Empowering Japan, Empowering the World

CORPORATE REPORT 2021

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 2021 contains both financial data and information about environmental, social and governance (ESG) initiatives. Nonfinancial 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 the Rakuten Group.

<Target audience>
Stakeholders, including shareholders and investors.

<Period covered by the report>
This report covers the 2021 fiscal year (January 1, 2021–December 31, 2021), but it also includes references to activities in FY2022.

Aiming to Build a Sustainable Society with Our Stakeholders

Sustainability is a concept embedded in our corporate culture.

Rakuten was established with the mission of empowering society by creating value through innovation and entrepreneurship with partners who share our vision.

We have since grown into a global company, yet this fundamental idea of providing services that support and enrich people's lives is unchanged. We continue working to contribute to the creation of a sustainable society through the power of innovation and partnership.

Transforming and Enriching Society through the Creation of New Value

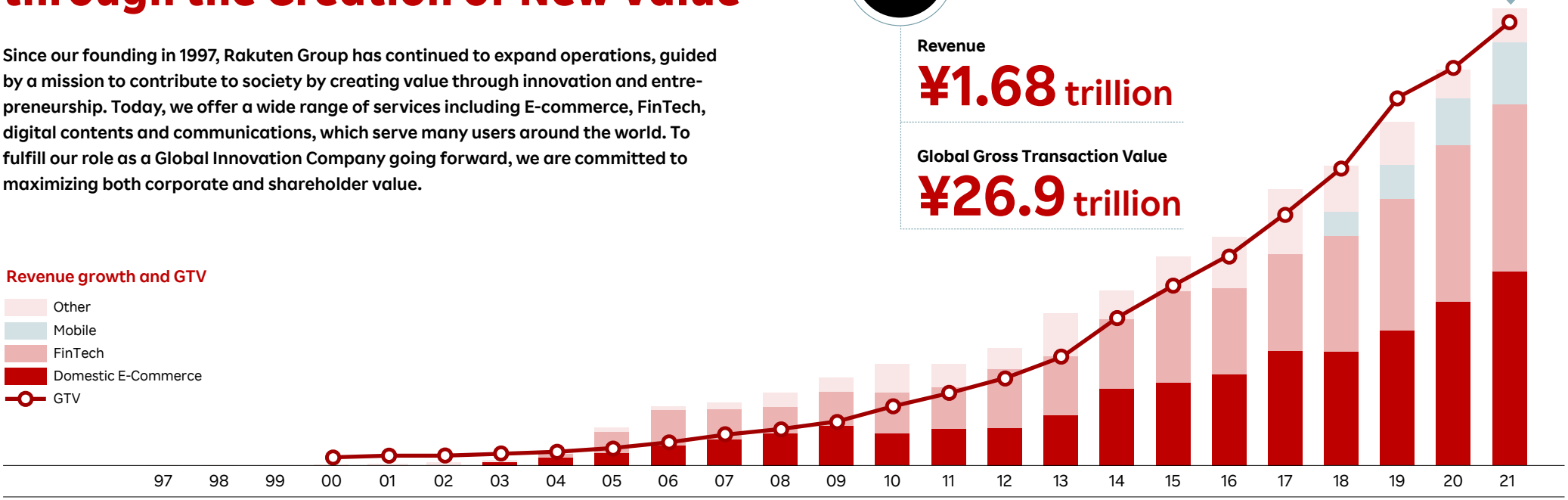
Since our founding in 1997, Rakuten Group has continued to expand operations, guided by a mission to contribute to society by creating value through innovation and entrepreneurship. Today, we offer a wide range of services including E-commerce, FinTech, digital contents and communications, which serve many users around the world. To fulfill our role as a Global Innovation Company going forward, we are committed to maximizing both corporate and shareholder value.

2021

Revenue
¥1.68 trillion

Global Gross Transaction Value
¥26.9 trillion

Revenue growth and GTV



E-Commerce
▶1997 Rakuten Ichiba
▶2014 Rakuten Rewards (Ebates)

Life & Leisure
▶2001 Rakuten Travel

Securities
▶2003 Rakuten Securities

Sports & Culture
▶2004 Tohoku Rakuten Golden Eagles
▶2014 Vissel Kobe
▶2019 Rakuten Monkeys

Card & Payment
▶2004 Rakuten Card
▶2010 Rakuten Edy
▶2019 Rakuten Wallet

Ads & Media
▶2005 Rakuten Marketing
▶2014 Rakuten Viber
▶2017 Rakuten Data Marketing

Mobile
▶2007 Rakuten Communications
▶2014 Rakuten Mobile (MVNO)
▶2019 Rakuten Mobile (MNO)
▶2021 Rakuten Symphony

Bank
▶2009 Rakuten Bank

Digital Content
▶2012 Rakuten Kobo, Rakuten TV
▶2013 Rakuten Viki
▶2022 Rakuten NFT

Insurance
▶2012 Rakuten Life Insurance
▶2018 Rakuten General Insurance

* For the Rakuten Ecosystem color categories, see “Rakuten Group’s Value Creation Process” on page 4.

Rakuten Group's Value Creation Process

Rakuten Group has around 1.6 billion members globally, and over 100 million Rakuten IDs in Japan. The Rakuten Ecosystem connects a diverse array of over 70 services including Internet FinTech and mobile offerings both in Japan and abroad.

Philosophy

MISSION
Contribute to Society by Creating Value through Innovation and Entrepreneurship

VISION
Global Innovation Company

VALUE AND PRINCIPLES
Rakuten Shugi (Rakuten Basic Principles)

