group. As such, we are working to maintain and improve information security with appropriate protection and management of information assets, including our customers' personal data and the hardware and software that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

Information Security Governance Structure

We strive to strengthen information security governance by sharing the same policy and values throughout the Group, from management to employees. The Rakuten Group Information Security & Privacy Committee chaired by the Group CISO (Chief Information Security Officer) is held monthly to report on and make decisions regarding policy implementation and recent incidents. The major resolutions made by the committee and matters of importance are reported at the Corporate Management Meetings and communicated to the CISOs and employees in charge of information security appointed at each Group company to ensure they are implemented on the front lines.

The annual Global CISO Conference, in which CISOs from each Group company participate to improve Group-wide information security literacy, was held online in 2020. In addition to policy explanations from headquarters, best practices and technical expertise of each Group company were shared, subcommittees met to discuss the important themes of the year, and lectures by external experts were held.

Information management system of Rakuten Group



Compliance with International Standards

At Rakuten, regulations and standards adopted by the Group in Japan and overseas are based on the international information security management standard ISO/IEC27001. We strive to maintain security for our information assets by constructing, operating, and continuously improving our Information Security Management System (ISMS) to manage risks such as loss or falsification of information assets and service outages.

In addition, our activities to ensure thorough compliance with PCI DSS*¹, a security standard for the credit card industry that we have implemented for many years, have been

ISO/IEC 27001
Scope of
Certification

19 Group Companies
20,000 Employees

recognized, and in early 2021, we became the only company in Asia to be elected as a member of the PCI SSC*² Board of Advisors.

*1 Payment Card Industry Data Security Standard

*2 Payment Card Industry Security Standards Council

Measures Against Phishing Email

In recent years, the number of fraudulent practices carried out over the internet using email — known as phishing email — is increasing. 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. 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 addition to further deploying this technology to include all outgoing emails from Rakuten, in 2021, we will work with mobile carriers to introduce a system that displays the Rakuten logo on emails received from Rakuten through carrier email to officially confirm that emails are from Rakuten.

Strengthening Cybersecurity

We have 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. In 2020, we globally rolled out the Security Champion system, which oversees the development of secure services in each department, and aim to provide safe and secure services across the Group by carrying out thorough security reviews and sharing knowledge.

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 security organizations such as FIRST and the Nippon CSIRT Association.

*A team dedicated to responding to computer-related incidents

Privacy Protection

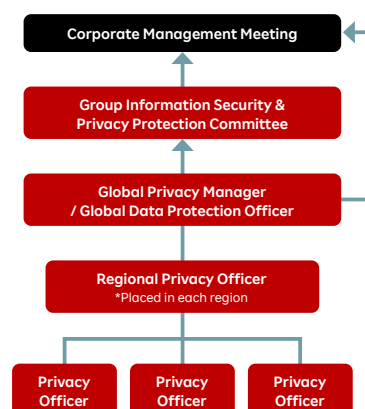
We consider privacy and data protection as the key to the sustainability of the digital economy, and thus strive not only to be compliant with new laws but also to build robust management systems. As we continue to provide innovative services to our customers, we will ensure privacy compliance in line with international standards.



Privacy Governance System

We have established a strong privacy governance system that ensures appropriate and prompt decision-making and risk reporting to management. Rakuten's Binding Corporate Rules (BCRs), our set of internal privacy regulations, is the first of its kind from a Japanese company to gain approval from the National Data Protection Commission in Luxembourg. Additionally, in accordance with the requirements of the General Data Protection Regulation (GDPR), an EU privacy regulation, a Global Privacy Manager and a Global Data Protection Officer have been appointed to oversee and monitor the status of compliance and related matters within the Group.

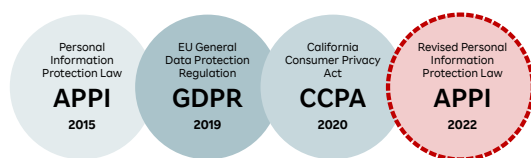
The Global Privacy Manager and the Global Data Protection Officer work together with the Regional Privacy Officers in charge of each overseas region and the Privacy Officers of each Group company to monitor compliance and risks within the Group. They report, in a timely manner, to the Group Information Security & Privacy Protection Committee as well as at Corporate Management Meetings.



Privacy Regulation Monitoring

Since Rakuten operates globally, it is essential for us to monitor trends such as the enactment, revision and repeal of privacy laws in various countries. The Global Privacy Office cooperates with the Regional Privacy Officers and the Privacy Officers of each Group company to monitor and quickly escalate any operational changes that may be necessary. On a regular basis, the Global Privacy Office offers a privacy dashboard that visualizes the privacy compliance status of, as well as the risks and challenges faced by each of our businesses. This ensures that potential risks and challenges are communicated to all business leaders. In this way, we promote an effective, forward-looking approach to privacy that anticipates future trends while also taking into consideration existing laws.

Compliance with privacy-related laws



Ensuring Transparent Data Handling and Review

Rakuten collects, uses and stores customer information in order to provide better services. We strive to ensure transparency in each of our services by disclosing our privacy policy with regard to the usage of personal data, and when necessary, by giving clear explanations with easy-to-understand illustrations.



In addition, a review process for new data collection, sharing and use by privacy specialists and other relevant internal stakeholders has been established to confirm that our data use is in compliance with our privacy policy, internal rules and applicable laws.

Employee Training

To ensure that all employees have a common understanding about the importance of privacy, we have established a team dedicated to privacy training and awareness. In addition to annual companywide training and training for new hires, this team organizes a variety of programs for employees, including Rakuten Privacy Awareness Week — held in conjunction with the globally recognized Data Privacy Day — and educational content, published on a monthly basis.



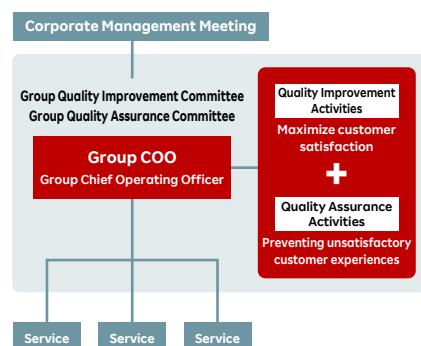
Quality Initiatives

We believe that our constant pursuit of quality is the foundation of our relationship of trust with customers. We will continue to maintain and improve quality to deliver joy and excitement through products and services that go beyond our customer expectations.

Rakuten's Quality Initiatives

With the aim of enriching the lives of our customers around the world, and in order to consistently provide safe and reliable products and services, we implement group-wide quality improvement initiatives such as "Quality Improvement Activities," "Quality Assurance Activities" and "Quality Control Circle Activities."

To continue providing high quality products and services to our customers		
Quality Assurance	Quality Improvement	Quality Control Circle (QCC) Activities
Prevention of quality-related issues	Improvement of existing services	Bottom-up quality improvement activities



Quality Assurance Activities

The entire Rakuten Group is working to improve quality assurance to ensure that our lineup of over 70 services consistently offers high quality, giving our customers the confidence to use the many Rakuten services available within our ecosystem. Our cross-group Quality Assurance Committee sets targets, establishes quality standards, carries out training, and promotes the sharing of best practices to prevent occurrences and future recurrences of quality issues. Our vice chairpeople and executive vice presidents participate in quarterly Quality Assurance Committee meetings that bring together management and frontline employees.

Group Quality Assurance Activities

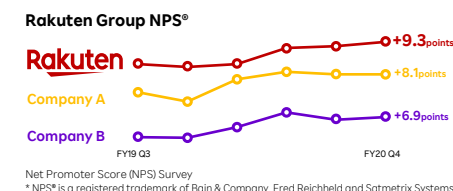


Quality Improvement

To maximize customer satisfaction, we are working to improve quality through a variety of measures.

NPS® Activities

Our NPS® survey activities help improve customer experience by quantifying customer loyalty, measuring how much customers like using Rakuten Group products and services. Our research consists of direct and indirect questionnaires and interviews with customers.



Topics

Improvement activities at Rakuten Travel

With the spread of COVID-19 significantly impacting the tourism industry, Rakuten Travel provided support to accommodation facilities suffering from the drop in overseas and domestic tourists by providing consultation on infection prevention measures and expediting payment transfers. In addition, we added features to the service to show which facilities implemented infection prevention measures and simplified the cancellation process to help travelers find a safe place to stay. Communicating these efforts to customers contributed to improving the Rakuten Group NPS®.

Quality Control Circle (QCC) Activities

Quality Control Circle (QCC) activities are led by employees to improve quality and productivity by solving problems in the workplace. We started these activities in 2016 as part of our comprehensive quality control program in pursuit of higher quality.

Number of employees participating in QCC activities in 2020
1,433 employees (x2.1 times YoY)

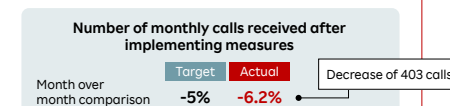
Number of employees participating in QCC training in 2020
1,253 employees (x1.2 times YoY)

Number of QCC projects carried out in 2020
326 projects

Topics

QCC activities at Rakuten Insurance General Information Center

As the number of customer inquiries rose, a drop in the level of customer satisfaction due to delayed responses became a concern. QCC activities were carried out to reduce incoming calls by 5% month-on-month and ensure more stable operations at our call centers. Analyzing the situation and root causes, various countermeasures were taken such as the addition of relevant links to our FAQ page for customers to find answers to their questions 24 hours a day, 7 days a week.



Climate Change

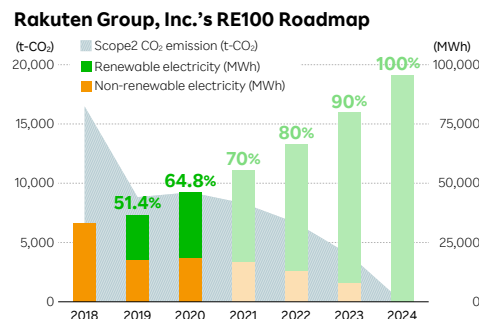
Climate change is one of the most pressing issues facing our world today. Our mission to contribute to society also encompasses a strong commitment to address this challenge, not only by mitigating the negative impact of our operations, but also by leveraging our assets and relations with stakeholders to drive positive impact at scale.

Toward 100% Renewable Electricity

As an internet services provider, over 90% of Rakuten's impact on climate change originates from electricity consumed at data centers, offices, fulfillment centers, and, more recently, our mobile networks. Managing the sources of electricity that we use is key to controlling this negative environmental impact. As part of our commitment to combating climate change, Rakuten Group, Inc. joined the international RE100 initiative in 2019 and set the target of adopting 100% renewable electricity for all its business operations by 2025.

RE100 Roadmap

Rakuten Group, Inc. achieved a renewable electricity ratio of 64.8% in 2020 by utilizing renewable energy certificates, notably J-Credits, which are derived from solar power generation by households across Japan. To achieve our 100% target as planned, we intend to maintain annual progress of +10% and consider different sourcing approaches, such as renewable electricity supplies and renewable electricity generation.



Engaging Stakeholders

To inform our customers of our commitment to RE100 and our progress towards the target, we launched a communication campaign centered on Earth Mall, through which we explained how the 17 services powered by 100% renewable electricity, including Rakuten Ichiba, Rakuten Fashion, Rakuten Farm, Rakuma and Rakuten Super Point Screen, can support more sustainable lifestyles.

We also regularly communicated our efforts to our business partners, notably Rakuten Ichiba merchants, during the various conferences dedicated to them with the aim of inspiring positive change and improving our value chains.



Maximizing Synergies Within the Rakuten Ecosystem

Rakuten STAY × Rakuten Energy

Rakuten Energy provides low-cost and optimized electricity solutions to members of the Rakuten Ecosystem. In May 2020, it announced the launch of "REco", a portfolio of power supply options for corporate customers derived from renewable energy. By adding environmental values such as Non-Fossil Fuel Energy Certificates to the electricity it provides, REco ensures that the power supplied to the customers' facilities is essentially renewable, contributing to the reduction of their CO2 emissions.

REco plays an important role in accelerating the adoption of renewable electricity for Rakuten Group's business operations. For example, as part of its goal to provide a safe and secure — but also sustainable — accommodation experience, Rakuten STAY has introduced REco at seven of its properties in Japan, including Rakuten STAY VILLA Fuji Yamanakako, which are now operating with 100% renewable energy.



Rakuten STAY VILLA Fuji Yamanakako (exterior, interior, wooden deck)

Topics

In 2020, Rakuten's environmental efforts resulted in the Company's first-ever inclusion on the CDP Climate Change A List, the highest rating given by CDP, which is widely recognized as the global standard for climate-related information disclosure by businesses.