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Rakuten Ecosystem

Sustainability Policy

Corporate Governance P.40

Strategy

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- Sustainability Strategy

Value Creation

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- Economic Value
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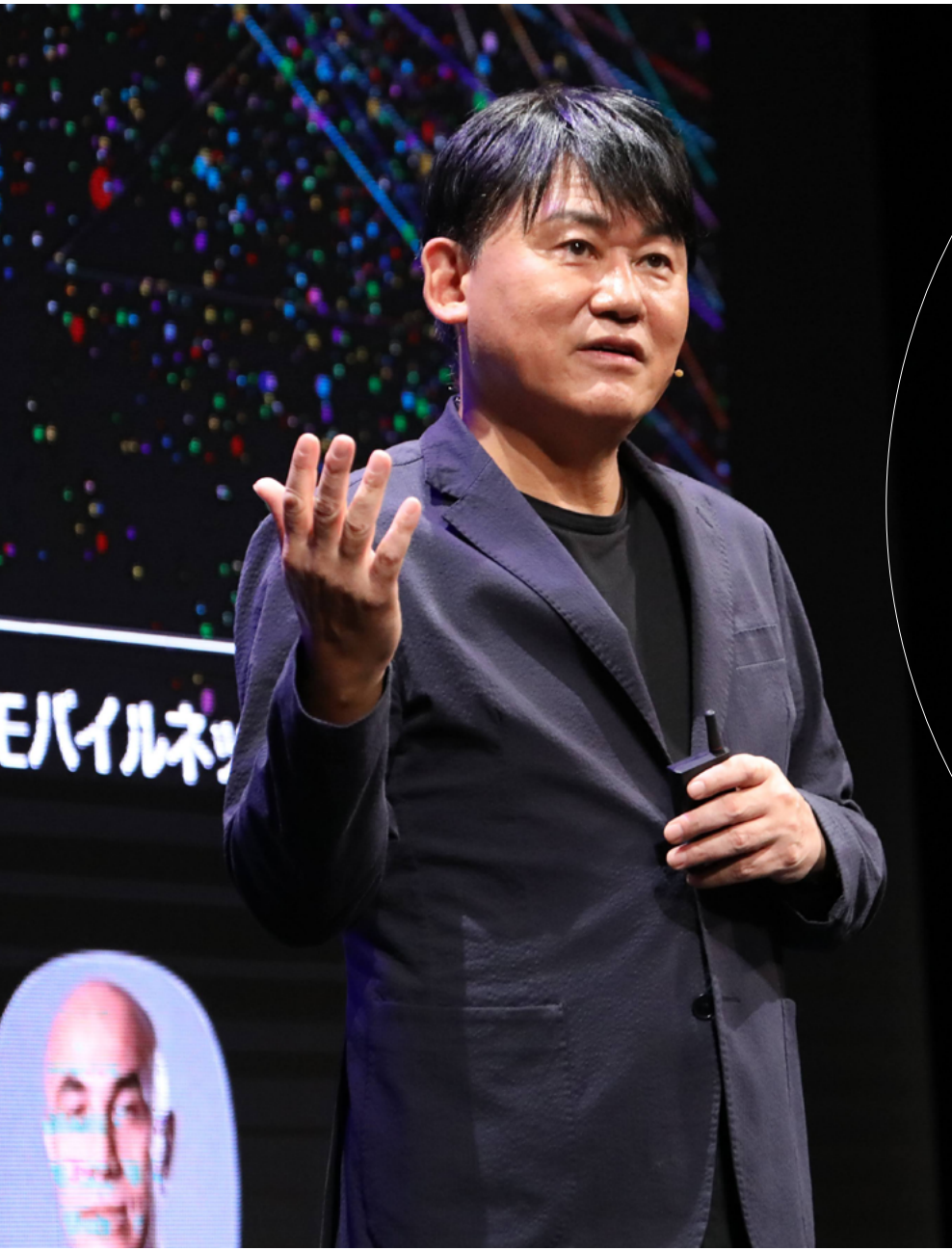
CEO Message



Toward Massive Expansion of the Rakuten Ecosystem

As our domestic E-commerce gross merchandise sales (GMS) surpassed the five trillion yen mark, and in February 2022, Rakuten Mobile's 4G population coverage reached 96% – four years ahead of the target we set in our initial proposal to the Japanese government - FY2021 was a year of great progress for the Rakuten Group. And we will continue to empower society through innovation and further growth of the Rakuten Ecosystem.

Hiroshi Mikitani
Chairman and CEO

On Rakuten's 25th anniversary

In 2022, the Rakuten Group celebrates 25 years since founding. From the beginning, we have been true to our core mission of *empowerment* and strived to grow together with our many stakeholders.

In those early days of 1997, few believed that people would buy things on the internet. We launched Rakuten Ichiba because we believed that the internet would flourish, and that E-commerce would become fundamental to the everyday lives of many.

Today, the internet is integral to so many facets of life. We can hardly imagine our social infrastructure without it. As digital transformation advances across every industry, every aspect of our lives will soon be connected to the internet in some way. The Rakuten Ecosystem has also grown beyond E-commerce, to include a wide range of businesses from FinTech to mobile. In line with our mission to contribute to society by creating value through innovation and entrepreneurship, we are committed to continuing to drive transformational change across society.

FY2021 Key Highlights

Global GTV	Domestic EC GMS	Global Membership	Domestic Membership
¥26.9 tn	¥5.0 tn	1.6 bn	100+ mm
+20.5% YoY	+10.4% YoY	(End of Dec/21)	(End of Dec/21)

Consolidated Revenue	Rakuten Card Holders	Rakuten Card GTV	Rakuten Bank Accounts
¥1.7 tn	25 mm	¥14.5 tn	12 mm
+15.5% YoY	(End of Dec/21)	+25.3% YoY	(Jan/22)

Surpassing five trillion yen in domestic EC GMS*1 for FY2021

Since 2020, the impact of the COVID-19 pandemic has been felt socially, economically and in people's everyday lives. Every industry saw the lines between online and off-line begin to blur. Rakuten Group's E-commerce has grown significantly, even into the second year of the pandemic's impact in FY2021, and our shopping GMS*2 centered around Rakuten Ichiba continues to steadily expand. In the fourth quarter, our shopping E-commerce revenue grew another 11.7% year-on-year – on top of the 45.2% growth we saw in the same quarter a year earlier – resulting in a strong two-year CAGR growth rate of 27.4%. This can be attributed to the successful retention of the new and returning users we acquired in 2020, along with increases in both purchase frequency and per-purchase amount.

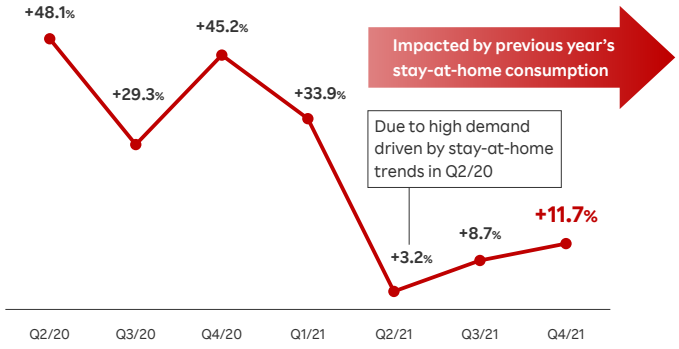
Thanks to this strong growth, we surpassed five trillion yen in domestic E-commerce GMS in FY2021. The E-commerce share of Japan's retail market is still low compared to Europe, the Americas and parts of Asia, and we do see room for substantial further growth. As the market expands organically, we are also looking to accelerate our own growth by improving convenience for users through UI and UX enhancements and the implementation of strategies tailored to product categories. We are already making solid progress toward achieving our next domestic E-commerce GMS target of ten trillion yen.

*1 Domestic E-commerce GMS is the combined transaction amount for Rakuten Ichiba, Rakuten Travel (GTV on checkout basis), Rakuten Books, Rakuten Books network, Rakuten Kobo (domestic), golf business, Rakuten Fashion, Rakuten Dream businesses, Rakuten Beauty, Rakuten Delivery, Rakuten 24 and other first-party daily necessities shops, auto business, Rakuma, Rakuten Rebates, Rakuten Seiyu Netsuper, cross border trading, etc. (*Excludes some tax-exempt businesses, includes consumption tax.)

*2 Shopping E-commerce = Rakuten Ichiba + 1st Party (Rakuten Fashion, Rakuten Books, Rakuten 24 and other direct daily necessities shops, Rakuten Seiyu Netsuper) + Open EC (Rakuten Rebates, Rakuten Pay online payments) + Rakuma.

Shopping E-Commerce GMS

High growth rate maintained, even after factoring in the impact of increased demand due to previous stay-at-home trends.



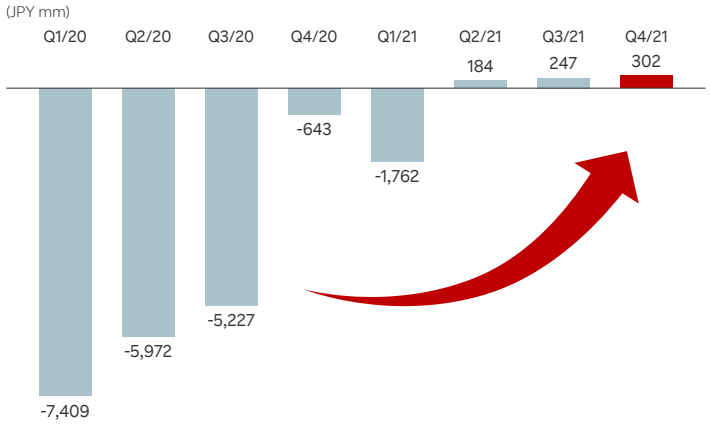
Q4/21 2Y CAGR
+27.4%

Sports and global businesses drive growth in Other Internet Services

This year saw significant improvements in the business performance of the Other Internet Services segment, which includes our sports and global businesses. Excluding corporate venture capital business Rakuten Capital, the non-GAAP operating income for the segment rose by 18.2 billion yen compared to the previous year, and achieved profitability in the second quarter of this year. This result can be attributed to the improved performance of our cashback site Rakuten Rewards (formerly Ebates), which was affected by the pandemic in 2020, along with our professional sports teams the Tohoku Rakuten Golden Eagles and Vissel Kobe. These improvements were achieved through focused initiatives including a new Business Portfolio Committee, formed with the specific task of guiding these businesses to profitability by monitoring areas such as Group synergy and the economic performance of investments. In response to the ongoing humanitarian crisis in Ukraine, we have offered free calls on Rakuten Viber and paused advertising on the service in the region. This is having a temporary effect on performance, but our business foundation continues to grow steadily.

Improved Profitability of Other Internet Services

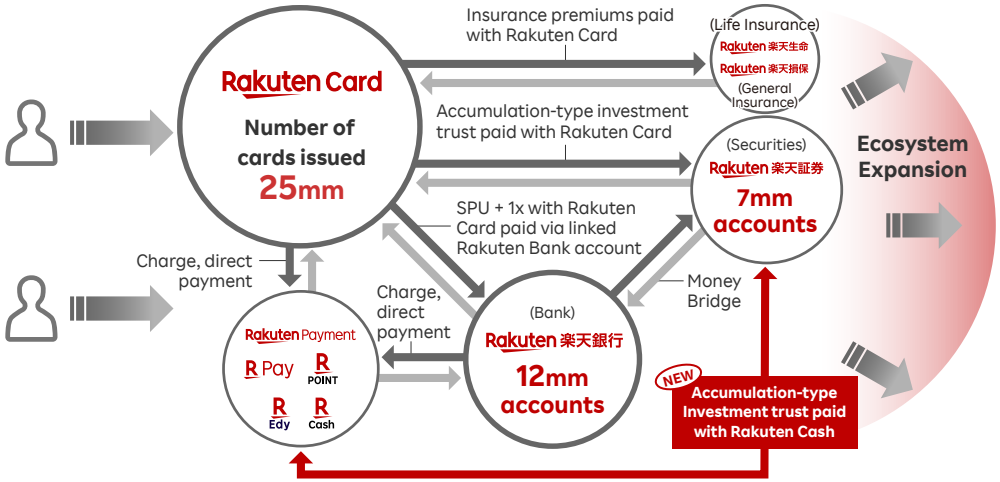
Other Internet Services operating profit (Excluding gain/loss from minority investment)



Customer growth in FinTech services leads the industry

The customer bases of the Rakuten Group's FinTech services are growing at an accelerated pace that leads their respective industries. As of the end of December 2021, Rakuten Card had issued 25 million credit cards; 7 million Rakuten Securities accounts had been opened; and Rakuten Bank accounts reached 12 million in January 2022. These results can be attributed to the synergy

Overall FinTech Strategy



we have created, not only between our different FinTech services, but also other Group services like Rakuten Ichiba.

For example, Rakuten Securities users can purchase investment products using their Rakuten Card, through which they can earn Rakuten Points. Or, they can use Rakuten Points to make the purchase. It is also possible to make an automatic transfer of funds from a Rakuten Bank account via the Money Bridge service. Offering such a high level of freedom and convenience is helping us to acquire new customers and improving user loyalty. At the same time, on Rakuten Ichiba, as of the end of December 2021, 70% of GMS came through purchases made with Rakuten Card – up from around 30% a decade ago – and this ratio continues to rise.

Each year, we continue to enhance the Group synergy of our FinTech services to maintain the industry-leading growth of the customer bases of Rakuten Card, Rakuten Securities and Rakuten Bank.

Rakuten Card: The road to Triple 3

Japan's cashless payments rate* sits at around 30%, which is low in comparison with many other countries. The Japanese government has set a goal to raise this rate to 40% by 2025, and 80% in the longer term, and so we are confident that there is still plenty of potential for growth. Cashless methods such as QR code payments have seen significant growth in Japan, while credit

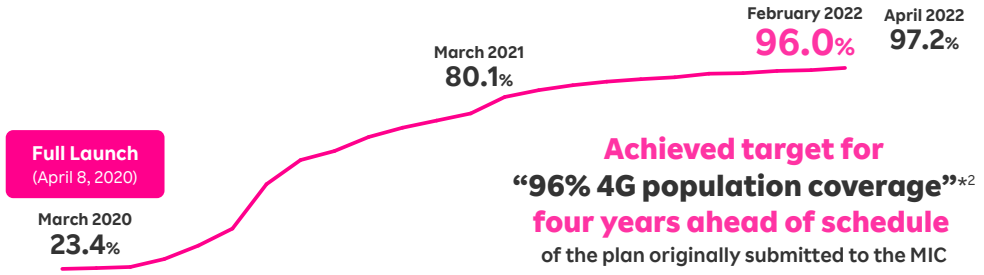
cards are still the most widely-used option, making up over 90% of all cashless transactions.

This is the business environment in which Rakuten Card's shopping gross transaction volume (GTV) has maintained a growth rate exceeding that of the industry average, reaching ¥14.5 trillion in FY2021 – 25.3% more than the previous year. The card's market share is now more than 20% – double what it was five years ago - and still rising steadily. Just as Rakuten Card usage is growing both within and outside Rakuten Group services, Rakuten Points can also be earned and used at an expanding range of outlets outside the Rakuten Group, including convenience stores and restaurants, and this high level of convenience has boosted user loyalty even further.

This is the background to our 'Triple 3' goal for Rakuten Card: 30 million cards issued, ¥30 trillion in shopping GTV and 30% GTV share – and we are making strong progress toward each of these targets. Through a combination of enhancing user convenience and maximizing Group synergy, we are working toward early achievement of this target.

*Source: METI, "Points for discussion at the FY2021 forum based on the interim report."