Respecting Human Rights

Human rights are fundamental and universal rights to which all human beings are entitled. Ensuring we respect the rights of all the stakeholders who make our businesses possible is a priority for our sustainable growth and for the achievement of our corporate mission of contributing to society.



Management Approach

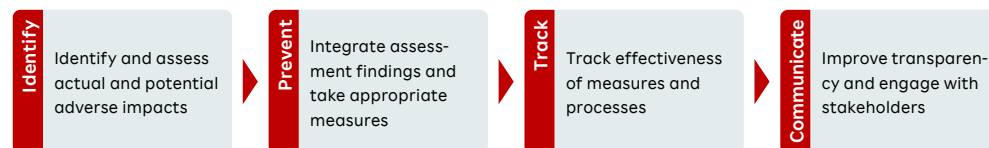
Amid the rapid expansion of Rakuten's business across the world, the number of our stakeholders is also rapidly increasing, from the workers who support the provision of our services to the customers that use them and the communities affected by them. With a business portfolio that ranges from e-commerce to fintech to mobile carrier service and healthcare, staying true to the commitment of our Code of Ethics to respect the human rights of all stakeholders requires close attention.

The Rakuten Group Sustainability Policy covering human rights was adopted in 2019 to list important principles and rules for all employees to follow across operations. As part of the Policy implementation, and to respond to growing legislation intended to eradicate human rights violations in supply chains, Rakuten is currently conducting human rights due diligence. In accordance with the procedures outlined by the United Nations Guiding Principles on Business and Human Rights, this effort comprises a risk management process that aims to identify, prevent, mitigate, and account for how Rakuten addresses impacts on human rights.

Main human rights topics covered by the Rakuten Group Sustainability Policy

- Privacy protection, access to information, and freedom of expression
- Ethical use of technology
- Non-discrimination and equal opportunities
- Prohibition of inhumane treatment
- Fair wages
- Working hours
- Safety and health
- Prohibition of child labor
- Prohibition of forced labor

Steps of Human Rights Due Diligence



Human Rights Impact Assessment

As part of the due diligence process, a new human rights impact assessment was conducted in 2020 to clarify the overall risks relevant to Rakuten's operations, business activities,

products, and services. As a result, eight salient issues were identified that need to be addressed as priorities.

Rakuten's Salient Human Rights Issues



Key Initiatives

Workplace

Rakuten takes various measures to foster fair and healthy workplaces where the rights of all employees are respected. In addition to providing a confidential Harassment Consultation Desk for the reporting of harassment-related matters, the Company conducts periodic training for all employees to raise awareness regarding harassment, and for managers to ensure the proper handling of reports raised by employees.

Supply Chains

The Rakuten Group Sustainable Procurement Instructions were formulated as part of the Rakuten Group Regulations to address human rights risks in supply chains and contribute to society through promoting responsible production practices. The instructions clarify expected standards when engaging in procurement activities with the Group, such as the prohibition of child labor and all forms of forced labor.

Platforms and Services

To provide responsible platforms and services over the internet, human rights violations related to online practices must be avoided. When handling various types of personal information, privacy protection is key to the sustainability of our businesses. The Binding Corporate Rules adopted by Rakuten set a high standard of strict rules for the appropriate protection of the data of our users, employees, and partners.

Regarding the implementation of new technologies in platforms and services, internal rules are in place to ensure that risk management measures are taken to assess and mitigate related risks.

On our e-commerce platform Rakuten Ichiba, the regulations for merchants cover the prohibition of the sale of certain products and product categories, such as those that potentially infringe on others' rights or interests or are considered inappropriate for people of a young age.

Talent Management

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



Talent Management Strategy Amidst the Pandemic

Amidst the COVID-19 pandemic, prioritizing the safety of our employees while keeping them motivated and engaged has been particularly important. Our talent management initiatives have evolved with our working styles to ensure that our employees grow continually during the pandemic.

Providing Safe Working Conditions

Adjusting Working Styles

Rakuten employees in Japan and worldwide were encouraged to work from home even before the first state of emergency was declared in Japan in April 2020. 97%* of employees worked remotely as of April 28, 2020.

The transition to a digital workplace was smooth, thanks to expanded network capacity, use of tools like teleconferencing and regularly reminding employees to strictly follow information-security rules even while working from home.

*employees in Rakuten Crimson House excluding FinTech

Preparing Infection Countermeasures

To prevent the spread of infection, several measures have been implemented at our offices. Flextime was introduced to adapt to new at-home working styles, but also to enable employees who need to commute to avoid rush-hour crowds when taking public transportation. In the offices, body temperature is checked at the entrance and employees are required to wear a mask. Employees are expected to use a social distancing app that notifies them of close contact with COVID-19 positive users at all times. Protective screens are also placed between desks, and the number of people in meeting rooms, elevators, and other common spaces is restricted.

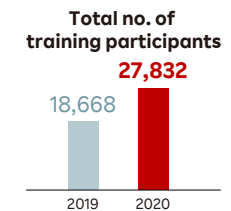


Supporting Employee Learning

Offering Quality Training

Even when working from home, employees continued to receive opportunities for learning and growing. In fact, in 2020, the number of training courses that were made available increased to 43, spanning a range of subjects from basic business skills and cross-cultural management to 1-on-1 training. The number of participants also increased and satisfaction levels were consistently high.

The training program for the 750 new-graduate employees was also fully adapted to an online format. The use of technology in delivering this program was recognized with the Special Award at the 5th annual HR Technology Awards ceremony.



Fostering Communication

Rakuten introduced regular 1-on-1 meetings in 2018. These meetings represent an opportunity for candid feedback, and a chance to build trust between managers and their team members. Managers receive dedicated training for providing appropriate and effective feedback while employees get to discuss their competency development and goals, making 1-on-1 meetings a chance for both sides to grow. Since working from home has reduced opportunities for in-person conversation among employees, 1-on-1 meetings have become even more crucial.

Other meetings conducted online have also gained in importance. “Huddle” meetings, held by many teams at Rakuten, used to focus on daily tasks. Now, they also serve to promote communication and understanding among team members, providing opportunities to share information and check on each other’s mental and physical well-being. Company-wide weekly Asakai meetings also emphasize the communication of corporate values, enabling employees to speak a common language even when away from the office environment that embodies our corporate culture.

% of staff holding 1-on-1s in 2020

88%

1-on-1 satisfaction rate in 2020

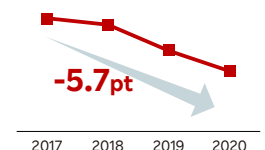
91%

Encouraging Long-term Growth with Rakuten

The efforts made as part of Rakuten’s new talent management strategy, which launched in 2017, have had a marked effect on employee engagement. In addition, incentives are in place for employees to grow with Rakuten over the long term, such as retirement allowances and stock options fully exercisable only after four years.

As a result, the Rakuten Group, Inc.’s turnover rate in 2020 has decreased by 5.7 points over the past three years.

Turnover rate of Rakuten Group, Inc.



Creating a Sustainable Society with Our Partners

Rakuten has been innovating and empowering people and society through partnerships with stakeholders since its founding. Our business success is closely tied to the success of our partners, and we believe that leveraging Rakuten's platforms to drive sustainability together is strategically important for our mutual long-term growth.



Building Mutually Beneficial Relationships

We operate our businesses in cooperation with many partners, including Rakuten Ichiba merchants. We maintain close communication with our stakeholders while working to promote sustainability. By building mutually beneficial relationships and sharing best practices that inspire one another, together we contribute to the realization of a sustainable society.

Communication with Merchants

Our relationship with Rakuten Ichiba merchants is extremely valuable, and we create opportunities for communication through multiple channels, deepening our mutual understanding for sustainable growth. In addition to the support offered by our e-commerce consultants, we provide merchants with information on the e-commerce expertise and best practices through newsletters and courses available at Rakuten University. The Rakuten New Year Conference and Rakuten Expo, two large-scale events held every year, are used to share the latest business strategies and operation policies for Rakuten Ichiba directly with merchants.



In 2019, we started offering e-learning content to merchants on sustainable consumption. In 2020, we held seminars and workshops about the SDGs that were attended by many merchants online, going over case studies which helped deepen practical understanding of sustainability and related practices.

Rakuten Shop of the Year: Sustainability Award

The Rakuten Shop of the Year awards recognize the best stores of the year based on sales, number of orders, customer service and other factors, in addition to customer votes. The Sustainability Award is a special award given to a store with initiatives that contribute to achieving a sustainable society. In 2020, this award was given to Re:EDIT, a women's fashion brand, in recognition of its environmental and social efforts, such as the use of plant-based materials and recycled fibers, consideration for workers, and choosing domestic production to reduce CO₂ emissions during transportation.

Earth Mall with Rakuten

Earth Mall with Rakuten, an online shopping platform and media service within Rakuten Ichiba, showcases a selection of products from among the approximately 300 million items available on Rakuten Ichiba that are made in a sustainable manner, centering on products that have acquired at least

Number of products
available on Earth Mall*
76,830

*As of March 31, 2021

one of eight international certifications such as the Fair Trade International certifications and JAS Organic Certification. We launched Earth Mall with 10,000 products two and a half years ago, and since then, the number of sustainable products offered has risen substantially and continues to grow.

Revitalizing Communities Through E-Commerce

Rakuten has aimed to revitalize local communities since its founding. Today, we are deepening our ties with local governments across Japan and working to solve a variety of local challenges, including economic revitalization.

Cooperation with Local Governments

As of May 2021, Rakuten has signed collaboration agreements with 39 local governments across Japan, and is working to empower local communities by leveraging their strengths and Rakuten's assets to address challenges such as tourism promotion, local economy revitalization and next-generation talent development. In 2020, we newly signed collaboration agreements with six local governments. Among these, the comprehensive cooperation agreement signed with Shiga Prefecture in November includes provisions related to the promotion of sustainable consumption of prefectural products, and a special website featuring prefectural products that contribute to sustainability was launched in cooperation with Earth Mall.

Rakuten Hometown Tax Payment

More than 1,100 local governments across Japan have joined the Rakuten Hometown Tax Payment platform. In addition, the Rakuten Hometown Tax Payment Crowdfunding platform turns local initiatives and issues into projects and provides support through donations. From launch through the end of March 2021, we have raised over ¥2.55 billion in donations from over 120,000 customers.

Topics

Preventing Onions from Going to Waste

In Kasaoka City, Okayama Prefecture, due to a drop in demand from the restaurant industry brought on by the pandemic, a large number of onions had not been harvested, with 400 tons headed for disposal. In response, we set up a dedicated page for emergency support using the Rakuten Hometown Tax Payment platform, collected donations, and provided onions to donors. As a result, we collected nearly 10,000 donations and prevented more than half of the onions from going to waste.



COVID-19 Initiatives

In 2020, the global COVID-19 pandemic changed our everyday lives dramatically. The Rakuten Group is working on a variety of initiatives to provide greater peace of mind to our employees, partners, customers, shareholders, and society as a whole.



Supporting Frontline Medical Workers

The Rakuten Clutch Special Charity Fund, an internet-based donation system, has been running a COVID-19 crisis response fund campaign since April 2020. Rakuten members have made donations via Rakuten Points, credit cards, and bank transfers, and to date, we have provided more than ¥95 million to organizations working to support healthcare workers as well as children facing difficulties due to the pandemic.

Rakuten Travel cooperated with hoteliers across Japan to identify facilities willing and able to accept mild to asymptomatic COVID-19 patients and provided this information to the Japanese government. It also carried out the Rescue Hotel Project, a free support program for the implementation of COVID-19 countermeasures for hotels accepting patients until they return to normal operations.



Supporting the Stay-at-Home Lifestyle

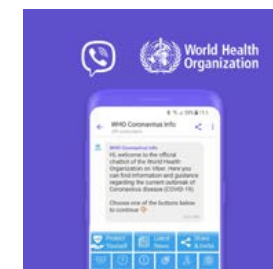
With the need to minimize in-person contact, we also made various efforts to support a “stay-at-home” lifestyle. With Rakuten EXPRESS and Seiyu Netsuper, customers now have the option to choose contactless delivery. In addition, Rakuten Realtime Takeout was launched for customers to place orders and make payments to restaurants in advance and a dedicated website was created where customers can browse restaurants supporting takeout services that accept the cashless payment service Rakuten Pay.

To help create learning opportunities for children who were unable to take classes due to the temporary closure of all schools across Japan, Rakuten ABCmouse, an English education service, was provided free of charge to educational customers such as schools and learning centers. Meanwhile, Rakuten Kobo held the Stay Home and Read campaign in 27 countries and regions, cooperating with publishers and government agencies to provide more than 10 million e-books for free or at a discount.



Providing Accurate Information

Rakuten Viber, Rakuten's free calling and messaging application, partnered with the World Health Organization (WHO) and the International Federation of Red Cross and Red Crescent Societies (IFRC) to share accurate information about COVID-19. As part of our efforts with the WHO, we set up a chatbot on the Rakuten Viber application to provide people around the world with the latest news, statistics, prevention methods, and quizzes in multiple languages, and also created stickers to recognize healthcare workers' efforts in fighting the pandemic. Our efforts with the IFRC also included sharing information about COVID-19, as well as providing stickers to encourage compassion, solidarity, and volunteer participation among users.



Supporting Through Shopping

To support merchants and the food industry, Rakuten Ichiba ran a campaign introducing food products from all over Japan that had their sales channels disrupted by COVID-19. A total of over ¥40 million was donated as part of the initiative, with Rakuten donating ¥100 for each of those products purchased for COVID-19 countermeasure. Rakuten Hometown Tax Payment collected donations amounting to over ¥10 billion in support of producers, businesses, and COVID-19 prevention efforts.

Other initiatives were carried out through Rakuten services, including the For Tomorrow Support Project, where charity goods were sold to raise awareness of new lifestyle choices such as social distancing, and the We Love Fashion! Charity Campaign, where donations were made for every order placed on Rakuten Fashion.



Social Initiatives

In line with our mission to contribute to society through innovation and entrepreneurship, the Rakuten Group seeks to work alongside our many partners and stakeholders to create positive social impact through our services, technologies and employees.



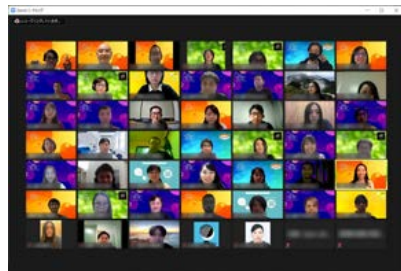
A Platform to Embody Our Corporate Culture

At Rakuten, our founding mission of empowerment is rooted in our corporate culture. Social initiatives provide Rakuten employees with valuable opportunities to experience this empowerment and engage with stakeholders in the community, as well as reflect on their own everyday work activities.

Rakuten Social Accelerator

The Rakuten Social Accelerator (RSA) is a social innovation program launched in 2018 that aims to leverage Rakuten technology and other assets to address social issues through collaboration between Rakuten employees, social entrepreneurs and a variety of stakeholders.

In 2020, we launched an online format known as RSA Online 2020 to collaborate



remotely with three organizations: Hida City in Gifu Prefecture, the Okayama Parent-Child Support Project, and the Setagaya Community Foundation. Even in the midst of rapid social change, the stakeholders and Rakuten employees worked together to find ways to collaborate online, and through trial-and-error processes and knowledge sharing, worked to create solutions to social challenges for the future.

COMMENTS

Participating Employee

In collaboration with the people of Hida City, we carried out a campaign under the concept of “sharing” with the aim of boosting sales and gaining fans at stores in the city, which had seen a decline in revenue due to the pandemic. It was a great pleasure to hear directly from local business operators who we would not usually work with.

(Yiwen Li, Rakuten Card)



Participating Organization

Not only did the Rakuten staff offer advice and ideas from a fresh outside perspective, but I was also very encouraged by the fact that people are willing to support Hida City even through the challenging pandemic situation.

(Masako Ueda, Hida City Hall)



Volunteering in the New Normal

In 2020, with the pandemic restricting in-person activities, we started volunteering online and at home to continue to support communities while ensuring the safety of volunteers. We engaged in activities such as operation of a website that provides information to NPOs, provision of a program to answer various requests from NPOs through 30-minute videoconferences, and sorting unused postage stamps at home to be donated in support of international collaborations.

We also introduced a system that enables our employees to contribute to local communities by leveraging the skills and networks they have developed through their work. In March 2020, we launched a volunteer leave program that allows employees to take up to five days of leave per year to participate in disaster recovery support activities or public interest activities by non-profit organizations. We also introduced the Volunteer Time Off program at Rakuten USA in 2019, granting employees time off to participate in volunteer activities at organizations of their choice.

Volunteer activities in 2020



Participating employees:

183



Partner organizations:

11



COVID-19 response support website for NPOs supported by Rakuten employees

Rakuten Clutch Special Charity Fund

The Rakuten Clutch Special Charity Fund is an online donation system that allows users to make donations through the various methods offered by our payment services, including Rakuten Points. It was launched following the Great East Japan Earthquake in 2011, in response to requests from many users who wanted to support disaster-hit areas. Since its launch, we have supported various disaster and humanitarian relief efforts around the world, delivering users' warm support through donations totaling more than ¥1.2 billion to date.

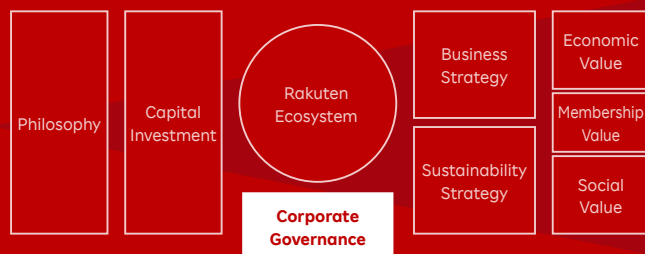
Donations made in 2020

	Amount raised	Recipients
COVID-19 Countermeasures	¥96,854,240	COVID-19: Prevention of Spread of Infectious Diseases Fund, Japan Platform, The Nippon Foundation, Children's Future Support Fund
Heavy Rains in Kyushu in July	¥41,656,612	Kumamoto Prefecture, Japanese Red Cross

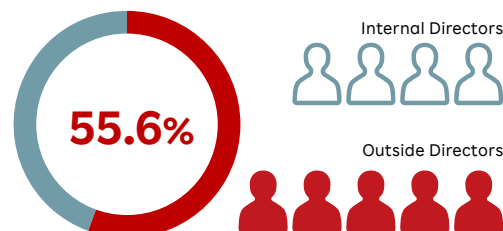
Rakuten's Governance

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.

Rakuten's Value Creation Process

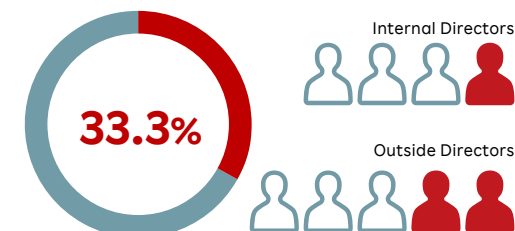


1 Percentage of Outside Directors within the Board of Directors



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.

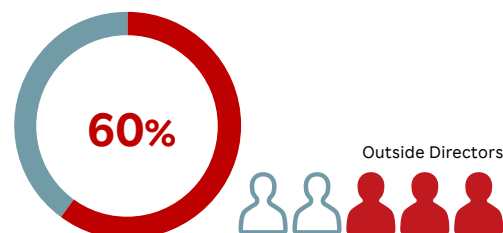
2 Ratio of foreign Directors



The Company places emphasis on the diversity of its Directors. This is reflected by the appointment of one Woman and three foreign nationals as Directors among its nine Directors, and one female and two foreign nationals among its five Outside Directors.

The four features of Rakuten's corporate governance

3 Ratio of Outside Directors having experience in corporate management*



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.

* Persons having experience as manager or management level

4 Attendance of Outside Directors at the meetings of the Board of Directors



The diverse Outside Directors have made necessary statements (questions, opinions, etc.) based on their expert knowledge and extensive experience in their respective professional areas and experience in corporate management.

* Of the four Outside Directors, three Directors achieved 100% attendance in FY 2020.



Rakuten is a growth company that is unlike any other company

Good management is about governance, not ownership

Kitagawa As ESG investment becomes mainstream, Japanese companies too are trying to strengthen their ESG standing. How do you think Japanese companies compare to the leading European companies?

Sarah Japanese companies are still behind in terms of thinking about ESG and evaluating and analyzing key issues. That's why they need to follow global best practices to catch up with the global standard. In addition, overseas investors who are investing in Japanese companies say the companies should listen more to the opinions of not only Japanese investors but also overseas investors. When I was head of Japanese equities at Baillie Gifford, I spent a lot of time talking to Japanese companies, and I felt that many of them were reluctant to engage in ESG.

Kitagawa In particular, I think it's important to note the trends at the UK Prudential Regulation Authority (PRA).

Kitagawa Rakuten is a so-called owner company, with President Mikitani providing strong leadership. What do you think about this type of system, which is common in Europe?

Sarah Yes, Rakuten is an owner company, but I think that is not a problem in itself. I think that the quality of management does not necessarily depend on the form of ownership.

Kitagawa For example, Roche, a global pharmaceutical company, is owned by the Roche family and yet is well managed. In other words, it's a question of whether the corporate governance is functioning well. Being an "owner company" itself is not an issue. The same goes for Rakuten.

Kitagawa You used to look at Rakuten from the perspective of an investor. How has your assessment and impression of Rakuten changed since you became an Outside Director in 2019?

Sarah I became an Outside Director at a time when Rakuten was beginning to invest in the mobile business and its business model was fundamentally changing. In other words, the model has changed from a low-risk model with relatively low fixed costs to a model that requires large capital investments, so I don't think there is much point in comparing the Rakuten of my time as an investor with the Rakuten of today.

The value of Rakuten is not sufficiently appreciated

Kitagawa I see. How does the Rakuten of today look compared to its competitors?

Sarah Rakuten is unlike any other company. It operates a wide range of businesses, yet it is also a growth company. As a latecomer to the mobile business, Rakuten does not maintain legacy systems like other telecommunications companies, so the nature of its business model is completely different from that of its competitors. Unfortunately, however, the value of Rakuten as the sum of its various businesses is not widely

appreciated by influential investors. For example, the Rakuten Ecosystem and its points redemption mechanisms create synergies among the various businesses. Rakuten Card is the most used credit card in Japan and has been a great success in the financial business. Although Amazon has a larger presence globally, I think Rakuten's position in e-commerce also needs to be recognized.

Kitagawa My understanding is that Rakuten's strategy and human resources are quite unique and attractive among Japanese companies. However, I think one of the most important things Rakuten can do in the next few years is to pick up the pace and accelerate these activities. What do you think?

Sarah That's exactly right. Many things have changed due to COVID-19. Social distancing in particular has created a situation that requires dramatic advances in digitalization. It's times like these when Rakuten, whose main business is online, is most needed by society. I believe the timing is right for Rakuten to evolve its business with an even greater sense of speed, and in this context, I think it's important to cultivate the human resources who will lead Rakuten into the future. While I support Rakuten's current management direction, I think it's also important to give up early on businesses that deviate from that direction or that do not have a competitive advantage in order to maintain a lean earnings structure.

Kitagawa Next, I'd like to get your opinions about Rakuten's corporate governance structure and the effectiveness of the Board of Directors.

Sarah First of all, with respect to the composition of the Board of Directors, in Japan the boards are unusually small. Following this year's Shareholders' Meeting, the number of directors was increased by two, bringing the total to nine, which I believe is an appropriate composition given the wide range of businesses Rakuten is engaged in. With respect to discussions at the Board of Directors meetings, we're always running out of time. Let



me give you one example of an area where I would like to see improvement. I received a 200-page document just before the board meeting, even though I asked that the materials be sent to me in advance because I wanted to read through everything beforehand. This may be unavoidable, as we have a lot of highly confidential projects to deal with at the moment, but I would like to see the situation improved as much as possible. In addition, I am usually very active in volunteer activities, and as an outside director of Rakuten, I attend only the regular meetings of the Board of Directors. My background is also very different from other directors, and I recognize that I bring a strongly external perspective on the world. So in that sense, I believe my role on the Board of Directors, which is an important role, is to point out issues from a somewhat different perspective from other directors.

Kitagawa I've heard that European institutional investors are actively engaged with the ownership of the companies they invest in. What about Japan?

Sarah The important thing in engagement is to improve the management of the company, and investors are trying to help with that. Naturally, engagement will and should become more active in Japan as well. In particular, in recent years, there has been a global need to address climate change, which is a threat to the entire planet, and I believe that this will accelerate the trend toward engagement.