Rakuten 4G Network Population Coverage*1



*1 Night-time population coverage ratio
*2 In certain limited areas, as measures are still underway to close public service radio stations, only 5 MHz of bandwidth are available for the service. Once these closures are completed, 20 MHz of bandwidth will become available for service in these areas.

Democratizing the mobile market with Rakuten Mobile

We built Rakuten Mobile from the ground up. When the Ministry of Internal Affairs and Communications allocated us 4G spectrum in April 2018, we had no network and no antennas. By February 2019, we had successfully trialed the world's first*1 fully virtualized cloud-native mobile network, and in April 2020, we commenced full-scale commercial service. Until that point, people had considered a fully virtualized network to be impossible – even a pipe dream. Now that we are demonstrating stable operation of our commercial network, we have the attention of the entire global telecommunications industry.

In 2021, we made significant progress in expanding our coverage area. We built out the network at terrific speed and in February 2022 reached 96% 4G population coverage target four years ahead of the date we originally proposed to the government. I believe that this is something only the Rakuten Group could have achieved. In addition to the tireless effort of our own employees, we were able to construct the necessary base stations thanks to the support of our construction partners and the many partners of our diverse Rakuten Group services. The fully virtualized nature of our mobile network was a world-first innovation, and building out these physical base stations was also a great accomplishment, made possible because we chose not to be constrained by established industry practices and we came together as one company to achieve our ambitious goals.

It has been just two years since we commenced full-scale commercial service, and we have since reached 5.68 million contracts (as of March 2022) with MNO and MVNO subscribers. We have also been named the number one carrier for users changing providers*2 and for customer satisfaction*3. Until recently, Rakuten Mobile was in its launch phase, and while the foundation of our business is starting to solidify, our journey is only just beginning. Both Rakuten Ichiba and Rakuten Card saw a rapid acceleration in growth once they reached this stage. Through strong Group synergy and other future initiatives, we will continue making concentrated efforts to make Rakuten Mobile Japan's number one mobile carrier.

*1 For a large scale commercial mobile network (as of October 1, 2019), Research: Stella Associa.
*2 "Results of user opinion survey (movement of users who have already changed providers)" for users who changed to the new pricing plan after December 2020 (conducted June 23, 2021 by the Ministry for Internal Affairs and Communications).
*3 Ranked No. 1 in ORICON Customer Satisfaction Survey "Mobile Carrier" (As of Dec. 1st, 2021).

Bringing the Rakuten Ecosystem to Rakuten Mobile users

The overall share of users using two or more Rakuten Group services rose to 74.7%*1 as of the end of December 2021. In other words, three out of four active users are using multiple Rakuten services. Rakuten Mobile is one of the factors driving this further acceleration of Ecosystem growth.

Within 12 months of signing up with Rakuten Mobile, 35% of new users went on to use Rakuten Ichiba for the first time; 20% Rakuten Card; 12% Rakuten Pay; and 10% Rakuten Bank*2. Meanwhile, the average annual spend of customers who already used Rakuten Ichiba rose over 70%*3 after becoming a Rakuten Mobile subscriber.

As 5G continues to expand its reach and IoT becomes more integral to society, I believe that mobile phones will become even more indispensable in our day-to-day lives. Given these circumstances, it is significant that a company like Rakuten, with our diverse lineup of services, is

operating a telecommunications business. By continually creating more synergy between our businesses, we are aiming to boost cross-use while leveraging Rakuten Mobile to enhance customer loyalty.

*1 Percentage calculated by dividing the number of users of two or more services in the past 12 months by the number of users of all services in the past 12 months (as of the end of December 2021). (Limited to the use of services that can earn Rakuten Points.)
*2 Ratio of Rakuten Mobile users who began using the respective Rakuten service(s) within 12 months of signing a Rakuten Mobile contract and who had not previously used the same service(s). Applicable subscribers: Those who signed a contract between Jan 2021 and Jun 2021.
*3 Users who used Rakuten Ichiba from May 2019 to May 2020 and joined Rakuten Mobile (MNO) in May 2020.

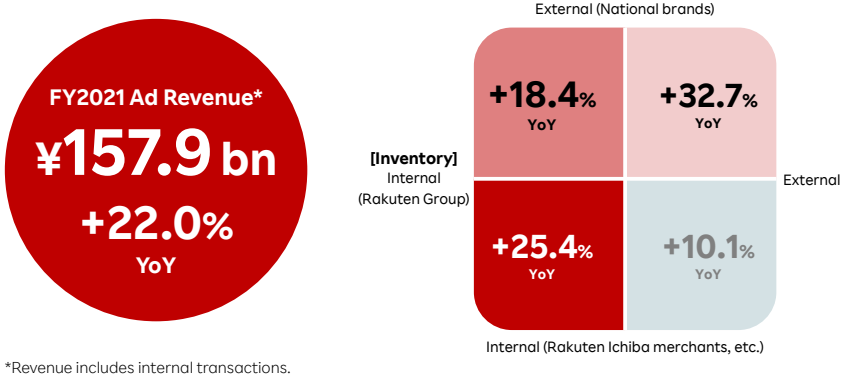
Advertising business strategy in the growing O2O (Online to Offline) market

As digital transformation continues to progress in many different industries, I believe that we will see more initiatives focused on bridging the border between online and offline transactions. The Rakuten Group has accumulate extremely precise consumer behavior and payment data from both online and offline transactions based on approximately 100 million registered Rakuten IDs. This is some of the best data available in Japan in terms of both quantity and quality, and we intend to expand our share in the growing O2O (online to offline) market going forward.

In FY2021, our advertising revenue grew 22.0% year-on-year to ¥157.9 billion, thanks to growth in our E-commerce business, as well as placements from internal advertisers like Rakuten Ichiba merchants, and accelerated growth in ad placements from external clients including major consumer goods manufacturers. The digital advertising business offers a relatively high profit margin, and ad sales growth outpaced that of our domestic E-commerce segment, positively impacting the Group's overall profitability. Advertising on Rakuten Ichiba from external clients such as major consumer goods manufacturers posted particularly healthy growth, with sales from these clients growing 35.1% year-on-year in FY2021. We attribute this result to our expanded O2O efforts, which aimed to have customers transition easily between online and offline points of sale, as well as the use of measurable results from online advertising.

In addition to the data we have already accumulated, we now have access to statistical data from a new subset of users thanks to our growing mobile business. We intend to leverage this data to expand advertising revenue through combined O2O initiatives, contributing to the enhanced profitability of the entire Rakuten Group.

Ad Business: Revenue



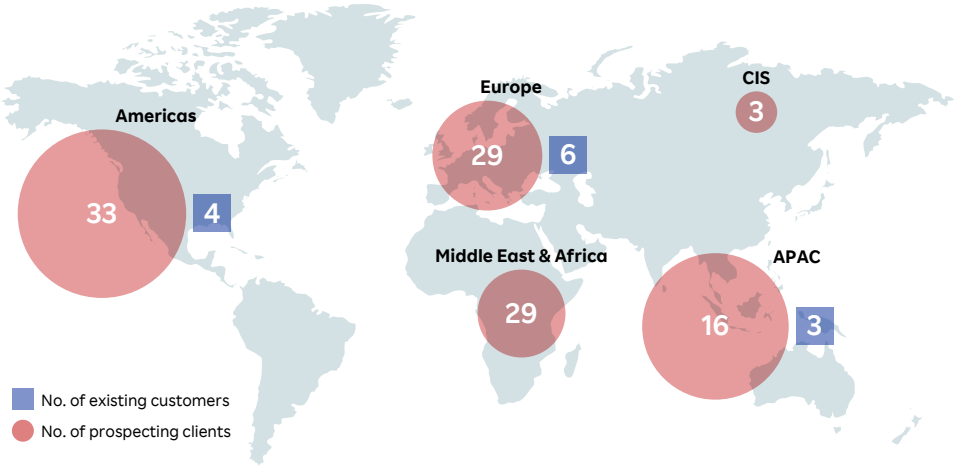
*Revenue includes internal transactions.

Leading innovation in the telco industry with Rakuten Symphony

Rakuten Symphony is leveraging the expertise and technology we have acquired building Rakuten Mobile's fully virtualized mobile network to take our cloud native Open RAN-based communications platform Symworld™ to the global stage. This platform allows us to provide services tailored to clients' needs, covering everything from the construction of the network to operation, regardless of the scale of those clients' operations or experience in the industry.

2021 was a year of progress for Rakuten Symphony. In August, we welcomed Altiostar, a company specializing in virtualized Open RAN solutions, as a wholly owned subsidiary. We also reached a comprehensive agreement to provide the platform for German telco 1&1 to build Germany's fourth mobile network. Including the client base of Altiostar and other acquired

Rakuten Symphony Existing Customers and Pipeline by Region



(As of end of April 2022)

companies, we now have contracts worth a total of several billion US dollars. Rakuten Symphony has a total of 123 companies as current clients or in the client pipeline, and we forecast this number to increase even further.

The Open RAN market is projected to be worth around $120 billion by 2025. Rakuten Symphony has the potential to capture a significant share of this growth market, and we believe that this will give the Rakuten Group a foothold for even further global growth into the future.

Toward a carbon-neutral society

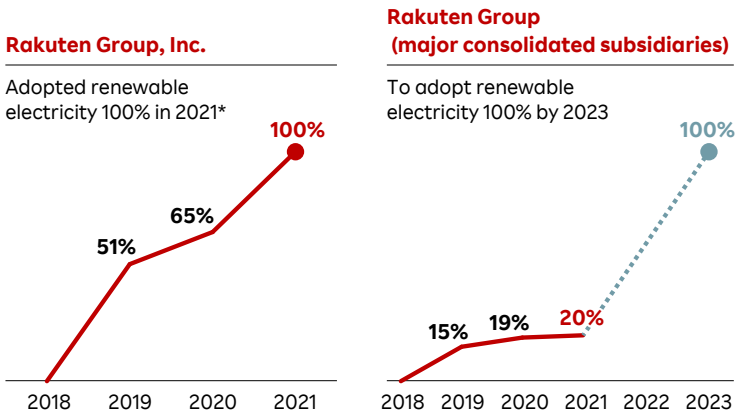
Changing climate patterns and the risks brought on by abnormal weather events affect not only our business activities, but everyone in the world, and so climate change is the most pressing challenge facing our society today. The Kyoto Protocol was adopted in 1997, the same year that we founded Rakuten. For the first time, the world established numerical targets for the reduction of greenhouse gases. More recently, in 2015, the Paris Agreement stipulated that global warming must stay well below 2°C compared with pre-industrial levels – ideally below 1.5°C. Despite this, average global temperatures have climbed 1°C over the last decade. With a rise of 2°C, extreme rain events are projected to increase by a factor of 1.7, and agriculture-damaging droughts by a factor of 2.4.

There is no doubt that we are entering an age in which all global economic activity must be conducted with its effect on the environment in mind. I believe that companies which do not start taking immediate measures will find themselves unable to adapt to this new reality, and will be left behind by our changing society. We need to face this challenge not just on a national level, but as a unified society comprising individuals and companies. This is why I want Rakuten to work toward realizing an environmentally friendly society.

Through the RE100 initiative, we made a commitment to switch to 100% renewably sourced electricity for all Rakuten Group, Inc. business operations. In FY2021, Rakuten Group, Inc.'s renewable electricity ratio reached 100%*, and 20.6% for Rakuten Group. As a next step, we are aiming to adopt 100% renewable electricity by 2023, not just for Rakuten Group, Inc. but for all Group operations, including those of consolidated subsidiaries like Rakuten Mobile and Rakuten Card. In FY2022, we will be strengthening our internal frameworks in pursuit of this target. We have established an Environmental Department, overseen by our COO (Chief Operating Officer), designed to promote Group-wide initiatives through regular subcommittees and all-hands meetings. We have set targets based on scientific evidence, and we intend to provide transparent updates on our progress going forward.

*100% renewable electricity in real terms through the use of 'FIT Non-Fossil Certificates,' a certification of renewable electricity designation.

Roadmap of Adopting Renewable Electricity



*100% renewable electricity in real terms through the use of 'FIT Non-Fossil Certificates,' a certification of renewable electricity designation.

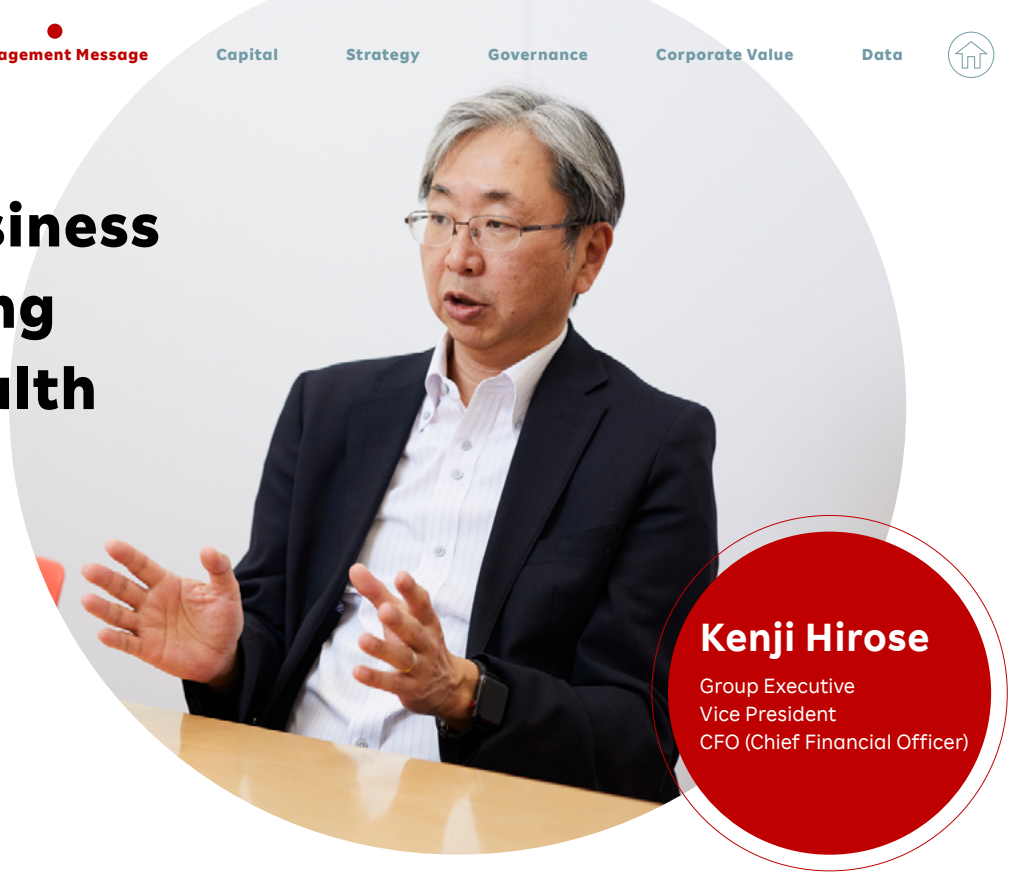
Empowering people and society, now and in the future