The importance of ESG activists

Kitagawa It seems that many Japanese companies are worried about ESG activism. What do you think?

Sarah First of all, we need to distinguish between activists (outspoken shareholders) looking for short-term investment

gains and ESG activists. I don't think it's right to try to eliminate activists altogether. ESG activists are not to be feared; rather, we should actively listen to what they want and discuss how we can better manage our companies. When you say the word "activist," some companies have an allergic reaction like, "They're trying to get us to do this stuff, what's their angle?" However, at least with ESG activists, if you think positively about what they want you to do, in the end it often turns out that they were right.

Kitagawa I think it's noteworthy that in Europe there are examples of CEOs selected by ESG activists who have taken office and have clarified the purpose of the company and its *raison d'être* in society and then adopted this as their philosophy. How do you feel about this trend?

Sarah Each company has its own social purpose, and we should be clear about what we are trying to achieve. In the past, Japanese companies were known for prioritizing the lifelong employment of their workers. I believe that for many years, the question Japanese managers asked themselves every day was "how can I ensure that all my employees are able to work until retirement age?" At least that's how it was until now. However, Japan's unique, long-standing system of lifetime employment and seniority-based pay is no longer sustainable. If this is no longer where the purpose of the company is to be found, I think we need to seriously reflect on questions like, what is our company? What is its purpose? What are our responsibilities to our employees, the planet, and our shareholders? What are our priorities? Rather than acceding to the demands of someone who wants you to do this or do that, it's more important for the company to demonstrate what it considers to be its own *raison d'être*, to demonstrate its firm determination to achieve its purpose, and to clarify for itself what it should and should not do. I think this is necessary to increase employee loyalty and motivation, and to increase corporate value as a cohesive organization.



Tetsuo Kitagawa

Professor Emeritus, Aoyama Gakuin University,
and Specially Appointed Professor, Tokyo Metropolitan University

Professor Kitagawa graduated from the School of Commerce at Waseda University, earned a master's degree at the same university, and then earned his doctoral degree at Chuo University. Previously, he served as analyst and research director at Nomura Research Institute and Morgan Trust Bank (currently J.P. Morgan Asset Management).

State the purpose of the company in a simple, non-abstract way

Kitagawa A discussion paper from the UK Financial Reporting Council (FRC) states that the role of the Board of Directors is critical to having a good corporate culture and purpose. It also points out that the purpose should not be general; it's important to have a deeper, more specific message. However, it seems that in Japan the purpose, strategy, and direction are not as well-defined as at overseas companies.

Sarah For that, let's take the example of Accsys, a small company in the UK. The company is engaged in the lumber business. Their slogan is, "Changing wood to change the world." That's it. That's what this company is doing. It's a simple but very easy-to-understand message. When you look at the company's website, it tells you exactly what its purpose is, what kind of business it is, how it is growing, and what impact it intends to have on the world. I think this is a very helpful example.

Kitagawa So a company with good management expresses its purpose in a simple and profound way.

Sarah Long abstract descriptions don't resonate. In this respect, I think Rakuten's mission, "Contribute to society by creating value through innovation and entrepreneurship," is simple and clear, and clearly conveys President Mikitani's expectations to employees.

Kitagawa I would like to thank you for your frank opinions. I believe that Rakuten has a great deal to gain by having you as an Outside Director. Please keep up the good work.

Sarah Thank you very much.

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.

Basic Structure of Corporate Governance and Reasons for Adoption

1) Basic Structure of Corporate Governance and Reasons for Adoption

In order to enhance the transparency of management and ensure its appropriateness, efficiency, fairness, and soundness, the Company has adopted an organizational form of a Company with Audit & Supervisory Board in which Audit & Supervisory Board Members with a high level of independence are responsible for audit functions. A majority of the members of the Audit & Supervisory Board, which conducts audits of management, are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions. The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multi-lateral discussions on management. Furthermore, the Company holds meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants also discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

2) 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 nine Directors, including five 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, as well as special meetings as required, for the purpose of enhancing medium- to long-term corporate value and shareholder value. Within these meetings, Directors make decisions on important management matters, which are under the authority of the Board of Directors, and supervise the business execution of each Executive Officer. Executive Officers, upon receiving business execution orders from the CEO,

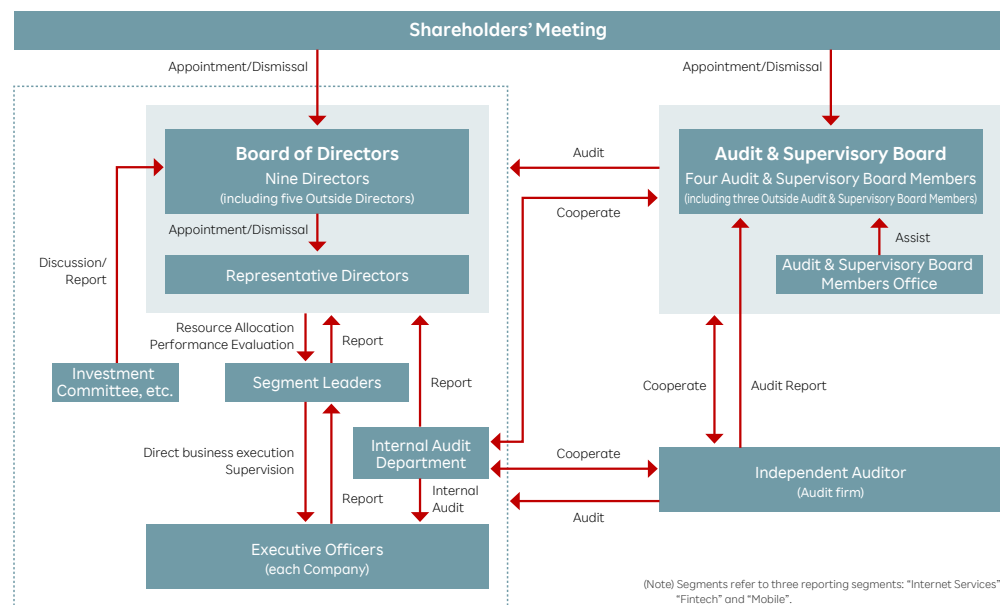
carry out business execution within the administrative authority set forth by the Company. The current members of the Board of Directors are nine Directors, namely Mr. Hiroshi Mikitani (Representative Director, Chairman, President & CEO), Mr. Masayuki Hosaka (Representative Director & Vice Chairman), Mr. Charles B. Baxter (Director), Mr. Kentaro Hyakuno (Director), Mr. Ken Kutaragi (Outside Director), Ms. Sarah J. M. Whitley (Outside Director), Mr. Takashi Mitachi (Outside Director), Mr. Jun Murai (Outside Director), and Mr. John V. Roos (Outside Director), with Mr. Hiroshi Mikitani (Representative Director, Chairman, President & CEO) serving as the Chairman of the Board. As to a case that requires new capital expenditure including any investment, members, including Outside Directors and external experts, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors.

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

The Company has four Audit & Supervisory Board Members, and a majority of the four are Outside Audit & Supervisory Board Members. And then, Outside Members includes one Full-time officer.

A two-member Audit & Supervisory Board Members' Office assists the Audit & Supervisory Board Members in the performance of their duties. In addition to its regular meetings, the Audit &

Corporate Governance Structure



Corporate Governance

Supervisory Board holds special meetings as required. The purpose of the Audit & Supervisory Board is to receive reports, hold discussions, and make decisions regarding important audit-related matters. However, it does not prevent each Audit & Supervisory Board Member from exercising their 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 to receive reports about the state of the Company's operations from Directors and employees, and they also check the operations of the Company and its subsidiaries. In addition, the Audit & Supervisory Board Members receive audit reports from the independent auditors, audit financial statements and business reports, and discuss various matters with the CEO. The current members of the Audit & Supervisory Board are Mr. Yoshiaki Nishikawa (Audit & Supervisory Board Member, Full-time), Mr. Masahide Hiramoto (Outside Audit & Supervisory Board Member, Full-time), Mr. Takeo Hirata (Outside Audit & Supervisory Board Member), and Mr. Katsuyuki Yamaguchi (Outside Audit & Supervisory Board Member), with Mr. Yoshiaki Nishikawa (Audit & Supervisory Board Member, Full-time) serving as the Chairman of the Board.

Policies Concerning Amounts of Remuneration for Directors and Audit & Supervisory Board Members, and the Adoption of Methods for Calculating Those Amounts

1) 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.

2) Remuneration Structure

Remuneration of Executive Directors of the Company is composed of:

- Basic remuneration (fixed)
- Performance-linked bonuses as short-term incentive remuneration
- 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.

3) 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.

4) 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 2020 were as follows.

Main Resolutions and Reports		
1st Quarter	- Matter of Acquisition of Innoeye LLC and Innoeye Software Technologies Private Limited - Report of the Board of Directors Effectiveness Evaluation Result - Matter of the Blanket resolution for Straight Bond issuance - Policies and Decision Process of Director Compensation - Coronavirus Response Policy & Countermeasures	Progress reports on businesses
2nd Quarter	- Matter of Conclusion of Merger Agreement with Voyagin, Inc. and Liquidation of Voyagin Pte. Ltd. - FY2020 Audit Plans - Revision of Group Core Policies	
3rd Quarter	- Matter of Collar Financing of Lyft, Inc. Stock - Business model Transfer of Rakuten Germany - Withdrawal of Rakuten Commerce LLC Business	
4th Quarter	- Matter of Extension of FC Barcelona Partnership Agreement - Additional Cash Injection to Rakuten Mobile, Inc. - Matter of Revision of Company Regulation - Matter of Promotion and Election of Executive Officer - Matter of Renewal of Stephen Curry Underrated Tour Title Sponsor & Global Brand Ambassador Partnership	

Management Team (As of April 1, 2021)

Directors



Hiroshi Mikitani
Representative Director,
Chairman, President & CEO



Masayuki Hosaka
Representative Director &
Vice Chairman



Charles B. Baxter
Director



Kentaro Hyakuno
Director
Group Executive Vice
President



**Ken
Kutaragi** *1*2
Director

Outside Independent

Year Appointed/Positions Held or Career Summary 2010

President, Representative Director & CEO of Cyber AI Entertainment Inc.
Outside Director of GA technologies Co., Ltd.
Outside Director of SmartNews, Inc.
Representative Director & CEO of Ascent Robotics Inc.

Reasons for Nominating the Candidate

He has been appointed as Outside Director 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 has been serving as Outside Director for eleven years.



**Sarah J. M.
Whitley** *1*2
Director

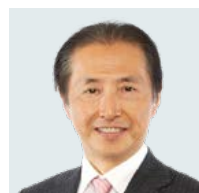
Outside Independent

Year Appointed/Positions Held or Career Summary 2019

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

Reasons for Nominating the Candidate

She has been appointed as Outside Director 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 has been serving as Outside Director for two years.



**Takashi
Mitachi** *1*2
Director

Outside Independent

Year Appointed/Positions Held or Career Summary 2016

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
Distinguished Professor of Graduate School of Management of Kyoto University

Reasons for Nominating the Candidate

He has been appointed as Outside Director in anticipation of his advice to the management of the Company based on his expert knowledge and experience as a management consultant. He has been serving as Outside Director for five years.



**Jun
Murai** *1*2
Director

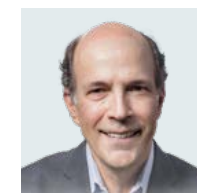
Outside Independent

Year Appointed/Positions Held or Career Summary 2012

Outside Director of BroadBand Tower, Inc.
Outside Director of LAC Co., Ltd.
Outside Director of HAPS Mobile Inc.
Professor of Keio University
Dean of API Institute of Geoeconomic Studies and API
Senior Fellow of Asia Pacific Initiative
Special Advisor to the Cabinet

Reasons for Nominating the Candidate

He has been appointed as Outside Director in anticipation of his advice to the management of the Company based on his knowledge and experience as an academic expert in internet technology. He has been serving as Outside Director for nine years.



**John V.
Roos** *1*2
Director

Outside Independent

Year Appointed/Positions Held or Career Summary 2021

Outside Director of Salesforce.com, Inc.
CEO of The Roos Group, LLC
Global Advisory Board Member of Mitsubishi UFJ Financial Group, Inc.
Senior Advisor of Centerview Partners LLC
Co-Founding Partner of Geodesic Capital
Advisor of Toyota Research Institute, Inc.
Member of the Board of Directors of the Maureen and Mike Mansfield Foundation
Advisory Board Member of the Stanford Center for Asian Health Research and Education

Reasons for Nominating the Candidate

He has been appointed as Outside Director in anticipation of his advice to the management of the Company based on his extensive knowledge and experience including as CEO of a leading law firm that has strengths in the area of technology and as U.S. Ambassador to Japan.