One of the major topics discussed at the 2021 World Economic Forum in Davos was the notion of a 'Great Reset,' in which our traditional social and economic systems, unable to adapt to the unprecedented circumstances brought about by the pandemic, are undergoing drastic change. This concept suggests that in the post-pandemic era, we need to break free of our existing frameworks and build new ones that are fit to handle economic challenges and the climate crisis, as well as issues such as human rights. I believe that to address these sustainability challenges, we also need to be proactive about leveraging technology to build these new systems and frameworks.

Achieving all of this will mean shifting to a mindset that prioritizes the best interests of all stakeholders. In fact, Rakuten has operated with this kind of win-win-win philosophy since 1997 – it is critical to us that the company, our merchants and our customers all benefit. We are strongly committed to collaborating with all of our stakeholders on sustainability initiatives so that we can continue to empower society and grow sustainably long into the future.

CFO Interview

Focused on Accelerating Mobile Business Growth, at the same time as Ensuring Medium to Long-Term Financial Health



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

Q Please share an overview of Rakuten's performance and financial strategy in 2021, and your outlook for the coming year.

A In 2021, we increased revenue across all segments, and Rakuten Group's total revenues grew 15.5% YoY to ¥1.68 trillion. Since reaching ¥1 trillion in 2018, we have sustained this strong momentum with double digit growth. With the ongoing upfront investment in initiatives such as the rollout of Rakuten Mobile base stations, we saw non-GAAP operating losses of ¥225 billion (compared with ¥102.7 billion the previous year). If we exclude the impact on the P&L of the Mobile and Logistics businesses and minority investments, however, non-GAAP operating income rose 23.8% YoY, a strong representation of the increasing earning potential of the Group as a whole.

On a per-segment basis, operating income for Internet Services rose 166.2% YoY. We continue to improve UI and UX on Rakuten Ichiba, and thanks to a number of initiatives geared towards improving convenience for our customers, such as the introduction of a common threshold line for free shipping and our overall logistics strategy, user loyalty as measured by our Net Promoter Score® has improved significantly. Meanwhile, many of the new and returning users brought in during stay-at-home periods continue to shop with us and our efforts to promote cross-use have also gained traction. All of these contributed to our achievement of domestic E-commerce GMS surpassing ¥5 trillion. Operating income for our FinTech segment also achieved a steady growth rate of 9.6% YoY. This was achieved as shopping GTV for Rakuten Card exceeded ¥14 trillion, and our banking and securities services continued to gain new accounts at an accelerated pace. Due to the large burden of upfront investments in building out the Rakuten Mobile network, the Mobile business logged an operating loss. However, coverage is expanding rapidly, and in February 2022, we reached a 4G population coverage rate of 96%. This milestone was achieved four years ahead of the target we set in our original plans shared with Japan's Ministry of Internal Affairs and Communications.

On the financial front, even as our consolidated total assets increase due to upfront investments in the Mobile business and the growth of our financial businesses, our capital adequacy ratio rose 1.6 points to 6.6% at the end of 2021. This is thanks to a combination of different methods of capital procurement, including not only relying on debt financing such as bank

FY2021 Revenue and Operating Income

(JPY bn)

		FY2020	FY2021	YoY
Domestic E-Commerce	Revenue	602.9	711.9	+18.1%
	Operating Income	53.9	74.2	+37.7%
Others	Revenue	271.9	291.5	+7.2%
	Operating Income	-13.5	33.3	+46.8
Internet Services Segment	Revenue	874.8	1,003.4	+14.7%
	Operating Income	40.4	107.5	+166.2%
FinTech Segment	Revenue	576.2	619.0	+7.4%
	Operating Income	81.3	89.1	+9.6%
Mobile Segment	Revenue	172.5	227.5	+31.9%
	Operating Income	-227.3	-421.2	-193.9
Adjustments	Revenue	-167.9	-168.2	-0.3
	Operating Income	2.9	-0.5	-3.4
Consolidated	Revenue	1,455.5	1,681.8	+15.5%
	Non-GAAP Operating Income	-102.7	-225.0	-122.3
	IFRS Operating Income	-93.8	-194.7	-100.9

*From Q4/20, Contents related businesses were transferred from the Internet Services segment to the Mobile segment. In addition to this, from Q2/21, some businesses providing digital content sites in North America and Viber were transferred from the Mobile segment to the Internet Services segment. From Q4/21, Rakuten Books network, cross border trading, Rakuten Kobo (domestic) and Rakuten Magazine were transferred from the Others segment to the Domestic EC segment. Past figures have also been retroactively adjusted.

CFO Interview

loans and corporate bonds, but also the allotment of new shares to third parties such as Japan Post Holdings Co., Ltd. and the issuing of perpetual subordinated corporate bonds which are regarded as capital under international accounting standards.

In 2022, our consolidated revenues maintained double-digit growth, excluding securities services which are influenced by fluctuations in the stock market. In the Mobile segment, we forecast that operating losses will bottom out and begin to shrink on a quarterly basis, from the second quarter of 2022.

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

Q In July 2021, Rakuten Group's logistics operations were consolidated into JP Rakuten Logistics, Inc., a joint venture with Japan Post. What effect has this had?

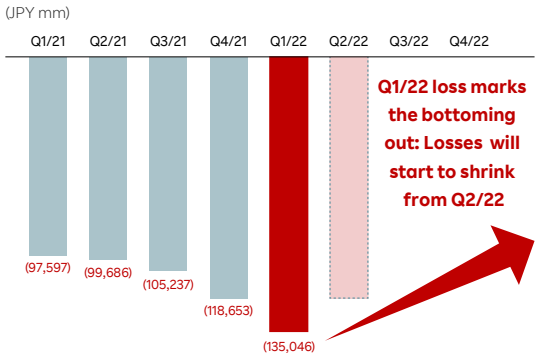
A As E-commerce services become increasingly essential to our social infrastructure and demand for deliveries continues to rise, Rakuten Ichiba merchants are facing significant operational challenges with rising logistics costs and labor shortages. To address this, we established Rakuten Super Logistics with the concept of One Delivery, in order to provide a complete logistics service, from inventory management to delivery on behalf of our merchants. It is essential that we increase logistical efficiency to support merchants' sales growth, while simultaneously keeping costs down and improving customer satisfaction. We aim to realize these improvements to logistics services through collaboration with Japan Post, including the establishment of JP Rakuten Logistics, Inc., a joint venture of which 50.1% is held by Japan Post Co., Ltd. and 49.9% by Rakuten Group, Inc.

Q When do you forecast a shift to profitability for the Mobile business?

A I expect that Rakuten Mobile's revenues will continue to grow. In February 2022, we ended the campaign offering users three months' free service, and in May 2022, we announced a new pricing plan "Rakuten UN-LIMIT VII" which will start from July, but the pace of customer acquisition has not slowed—it continues to grow steadily. Now that contract cancellations can be made free of charge across all of Japan's major operators and a continuation of carrier email service is also available, it is becoming significantly easier for customers to switch services. At the same time, the quality of Rakuten's mobile network clearly continues to improve, and through integration with the Rakuten Ecosystem and effective marketing campaigns, I am confident our subscriber numbers will continue to grow.

On the topic of mobile base station construction, we are planning to roll out 5G services in parallel with the densification of our 4G network, and we expect that capital expenditure for 2022 will be around the same level as 2021, including the balance carried forward by the semiconductor shortage. Accordingly, while the Mobile business will continue to incur significant

Mobile Segment Outlook



Main improvement factors

- **Increase in paying users**
  Customers who applied for the 1-year free campaign which ended on April 8, 2021, will convert to paying users in sequence
- **Acceleration of subscriber acquisition**
  Improvement of competitive environment (elimination of cancellation fees at other carriers, carrier mail portability), and improvement of network construction status will contribute
- **Roaming cost reduction**
  Switch roaming services sequentially from April 2022
- **ARPU increase**
  ARPU increase from new pricing plan "UN-LIMIT VII"

costs relating to network construction, we also expect roaming costs to continuously decrease as we switch coverage areas to the Rakuten network from our partner network. Revenue from mobile subscriptions is expected to increase as we have discontinued our free plans, and as we optimize the efficiency of our marketing efforts, we expect improvement in the profit trajectory of the Mobile business from the second quarter of 2022.

Q What factors led to the establishment of Rakuten Symphony?

A By developing the world's first* end-to-end fully virtualized cloud-native mobile network, Rakuten Mobile has succeeded in offering affordable plans on a high-quality network. In place of the customized telecommunications hardware that had previously been standard in the industry, we achieved this with cloud-based software functions, resulting in significant reductions in the investment required for building base stations and operation costs. As a way to generate revenue by offering this revolutionary network architecture solution to overseas mobile operators, we established Rakuten Symphony and incorporated it in January 2022. This incorporation allows us to clarify accountability and carry out business operations in an agile and flexible manner. We are also planning to consolidate Rakuten Mobile's enterprise-facing products, services and solutions into a single package and provide our 4G and 5G infrastructure and platform solutions to the global telecommunications market.

As of August 2021, Rakuten Symphony had already succeeded in attaining a number of significant contracts, including a comprehensive agreement with German greenfield operator

CFO Interview

1&1 for an end-to-end service, and orders for software solutions and other services from companies including US mobile operator AT&T. With further collaborations with companies such as US-based AT&T, Qualcomm Technologies and Cisco Systems, Rakuten Symphony's global presence is expanding steadily, and I have high expectations for its continued expansion and future contribution to Group performance.

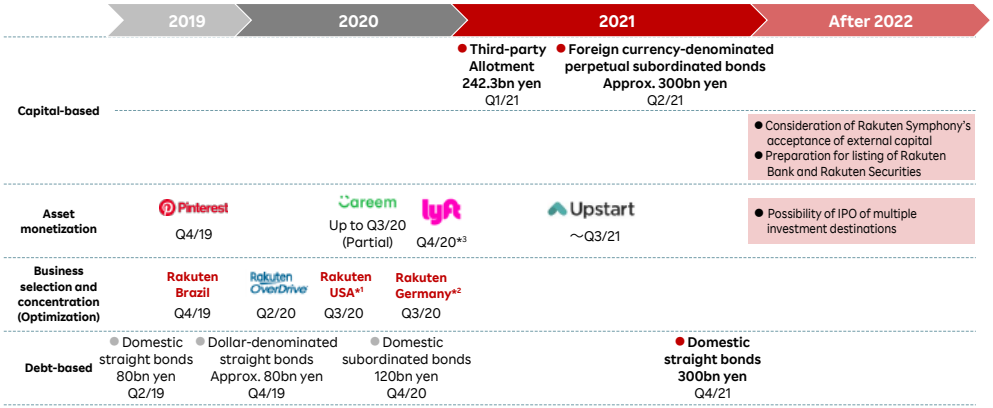
*For a large scale commercial mobile network (as of October 1, 2019), Research: Stella Associa.

Q What are your thoughts on financing, financial soundness and financial ratings going forward?

A With the assumption that the Rakuten Group holds ownership of the FinTech businesses, we believe the appropriate consolidated capital adequacy ratio in the medium term to be around 10%, combining equities attributable to owners of the company and non-controlling interests. Although both our FinTech segment assets and our consolidated assets are trending upwards, by procuring finance with equity characteristics, we were able to raise our capital adequacy ratio to 6.6% as of the end of FY2021. Even as we continue making significant investments into our expanding FinTech and Mobile businesses, we expect our capital adequacy ratio to remain at around the same level at the end of FY2022 as it was in the previous year. In addition to preparing for a listing of Rakuten Bank, Inc., Rakuten Securities, Inc. as disclosed previously, we are also considering accepting external capital for Rakuten Symphony, Inc. With the performance of the Mobile business also forecast to improve from FY2023, we are envisioning a scenario in which our capital adequacy ratio rises even further. Although we maintain a healthy relationship with our lenders, we will continue to pursue financing measures that balance growth-oriented investment with mid- to long-term financial soundness, without an overreliance on interest-bearing liabilities.

Diversification of Financing Methods

In addition to debt-based financing, we also have a variety of other financing methods, including capital-based, and use of owned assets. We issued 300 billion yen of domestic straight corporate bonds in Dec. 2021, which will be used mainly for capital investment in the Mobile business in 2022.



*1 Exit of Marketplace business (formerly Buy.com) in the United States and switch to an open E-commerce model (Rakuten Rewards).
*2 Exit of Marketplace business in Germany and consolidation into membership-based online reward sites in the United Kingdom, Spain and Germany.
*3 Monetization of Lyft shares using collar transactions (variable prepaid forward sales).

Q What is the purpose of the Rakuten Bank and Rakuten Securities listing and what are your thoughts on taking in external capital?

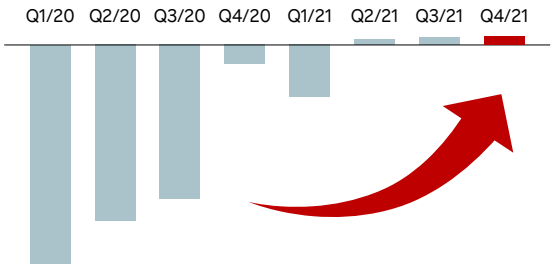
A There are two main objectives for FinTech subsidiaries listing. One is the improvement of Rakuten Group's financial foundation. The other is to aim to accelerate the autonomous growth of the Rakuten Ecosystem, taking into account the state of capital according to the risks of each business.