Audit & Supervisory Board Members



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



**Takeo
Hirata** *2*3
Audit & Supervisory
Board Member



**Masahide
Hiramoto** *2*3
Audit & Supervisory Board
Member (Full-time)



**Katsuyuki
Yamaguchi** *2*3
Audit & Supervisory Board
Member

*1 Outside Directors stipulated under the Companies Act of Japan

*2 Independent Directors specified by the regulations of Tokyo Stock Exchange, Inc.

*3 Outside Audit & Supervisory Board Members stipulated under the Companies Act of Japan

Management Team (As of April 1, 2021)

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



Makoto Arima

Group Executive Vice President
CRO
President of Ad & Marketing Company
Senior Director of Marketing Division
Senior Director of Technology Division



Kazunori Takeda

Group Executive Vice President
President of Commerce Company



Kenji Hirose

Group Executive Vice President
CFO



Tareq Amin

Group Executive Vice President
CTO



Masatada Kobayashi

Group Managing Executive Officer
CWO



Koji Ando

Group Managing Executive Officer
Senior Director of Group Company Division
Senior Vice President of Investment & Incubation Company
Office Manager of CEO Office



Yuji Kusunoki

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



Terje Marthinussen

Group Managing Executive Officer
CAO of Technology Platforms 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 Services 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.



Shunsuke Yazawa

Group Managing Executive Officer
Representative Director and Executive Vice President of Rakuten Mobile, Inc.



Hiroto Furuhashi

Group Managing Executive Officer
Executive Officer of Rakuten Mobile, 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

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

Compliance

A thorough compliance system is a fundamental requirement for a company to grow sustainably. Not only does the Rakuten Group comply with laws, regulations, international rules and internal regulations, but also empower people and society by conducting business with integrity and holding ourselves to high ethical standards as a global leader.

Compliance Management System

To ensure strong compliance management throughout the Group, we have appointed a Function Chief Compliance Officer (CCO) to oversee Group-wide compliance under the leadership of the Group Chief Operating Officer (COO), as well as Company Compliance Officers at each Group Company. The Company Compliance Officer liaises with the Function CCO to strengthen the Group-wide compliance system by promoting related programs and monitoring their effectiveness.

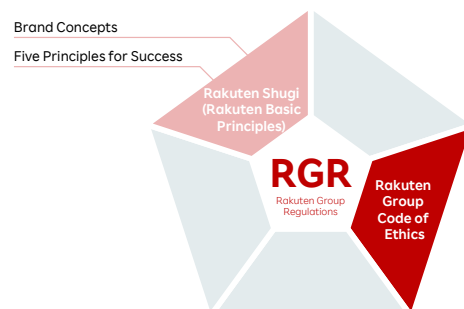
In addition, the Group Risk and Compliance Committee meets quarterly to promote effective compliance throughout the Group, share best practices, propose and build consensus on compliance measures and identify risks related to laws and regulations that may hinder the implementation of management strategies. In 2020, the committee reported and discussed the formulation of internal regulations on anti-corruption and bribery.

The Board of Directors receives regular updates from the COO and Function CCO on the status of compliance measures and their results, and oversees the overall compliance of the Group.

Rakuten Group Regulations

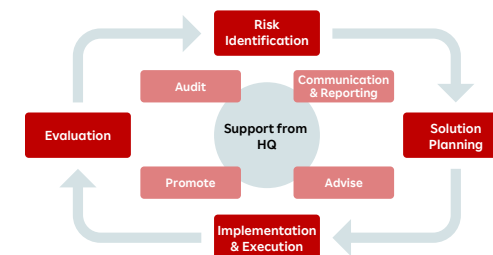
The Rakuten Group Regulations (RGR) is a set of common rules across the Group that ensures all employees adhere to the highest ethical standards. It is also a framework that ensures effective corporate governance is in place, in order to maximize corporate value. RGR is comprised of policies and guidelines covering areas such as management philosophy, code of conduct, group governance, risk management and compliance.

RGR is periodically revised in response to business developments and changes in the business environment. It aims for consistent management across the Group that meets the expectations of our stakeholders and society.



Group Compliance Program

Aiming to continuously improve compliance efforts and address new laws and regulations, the Rakuten Group Compliance Program has been introduced and consists of the following four steps: (1) Risk identification, (2) Solution planning, (3) Implementation and execution and (4) Evaluation.



Topics

Example Program: Anti-Bribery and Corruption (ABC) Program

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

To put this commitment into practice, we implemented the ABC (Anti-Corruption and Bribery) program. In 2020, we strengthened our screening system for compliance regarding the giving and receiving of entertainment and gifts by employees, as well as approval procedures for membership, donations and sponsorship of external organizations.

Employee Communication

In order to emphasize the importance of compliance awareness throughout the Rakuten Group, ongoing compliance training is provided to all employees.

For example, Asakai, our company-wide weekly Monday morning meeting, and e-learning modules focused on compliance are carried out on a Group-wide basis to promote awareness of business ethics and the RGR. All executives and employees also take compliance pledges in which they commit to complying with and adhering to social norms, laws and regulations, and internal rules.

Percentage of employees in Japan who took the compliance pledge:

100%

Examples of training topics covered in 2020:

- Prevention of Insider Trading
- Prevention of Harassment
- Compliance with the Act on Unjustifiable Premiums and Misleading Representations
- Prevention of Bribery and Corruption
- Compliance with the Subcontract Act
- Countermeasures against Antisocial Forces



Risk Management

With ongoing changes to society and the environment, companies face rapidly diversifying risks. As a company that operates a wide range of businesses globally, in order to continue to maximize corporate value, we have established a robust management system by quickly identifying and addressing risks.

Risk Management System

To achieve sustainable development amidst rapid changes in business and society, we have established a risk management system centered on three areas: Enterprise Risk Management (ERM), Incident Management and Business Continuity Plan (BCP).

Enterprise Risk Management (ERM)

Our business activities are diverse, both in Japan and overseas, and involve a variety of risks. Therefore, it is important to integrate our identification, evaluation and optimization of risk factors for the Rakuten Group as a whole, to ensure that we achieve our business goals.

Rakuten Group defines risk as uncertainties that could affect our ability to achieve our business goals. We manage risks for the entire Rakuten Group by a process of assessing risks and the corresponding countermeasures taken at each organization, and reporting up to senior executive management of the Group.

With regard to Group-wide risks, the Group Risk and Compliance Committee meets four times a year for reporting and discussion. The most important risks are reported and discussed at meetings of the Board of Directors. Through a combination of bottom-up risk response by front-line staff and Group-wide risk monitoring by senior executive management, combined with our PDCA cycles, we have created and implemented an integrated ERM system.



Incident Management

Rakuten Group takes measures to prevent incidents that could lead to business interruptions and disruptions, losses, emergencies or potential crises by establishing Group regulations and providing training to employees. In the event of an incident, we have systems and reporting procedures in place at the Group level for implementing measures that minimize impact on various stakeholders by promptly identifying, assessing, and responding to the incident. Specifically, the type of incident and the degree of impact — such as financial losses, damages to users, impact on business continuity and reputation — are evaluated, and reporting procedures and responses are defined.

Furthermore, based on the information collected, we work to prevent the recurrence of incidents by investigating and analyzing their causes, as well as planning and implementing recurrence prevention measures, and monitoring their effectiveness.

Business Continuity Plan (BCP)

Our Business Continuity Plan (BCP) aims to minimize the damage to our business assets in the event of an emergency while ensuring the continuity and early recovery of our core activities.

In 2020, we implemented a BCP initiative in response to the COVID-19 pandemic. The Coronavirus Response Headquarters was promptly set up, roles for each department were clarified and a system was established for collecting and sharing information globally. In addition, we formulated an Emergency Response Guideline at the Group level, which stipulates policies and responses in accordance with each phase of the pandemic.

Examples of Major Risks and Corresponding Responses

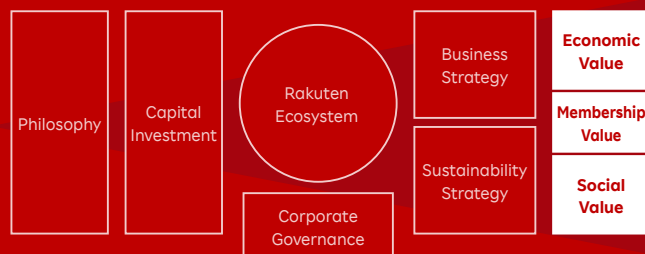
Described below are examples of risks that may have a major impact on Rakuten Group's business activities and their corresponding responses. (Excerpt taken from the Business Risk section of the FY2020 Annual Securities Report)

Risk Item	Overview of Risk	Response
Risks related to information security and privacy	Providing a wide range of services on the Internet comes with the possibility of not being able to ensure system availability or information integrity due to criminal activity.	Various measures are taken such as establishing an Information Security Management System (ISMS) and acquiring ISO/IEC27001 certification. For our overseas businesses, we thoroughly comply with local laws and regulations regarding the protection of personal information. ► For details, see p.38 and p.39
Risks related to laws and regulations, etc.	Our diverse range of businesses are subject to a wide variety of laws and regulations in Japan and overseas, which may impact the Group's businesses, operating results, and financial position.	Our Chief Operating Officer (COO) and Function Chief Compliance Officer (CCO), as well as the Company Compliance Officer appointed at each Internal Company, promote Group-wide compliance initiatives. ► For details, see p.55
Risks related to natural disasters, pandemics, etc.	Natural disasters such as earthquakes, typhoons, and tsunamis, as well as pandemics, could significantly impact the businesses, operating results, and financial position of the Group.	We minimize these risks with the formulation of a Business Continuity Plan (BCP), which is further strengthened by safety drills for executives and employees, as well as information system backups. In response to the COVID-19 pandemic, we have implemented a variety of infection prevention measures in the workplace to reduce the risk of cluster outbreaks and infection among executives and employees. We have also promoted work-from-home in accordance with the state of the pandemic.
Risks related to overseas business operations	Development of global services entails a variety of risks, including legal restrictions, economic and political instability, differences in communication environment and commercial practices.	We closely monitor the situation in each country and take measures to comply with local laws and regulations while establishing an appropriate compliance system at each local Group company. By improving our earning structure efficiency—which leverages the Rakuten Ecosystem—we launch new businesses swiftly and shift our business models flexibly, while controlling costs in a timely manner and reducing the risk of pressure on the Group's earnings.

How Does Rakuten Generate Corporate Value?

Rakuten aims to differentiate its business and sustainability strategies through the unique Rakuten Ecosystem that combines the company's various types of capital, which are the source of its competitiveness. By leveraging various kinds of capital that bring competitive advantage, Rakuten is able to differentiate its business and sustainability strategies through the Rakuten Ecosystem.

Rakuten's Value Creation Process



Economic Value

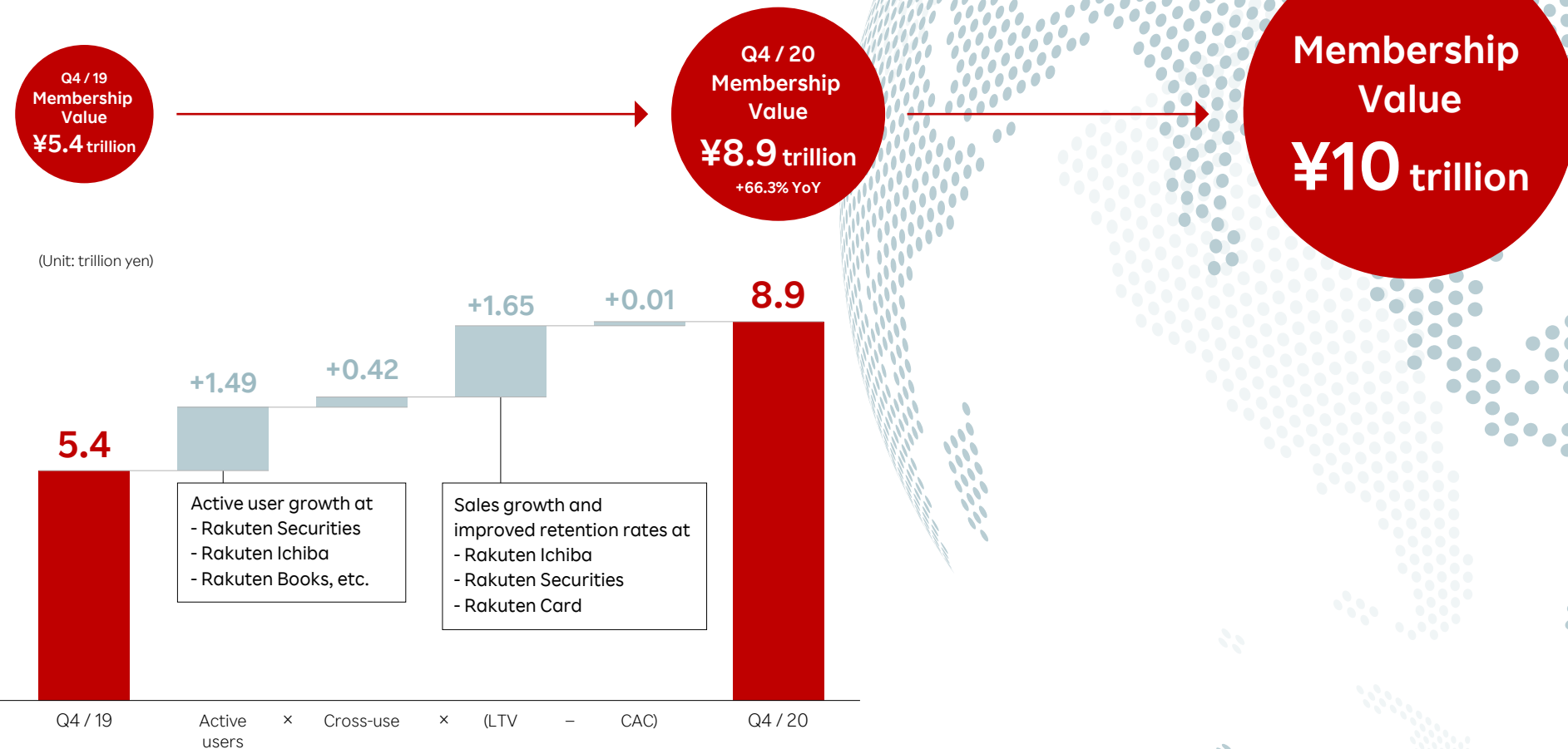
Membership Value

Social Value

Rakuten's Membership Value

At Rakuten, we measure our corporate value by using our own uniquely defined KPI of “membership value.” In order to maximize the lifetime value per user for each business, we work to maximize profit by minimizing customer acquisition cost. Furthermore, we aim to maximize our overall membership value by encouraging users to use multiple services.

In the fourth quarter of 2020, membership value grew 66.3% YoY to a record ¥8.9 trillion. In line with the acceleration of digitalization, this was largely driven by the increase in active users and profit at Rakuten Ichiba, as well as user and profit growth generated by the strong performance of Rakuten Securities. In addition to maximizing the lifetime value of our customers, we will continue to expand our active user base and promote cross-use of services to achieve our goal of ¥10 trillion in membership value.



Economic Value Created by Rakuten



Membership value

¥8.9 trillion

+66.3% YoY (as of Q4/2020)

Membership value is calculated based on Total Rakuten Service Usage (unique users x cross use x LTV) and Lifetime Value. We will continue growing steadily towards the target Membership Value of ¥10 trillion.



Accumulated number of points issued

Exceeded 2 trillion points

(as of Sep. 2020)

Through the formation of the Rakuten Ecosystem with Rakuten Points at the core, user migration across Group services increased, leading to an increase in Group service users.



Global GTV*1*2

¥22.3 trillion

+18.0% YoY (FY2020)

Global gross transaction value came to ¥22.3 trillion, exceeding ¥20 trillion for the first time. Further growth is anticipated through internet services, a solid base of our organic growth, and global expansion in the areas of Mobile and Fintech.

*1 Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card GTV + Rakuten Edy GTV + Rakuten Pay GTV + Rakuten Point Card GTV + Overseas E-Commerce GMS + Rakuten Rewards (Ebates) GMS + Digital Contents GTV + Rakuten Advertising (Rakuten Marketing) GTV

*2 Includes intercompany transactions for settlement and affiliate services.



Consolidated revenues

¥1,455.5 billion

+15.2% YoY (FY2020)

Rapid growth of the Rakuten Ecosystem brought record-high consolidated revenues.



Rakuten Card Shopping GTV*

¥11.6 trillion

(FY2020)

Rakuten Card membership exceeded 21 million. Shopping GTV market share in Japan expanded to 19.5%, further expanding share and maintaining strong growth despite the pandemic.

* Management accounting basis



Domestic EC GMS*1*2

¥4.5 trillion

+19.9% YoY (FY2020)

The e-commerce market is expanding further as digitalization accelerates, advancing the fusion of online and offline. Amid this acceleration, Rakuten has exceeded the growth rates of the market as a whole.

*1 Domestic E-Commerce GMS (excluding some non-taxable businesses; including consumption taxes) comprises Ichiba, Travel GTV on a checkout basis, Books, Golf, Fashion, Dream businesses, Beauty, Delivery, Rakuten24 (Direct), Auto business, Rakuma, Rebates, Rakuten Seiyu Netsuper, etc.

*2 Figures were revised from 2018 due to intercompany eliminations and transferring of ticket business to the Mobile segment.



Core business operating income

¥156.5 billion

+16.6% YoY (FY2020)

Operating income from our core business in 2020 increased by 16.6% year-on-year. Core Businesses, which includes Rakuten Ichiba, Rakuten Travel, Rakuten Rewards (Ebates), Rakuten Card, Rakuten Bank and Rakuten Life Insurance, achieved strong double-digit growth amid the COVID-19 pandemic.



Ad revenue*

¥129.4 billion

+15.7% YoY (FY2020)

Thanks to the strong E-Commerce business, ad revenue grew significantly. In addition to internal ad growth from Rakuten Ichiba merchants and other internal advertisers, strong sales from external advertisers contributed to improved profitability.

* Revenue includes internal transactions.

Social Value Created by Rakuten

Helping Partners Grow Their Business

Empowering our business partners, including small and medium-sized enterprises, has been at the heart of everything we do since our founding. In addition to offering consulting to Rakuten Ichiba merchants and Rakuten Travel hoteliers, we provide opportunities for learning and networking through Rakuten University and various conferences, and we highlight best practices with award ceremonies, aiming to inspire one another and support the business growth of all our partners.



Solving Logistical Challenges

Our logistics solutions contribute to improving customer satisfaction while reducing costs and operational burdens for Rakuten Ichiba merchants. In addition, we aim to design sustainable logistics services through such efforts as reducing re-deliveries by diversifying the delivery options available to customers.



Supporting Japan's Cashless Shift

Rakuten Pay, Rakuten Edy and Rakuten Point Card are currently accepted at over five million online and physical stores across Japan. Rakuten promotes cashless transactions through a wide range of payment services that not only improve convenience for users, but also increase efficiency and productivity for merchants.



Providing Innovative Services to Everyone

With a low-cost, flexible pricing plan, Rakuten Mobile gives everyone the opportunity to access high-quality communication services, powered by the world's first* end-to-end fully virtualized cloud-native mobile network. Together with our partners, we are creating innovative solutions that will transform the way people live and work by leveraging 5G and IoT technologies.

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



Boosting Innovation Through Startup Investment

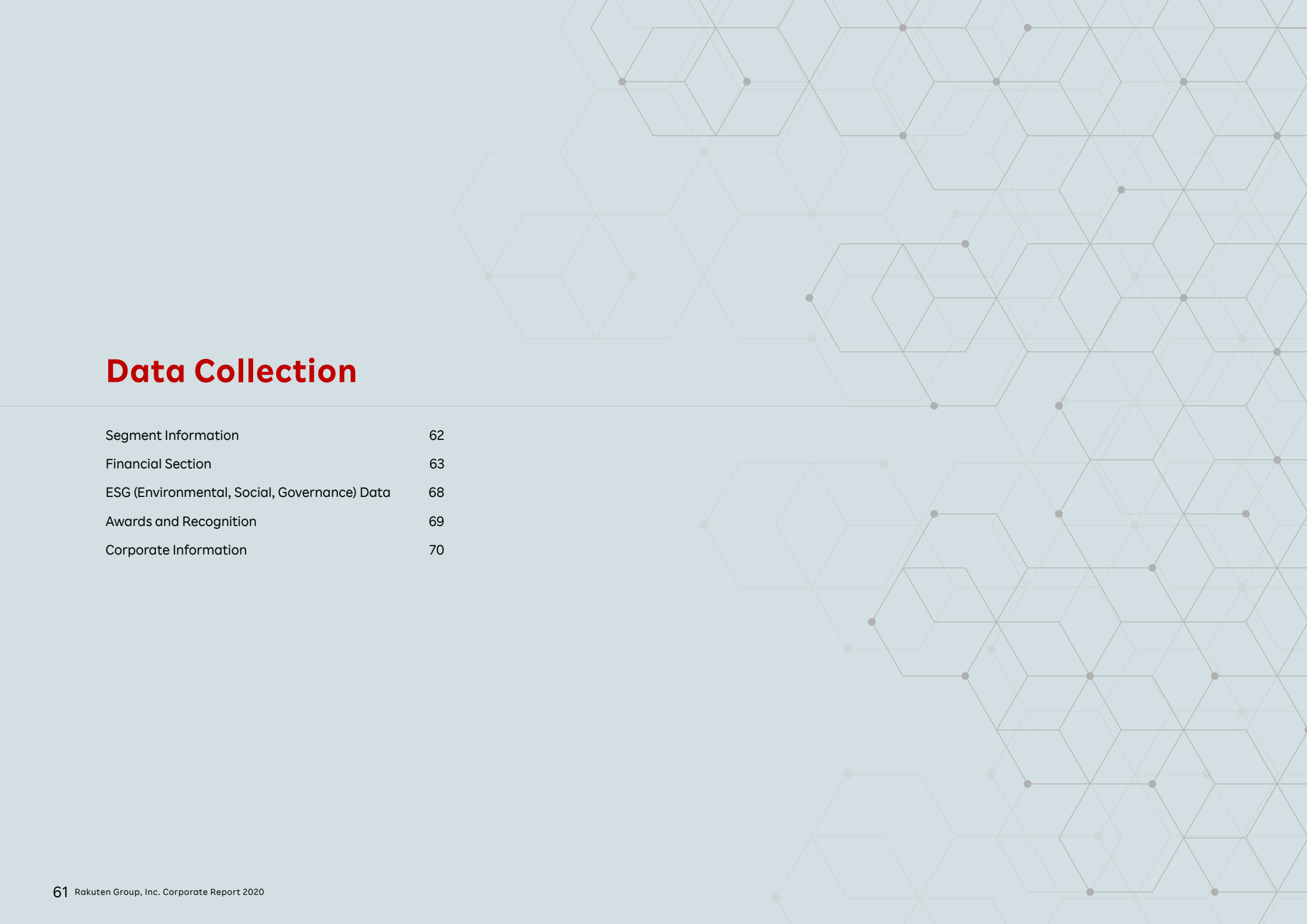
We support innovative startups around the world by leveraging the knowledge and experience we have accumulated through our investment activities and our work in a wide variety of industries. To date, we have invested in 60 companies. We are also finding ways to boost innovation through collaborations which involve the Rakuten Ecosystem.



Delivering Insights Powered by a Wealth of Consumer Data

With a wealth of data from more than 100 million Rakuten members in Japan, our advertising business provides highly accurate solutions, supported by our technologies and consumer behavior analysis. Through the rich insights gained from these solutions, we help our corporate clients acquire new customers and boost customer loyalty.





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Segment Information

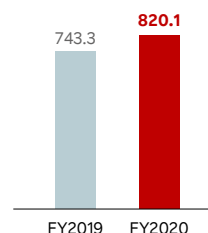


Internet Services

In the Internet Service segment in FY2020, domestic e-commerce services aimed for further growth in gross merchandise sales and revenues, by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, and further opening up the Rakuten Ecosystem. The Internet shopping mall “Rakuten Ichiba” saw an uplift in transaction volume due to increased demand for e-commerce following the growth in so-called “stay-at-home consumption” triggered by the voluntary restraints on outings intended to prevent the spread of COVID-19. The online travel booking service, “Rakuten Travel”, was affected by a slump in reservations and a series of cancellations due to factors including the voluntary restraint on outings and the declaration of a state of emergency. However, revenue improved particularly in the third quarter onward, benefiting mainly from the government’s “Go To Travel” program launched in July 2020. Income improved as a result of measures including cost efficiency improvements.

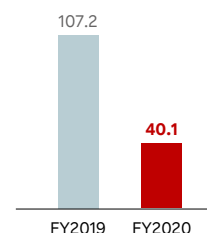
Segment revenue

(billions of yen)



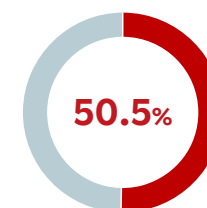
Segment profit

(billions of yen)



Sales composition ratio

(excluding adjustments)



Main businesses

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

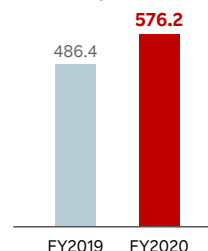


Fintech

In the Fintech segment in FY2020, credit card related services saw an expansion of Rakuten Card’s membership base to 21 million in November 2020. Growth in transaction value contributed to increases in revenue and profit, which led the transaction value of credit card shopping to exceed ¥11 trillion for the fiscal year ended December 31, 2020. In banking services as well, the number of newly acquired bank accounts rose steadily, leading to increased income from service transactions, etc. and contributing to revenue growth. Similarly, in securities services, the number of newly opened accounts continued to rise significantly, topping 5 million in December 2020, and at the same time, domestic shares and FX trading commissions rose. The resulting increase in commission earnings mainly contributed to higher revenue and profit.

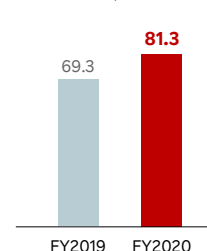
Segment revenue

(billions of yen)



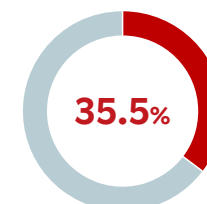
Segment profit

(billions of yen)



Sales composition ratio

(excluding adjustments)



Main businesses

- Rakuten Card
- Rakuten Bank
- Rakuten Securities
- Rakuten Life Insurance
- Rakuten General Insurance
- Rakuten Pay

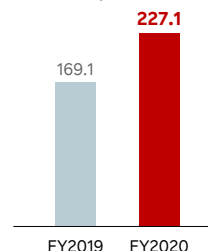


Mobile

The Mobile segment in FY2020, following the launch of the full-scale mobile services in April 2020, commenced 5G services in September. It is accelerating the installment of base stations and expanding its service area with its own network while seeking to improve its network quality. Digital contents services, which include e-book and video streaming services, continue to expand their customer base, fueled by expanding demand for online content services amid the COVID-19 crisis in particular.

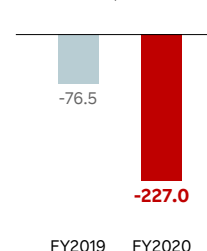
Segment revenue

(billions of yen)



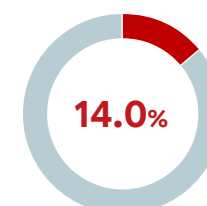
Segment profit

(billions of yen)



Sales composition ratio

(excluding adjustments)



Main businesses

- Communications (Rakuten Mobile, etc.)
- Messaging service (Rakuten Viber)
- E-book service (Rakuten Kobo)

Financial Section

10-year Key Financial Data

		JGAAP		IFRS							
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	(Millions of Yen)	¥ 379,900	¥ 400,444	¥ 518,568	¥ 598,565	¥ 713,555	¥ 781,916	¥ 944,474	¥ 1,101,480	¥ 1,263,932	¥ 1,455,538
Non-GAAP Operating Income	(Millions of Yen)	0	0	103,344	118,092	152,153	119,615	167,010	161,130	95,129	(102,667)
Operating Income	(Millions of Yen)	70,789	50,055	90,244	106,397	94,689	78,512	149,344	170,425	72,745	(93,849)
Income (loss) before income tax	(Millions of Yen)	—	49,106	88,610	104,691	94,076	74,458	138,082	165,423	(44,558)	(151,016)
Net income (loss)	(Millions of Yen)	(2,287)	21,136	43,481	71,412	45,885	38,435	110,488	141,889	(33,068)	(115,838)
Comprehensive income (loss)	(Millions of Yen)	(7,706)	31,574	67,881	122,847	52,725	20,106	100,981	124,452	(42,818)	(132,401)
Equity attributable to owners of the Company	(Millions of Yen)	231,025	235,942	300,063	424,020	666,111	682,391	683,181	774,473	735,672	(608,738)
Total assets	(Millions of Yen)	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	12,524,438
"Equity attributable to owners of the Company per share"	(Yen)	170.89	179.48	227.70	320.60	467.65	478.40	507.32	572.83	542.43	446.78
Basic earnings (losses) per share	(Yen)	(1.74)	15.59	32.60	53.70	33.50	26.96	80.03	105.43	(23.55)	(84.00)
Diluted earnings (losses) per share	(Yen)	—	15.56	32.41	53.38	33.25	26.74	79.28	104.38	(23.55)	(84.00)
Equity attributable to owners of the Company ratio	(%)	11.7	10.3	9.3	11.5	15.6	14.8	11.0	10.5	8.0	4.9
"Net income to equity attributable to owners of the Company ratio"	(%)	(1.0)	9.2	16.0	19.5	8.4	5.7	16.2	19.5	(4.2)	(17.0)
Price earnings ratio	(Times)	—	43.2	48.0	31.3	41.9	42.5	12.9	7.0	—	—
Cash flows from operating activities	(Millions of Yen)	27,585	104,687	1,485	111,860	78,245	30,700	162,056	145,615	318,320	1,041,391
Cash flows from investing activities	(Millions of Yen)	56,351	67,440	30,584	(261,085)	(224,078)	(26,841)	(203,718)	(67,569)	(286,290)	(303,347)
Cash flows from financing activities	(Millions of Yen)	(34,648)	(56,820)	75,252	189,512	221,831	45,200	194,458	208,418	458,340	808,108
Cash and cash equivalents at end of the year	(Millions of Yen)	149,752	270,114	384,008	428,635	501,029	548,269	700,881	990,242	1,478,557	3,021,306
Employees	(Persons)	7,615	9,311	10,867	11,723	12,981	14,134	14,845	17,214	20,053	23,841

(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 2020.

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 Statements of Financial Position

(Millions of Yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Cash and cash equivalents	¥ 1,478,557	¥ 3,021,306
Accounts receivable – trade	222,485	243,886
Financial assets for securities business	1,976,009	2,673,229
Loans for credit card business	1,828,216	2,033,013
Investment securities for banking business	272,711	266,227
Loans for banking business	1,049,993	1,436,513
Investment securities for insurance business	287,200	283,969
Derivative assets	28,050	32,644
Investment securities	163,259	275,236
Other financial assets	390,234	492,686
Investments in associates and joint ventures	177,199	58,072
Property, plant and equipment	376,424	684,110
Intangible assets	609,450	639,589
Deferred tax assets	80,153	126,203
Other assets	225,757	257,755
Total assets	9,165,697	12,524,438
Liabilities		
Accounts payable – trade	329,483	337,427
Deposits of banking business	3,160,748	4,716,162
Financial liabilities for securities business	1,860,645	2,587,227
Derivative liabilities	10,172	78,318
Bonds and borrowings	1,727,096	2,487,457
Other financial liabilities	820,440	1,131,505
Income tax payable	12,952	8,700
Provisions	109,845	162,579
Insurance business policy reserves	318,090	285,336
Employee retirement benefit liabilities	11,374	19,272
Deferred tax liabilities	2,049	1,920
Other liabilities	65,603	79,521
Total liabilities	8,428,497	11,895,424
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	205,924
Capital surplus	224,379	227,844
Retained earnings	413,603	290,449
Treasury stock	(92,305)	(84,941)
Other components of equity	(15,929)	(30,538)
Total equity attributable to owners of the Company	735,672	608,738
Non-controlling interests	1,528	20,276
Total equity	737,200	629,014
Total liabilities and equity	9,165,697	12,524,438

Consolidated Statements of Income

(Millions of Yen)

	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)
Continuing Operations		
Revenue	¥ 1,263,932	¥ 1,455,538
Operating expenses	1,266,902	1,579,630
Other income	86,901	54,483
Other expenses	11,186	24,240
Operating income (loss)	72,745	(93,849)
Financial income	3,642	60,150
Financial expenses	9,027	79,607
Share of loss of investments in associates and joint ventures	(111,918)	(37,710)
Loss before income tax	(44,558)	(151,016)
Income tax expense	(11,490)	(35,178)
Net income (loss)	(33,068)	(115,838)
Net income (loss) attributable to:		
Owners of the parent company	(31,888)	(114,199)
Non-controlling interests	(1,180)	(1,639)
Net loss	(33,068)	(115,838)
		(Yen)
Earnings (losses) per share attributable to owners of the parent company		
Basic	¥ (23.55)	¥ (84.00)
Diluted	(23.55)	(84.00)

Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)
Net loss	¥ (33,068)	¥ (115,838)
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	16,505	(18,898)
Income tax effect of gains or losses on equity instruments measured at fair value through other comprehensive income	(4,061)	4,680
Remeasurement of insurance business policy reserves based on current market interest rates	(4,582)	2,684
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	1,283	(752)
Remeasurement of defined benefit plans	(1,257)	(1,434)
Income tax effect of remeasurement of defined benefit plans	376	439
Other comprehensive income of investments in associates and joint ventures	25	(57)
Total items that will not be reclassified to net income	8,289	(13,338)
Items that may be reclassified to net income		
Foreign currency translation adjustments	(11,211)	(18,415)
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	154	7,578
Corporate income tax on foreign currency translation adjustments	1,166	(1,166)
Gains on debt instruments measured at fair value through other comprehensive income	1,560	1,616
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	(123)	34
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(1,420)	(254)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	7	(403)
Losses on cash flow hedges recognized in other comprehensive income	(1,652)	(766)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	431	239
Gains on cash flow hedges reclassified from other comprehensive income to net income	649	3,893
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(136)	(1,208)
Other comprehensive income of investments in associates and joint ventures	(7,464)	(2,015)
Reclassified from other comprehensive income to net income for the investments in associates and joint ventures	—	7,642
Total items that will be reclassified to net income	(18,039)	(3,225)
Other comprehensive income, net of tax	(9,750)	(16,563)
Comprehensive income (loss)	(42,818)	(132,401)
Comprehensive income (loss) attributable to		
Owners of the Company	¥ (41,643)	¥ (131,130)
Non-controlling interests	(1,175)	(1,271)
Comprehensive income (loss)	(42,818)	(132,401)

Consolidated Statements of Changes in Equity

(Millions of Yen)

	Other components of equity													Total 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	Remeasurement of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests		
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 loss	—	—	(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 with the exercise of share options	—	(4,927)	—	4,995	—	—	—	—	—	—	68	—	68	
Issuance of shares	—	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 shares	—	—	—	—	—	—	—	—	—	—	—	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	

(Millions of Yen)

As of January 1, 2020	¥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
Comprehensive income													
Net loss	—	—	(114,199)	—	—	—	—	—	—	—	(114,199)	(1,639)	(115,838)
Other comprehensive income, net of tax	—	—	—	—	(6,806)	(13,221)	2,158	1,933	(995)	(16,931)	(16,931)	368	(16,563)
Total comprehensive income	—	—	(114,199)	—	(6,806)	(13,221)	2,158	1,933	(995)	(16,931)	(131,130)	(1,271)	(132,401)
Transactions with owners													
Contributions by and distributions to owners													
Cash dividends paid	—	—	(6,103)	—	—	—	—	—	—	—	(6,103)	—	(6,103)
Reclassified from other components of equity to retained earnings	—	—	(2,322)	—	—	2,322	—	—	—	2,322	—	—	—
Disposal of treasury stock with the exercise of share options	—	(7,364)	—	7,364	—	—	—	—	—	—	0	—	0
Issuance of share acquisition rights	—	11,014	—	—	—	—	—	—	—	—	11,014	—	11,014
Forfeiture of share acquisition rights	—	(187)	187	—	—	—	—	—	—	—	—	—	—
Others	—	—	(717)	—	—	—	—	—	—	—	(717)	—	(717)
Total contributions by and distributions to owners	—	3,463	(8,955)	7,364	—	2,322	—	—	—	2,322	4,194	—	4,194
Changes in ownership interests in subsidiaries													
Issuance of shares	—	—	—	—	—	—	—	—	—	—	—	309	309
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	18,840	18,840
Others	—	2	—	—	—	—	—	—	—	—	2	870	872
Total changes in ownership interests in subsidiaries	—	2	—	—	—	—	—	—	—	—	2	20,019	20,021
Total transactions with owners	—	3,465	(8,955)	7,364	—	2,322	—	—	—	2,322	4,196	20,019	24,215
As of December 31, 2020	¥205,924	¥227,844	¥290,449	¥(84,941)	¥(22,698)	¥(1,230)	¥939	¥(5,626)	¥(1,923)	¥(30,538)	¥608,738	¥20,276	¥629,014

Consolidated Statements of Cash Flows

	(Millions of Yen)	
	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)
Cash flows from operating activities		
Loss before income tax	¥ (44,558)	¥ (151,016)
Depreciation and amortization	106,370	151,506
Impairment loss	4,641	7,591
Other loss (income)	55,297	(19,413)
Decrease (Increase) in operating receivables	(47,356)	(33,425)
Decrease (Increase) in loans for credit card business	(364,138)	(204,590)
Increase (Decrease) in loans for credit card business	805,850	1,555,229
Net decrease (increase) in call loans for banking business	(15,000)	15,000
Decrease (Increase) in loans for banking business	(158,068)	(386,520)
Increase in operating payables	73,658	20,954
Decrease (Increase) in financial assets for securities business	(186,289)	(697,382)
Increase (Decrease) in financial liabilities for securities business	107,535	726,799
Others	12,290	81,588
Income tax paid	(31,912)	(24,930)
Net cash flows from operating activities	318,320	1,041,391
Cash flows from investing activities		
Payments in time deposits	(9,708)	(9,095)
Decrease in time deposits	10,929	10,008
Purchases of property, plant and equipment	(108,065)	(279,278)
Purchases of intangible assets	(99,173)	(105,796)
Acquisitions of subsidiaries	(12,332)	(22,062)
Proceeds from sales of subsidiaries	—	62,599
Acquisition of investments in associates and joint ventures	(9,273)	(15,119)
Purchases of investment securities for banking business	(383,885)	(467,460)
Proceeds from sales and redemption of investment securities for banking business	316,698	473,499
Purchases of investment securities for insurance business	(150,338)	(75,676)
Proceeds from sales and redemption of investment securities for insurance business	161,501	60,327
Purchases of investment securities	(26,057)	(7,436)
Proceeds from sales and redemption of investment securities	53,740	38,036
Proceeds from sales and redemption of other financial assets	831	14,081
Other payments	(42,077)	(15,314)
Other proceeds	10,919	35,339
Net cash flows from investing activities	(286,290)	(303,347)

	(Millions of Yen)	
	Fiscal year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	¥ 107,701	¥ 411,279
Net increase in commercial papers	18,500	135,500
Proceeds from long-term borrowings	490,805	424,590
Repayments of long-term borrowings	(324,166)	(324,141)
Proceeds from issuance of bonds	215,516	148,900
Redemptions of bonds	(20,000)	(40,000)
Proceeds from sale of shares by forward contract	—	75,348
Repayments of lease liabilities	(17,577)	(34,476)
Cash dividends paid	(6,113)	(6,103)
Others	(6,326)	17,211
Net cash flows from financing activities	458,340	808,108
Effect of change in exchange rates on cash and cash equivalents	(2,055)	(3,403)
Net increase (decrease) in cash and cash equivalents	488,315	1,542,749
Cash and cash equivalents at the beginning of the year	990,242	1,478,557
Cash and cash equivalents at the end of the year	1,478,557	3,021,306

ESG (Environmental, Social, Governance) Data

Item		Coverage	Unit	FY2018	FY2019	FY2020
Environmental Data						
CO ₂ emissions	Scope 1	Rakuten Group	t-CO ₂	1,152	2,591	2,705
	Scope 2 (location-based)	Rakuten Group	t-CO ₂	23,052	65,235	93,192
	Scope 2 (market-based)	Rakuten Group	t-CO ₂	22,329	50,564	66,494
	Scope 3	Rakuten Group* ¹	t-CO ₂	380,073	643,845	1,045,127
Energy consumption	Total	Rakuten Group	MWh	65,677	140,507	192,777
Waste generation* ²	Total	Rakuten Group	t	2,139	4,308	5,231
Water consumption	Total	Rakuten Group	1,000Nm ³	183	253	215

*1 Data for FY2018 and FY2019 is for Rakuten Group, Inc.

*2 Boundaries for waste generation limited to: large scale offices, fulfillment centers, stadiums, factories

Social Data							
Total no. of employees			Rakuten Group	People	17,214	20,053	23,841
Region	Japan	Total	Rakuten Group	People	12,053	14,375	18,128
	APAC (excluding Japan)	Total	Rakuten Group	People	1,264	1,617	1,893
	Americas	Total	Rakuten Group	People	2,749	2,877	2,939
	EMEA	Total	Rakuten Group	People	1,148	1,184	881
Contract	Permanent	Total	Rakuten Group	People	15,966	18,531	22,078
	Temporary	Total		People	1,248	1,522	1,763
Total no. of employees that were entitled to parental leave			Rakuten Group, Inc.	People	297	480	350
Gender	Female	Total	Rakuten Group, Inc.	People	55	142	83
	Male	Total	Rakuten Group, Inc.	People	242	338	267
Total no. and percentage of employees that took parental leave			Rakuten Group, Inc.	People	77	202	128
Gender	Female	Total		People	51	139	79
		Rate		%	92.7	97.9	95.2
	Male	Total	Rakuten Group, Inc.	People	26	63	49
		Rate		%	10.7	18.6	18.0
Return to work rate after parental leave							
Gender	Female	Rate	Rakuten Group, Inc.	%	90	91	98
	Male	Rate	Rakuten Group, Inc.	%	100	90	100
		Days granted	Rakuten Group, Inc.	Days	13.9	15.4	13.1
Average annual paid vacation per employee		Days taken	Rakuten Group, Inc.	Days	11	12	8
		Rate	Rakuten Group, Inc.	%	79.1	78.7	61.2
Average hours of training per employee		Average	Rakuten Group, Inc.	Hours	63.4	68.8	54.9

Item		Coverage	Unit	FY2018	FY2019	FY2020	
% of employees who received a regular performance and career development review		Rate	Rakuten Group, Inc.	%	100	100	100
Total no. of employees in each of the following diversity categories		Total	Rakuten Group, Inc.	People	6,888	7,698	9,090
Age	Under 30 years old	Total	Rakuten Group, Inc.	People	2,135	2,841	3,178
	30–50 years old	Total	Rakuten Group, Inc.	People	4,556	4,619	5,677
	Over 50 years old	Total	Rakuten Group, Inc.	People	197	238	234
Gender	Female	Total	Rakuten Group, Inc.	People	2,591	2,999	3,598
	Male	Total	Rakuten Group, Inc.	People	4,297	4,699	5,492
Nationality	Japanese	Total	Rakuten Group, Inc.	People	5,305	5,920	7,116
	Non-Japanese	Total	Rakuten Group, Inc.	People	1,583	1,778	1,974
Average age		Average	Rakuten Group, Inc.	Years	34.4	34.4	33.8
Average length of service		Average	Rakuten Group, Inc.	Years	4.7	4.6	4.5
Employment rate of people with disabilities		Rate	Rakuten Group	%	2.01	2.47	2.32
Total no. of managers in each of the following diversity categories		Total	Rakuten Group, Inc.	People	2,639	2,809	1,108
Gender	Female	Total	Rakuten Group, Inc.	People	553	676	237
	Male	Total	Rakuten Group, Inc.	People	2,086	2,133	871
Nationality	Japanese	Total	Rakuten Group, Inc.	People	2,076	2,174	951
	Non-Japanese	Total	Rakuten Group, Inc.	People	563	635	157
Total no. of employee fatalities		Total	Rakuten Group, Inc.	People	0	0	0
Lost-time injury frequency rate*3		Rate	Rakuten Group, Inc.	n/million hours worked	0	0	0
Occupational disease frequency rate*4		Rate	Rakuten Group, Inc.	n/million hours worked	0.1	0	0

*3 Calculation method: (Number of employees absent from work for one day or more or who have lost function of part of their body due to a work-related injury x 1,000,000)/total working hours

*4 Calculation method: (Number of employees absent from work for one day or more or who have lost function of part of their body due to a work-related illness x 1,000,000)/total working hours

Governance Data							
Board of Directors	No. of directors	Total	Rakuten Group, Inc.	People	7	7	9
	No. of female directors	Total	Rakuten Group, Inc.	People	1	1	1
	No. of external directors	Total	Rakuten Group, Inc.	People	4	4	5
	No. of independent directors	Total	Rakuten Group, Inc.	People	3	4	5
Board of Company Auditors	No. of directors	Total	Rakuten Group, Inc.	People	4	4	4
	No. of external directors	Total	Rakuten Group, Inc.	People	4	3	3
	No. of independent directors	Total	Rakuten Group, Inc.	People	2	3	3

The above data is accurate at the time of the creation of this report. For the latest data, please visit the Sustainability page on our Corporate website. (<https://global.rakuten.com/corp/sustainability/>)

Awards and Recognition

Rakuten's sustainability and transparency efforts have been recognized by various external organizations both in Japan and globally.

MSCI Indexes*

Rakuten has been selected as a constituent for the following MSCI ESG indexes composed of companies promoting high levels of gender diversity: MSCI Japan Empowering Women Index (WIN), and MSCI Japan Empowering Women (WIN) Select Index.

* The inclusion of Rakuten Group, 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 Group, 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 trademarks or service marks of MSCI or its affiliates.

FTSE4Good Index Series

Rakuten has been selected as a constituent for the following FTSE Russell ESG indexes comprising companies demonstrating strong ESG practices: FTSE4Good Index Series and FTSE Blossom Japan Index.

Dow Jones Sustainability Indices

In 2020, Rakuten was included for the first time in the Dow Jones Sustainability World Index and for the second consecutive year in the Dow Jones Sustainability Asia Pacific Index. Jointly developed by S&P Dow Jones Indices and Switzerland-based RobecoSAM, these indexes consist of companies that excel in long-term sustainability strategies and practices.

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

CDP

In 2020, Rakuten was selected for the first time for inclusion on the CDP Climate Change A List, the CDP's highest rating, earned through an annual corporate survey conducted by the international nonprofit organization. CDP is widely recognized as a global standard for climate-related information disclosure by businesses.



S&P/JPX Carbon Efficient Index

Rakuten has been consecutively selected as a component of the S&P/JPX Carbon Efficient Index and is ranked within the first decile, considered highly carbon-efficient among the Retailing constituents. The Index is designed to measure the performance of companies in the Tokyo Stock Price Index (TOPIX), overweighting or underweighting those companies that have lower or higher levels of carbon emissions per unit of revenue.



Eco-First Certification

Rakuten was certified as an Eco-First company by the Japanese Ministry of the Environment in 2020. The certification recognizes companies engaged in advanced and independent industry-leading business activities with regard to the environment.



Certified Health & Productivity Management Organization

Rakuten was recognized under the 2021 Certified Health & Productivity Management Organization Recognition Program by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for its efforts to enhance employee wellness.



Work with PRIDE Index

Rakuten has achieved Gold Level for five consecutive years in the PRIDE Index of "work with Pride," an organization that promotes LGBT diversity-management initiatives in Japan.



Corporate Information

(As of December 31, 2020)

*The Company changed its name effective April 1, 2021.

Corporate Overview

Name	Rakuten Group, 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
Employees	Non-consolidated: 7,390 Consolidated: 23,841

Stock Information

Company Name	Rakuten Group, 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
Place of Share Handling Business	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

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 Group, 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 world "Rakuten," which means "optimism" or "positive spirit." The name Rakuten Ichiba literally means a "market of positive spirit," where shopping is entertainment. These words symbolize the driven, forward-looking nature of our business. That is why we named our company Rakuten Group, 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



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/>



Sustainability

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

Editorial Postscript

Thank you for taking the time to read our 2020 Corporate Report. In publishing this report, we would like to express our gratitude to everyone who has supported the Rakuten Group over the years. 2020 was a year of great change, as the spread of COVID-19 affected society, the economy, and people's values and lives. Under these circumstances, we created each section of this report to convey our commitment of contributing to society and creating a more prosperous world together with all of our stakeholders.

As people's behavior patterns have changed, digitalization is accelerating in a variety of industries. Through this report, we hope that our stakeholders can gain a better understanding of Rakuten's strengths in the new normal age and how our values of innovation and empowerment are reflected in our businesses and initiatives. We sincerely appreciate your continued support.

All members of IR Department and Sustainability Department