Essentially, we are looking to secure flexible capital through the listing while taking on an appropriate level of risk, and to establish each business as a sound and profitable. Both Rakuten Bank and Rakuten Securities remain essential players, and will continue to be important consolidated subsidiaries following the listing. At the same time, we will ensure fair dealings that do not negatively impact the profits of minority shareholders.

Q What is your policy on business portfolio management?

A In 2019, we restructured our organization to better align with the nature of our businesses and management of financial risk, and then changed our name from Rakuten, Inc. to

Other Internet Services operating profit
(Excluding gain/loss from minority investment)



CFO Interview

Rakuten Group, Inc. in April 2021. At the same time, we reviewed the balance sheets of each business to calculate their appropriate capital adequacy ratios, carrying out Economic Capital Management measures to visualize and assess how well they were considering capital costs and efficiently utilizing management resources, and to make sure they did not hold excess capital.

In addition, we manage Rakuten Group's business portfolio with a two-pronged system. Our Business Portfolio Committee discusses the role each business plays in the Rakuten Ecosystem, including consideration of the withdrawal or sale of certain businesses from the perspective of overall optimization, while another structure focuses on the management of loss-bearing businesses and ways they could become profitable. As a result of this, the operating income of Other Internet Services, excluding investments, is steadily growing. We will continue to ensure disciplined operations, closely monitoring the performance of each business and its role within the ecosystem.

Q Please tell us about Rakuten's unique indicator, membership value.

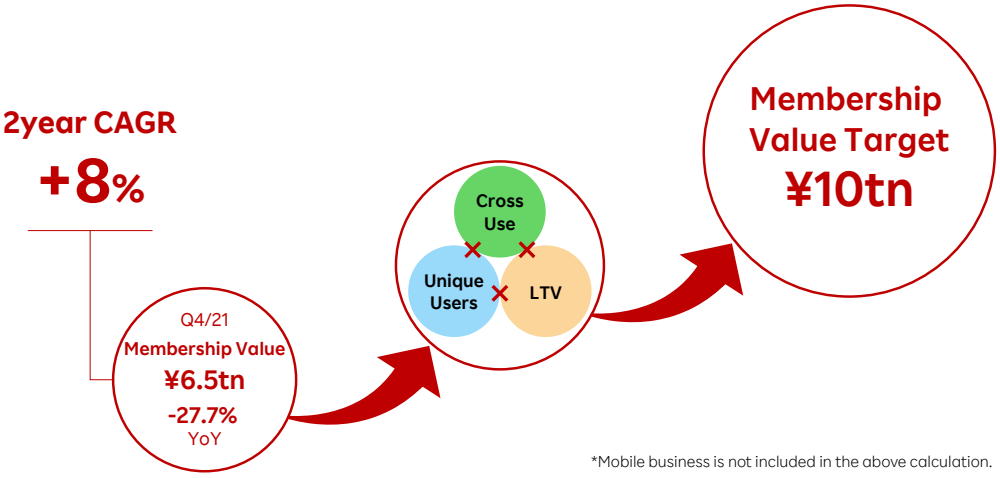
A The Rakuten Ecosystem concept is at the core of the diversity of the wide range of our business operations and our 1.6 billion global members, including over 100 million registered members in Japan, are our greatest strength. We offer a loyalty point program through which users can benefit from the use of multiple services in the Ecosystem, maximizing the lifetime value (LTV) of each user and minimizing customer acquisition costs (CAC). This business model allows us to maximize profit and forms the foundation of Rakuten Group. From the user's perspective, minimizing customer acquisition costs also allows us to share more generous point returns with them, making the Rakuten Ecosystem a highly compelling offering.

Membership value is a measure of the corporate value we derive from this model based on our users. We calculate it with the formula of "active users x cross-use x (LTV-CAC)", with LTV calculated from data such as ARPU and retention rate. Embedded value is disclosed by insurance companies as their unique industry index for measuring corporate value, but we would like to promote membership value as an indicator of the value contained in the ecosystem, to measure Rakuten Group's unique corporate value, and we would like to make it more precise.

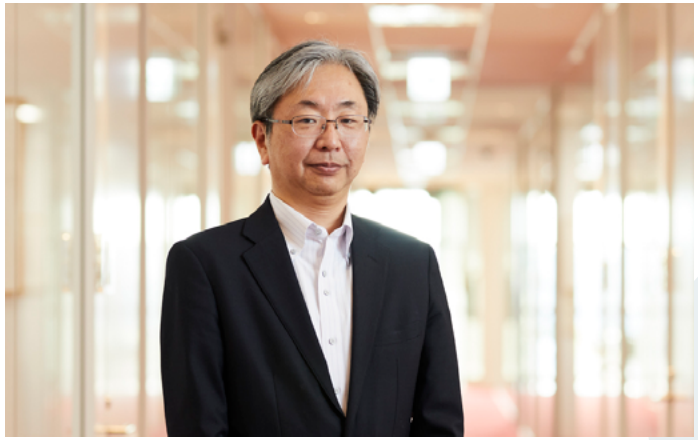
Our membership value in the fourth quarter of 2021 reached ¥6.5 trillion. We saw a sharp rise in new and returning users following the effects of the COVID-19 pandemic the previous year, which gave a significant boost to retention rates and LTV in that period, but thanks to increasing active users particularly in our FinTech services and sustained cross-usage of services, we recorded a two-year average membership value growth of 8%. Our next target is ¥10 trillion.

We will continue to listen closely to our investors, engaging in sincere dialogue as we work to bring about sustainable growth and enhance corporate value in the medium to long term.

Massive Expansion of the Rakuten Ecosystem



*Mobile business is not included in the above calculation.

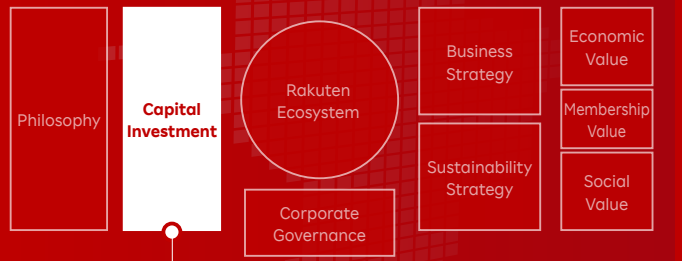


Kenji Hirose
Group Executive Vice President
CFO (Chief Financial Officer)

Six Kinds of Capital Supporting Value Creation

We aim for sustainable growth through investments in six categories of capital unique to Rakuten, each of which supports the creation of new value and strengthens the Rakuten Ecosystem.

Rakuten's Value Creation Process



Financial Capital

To enable strategic investments that enhance Rakuten Group's corporate value, we conduct financial management with the goal of securing stable and diverse financing methods and financial soundness.

Intellectual Capital

We are proactively in pursuit of rights for intellectual capital, including brands and technologies that support business innovation, while taking appropriate risk prevention measures to avoid infringing upon the intellectual property rights of others.

Technological Capital

To meet the accelerating pace of IT adoption, we have established research centers around the world, where our many engineers work to develop technologies in the fields of AI, deep learning, blockchain and more.

Human Capital

Our global work environment, in which English is the official corporate language, allows a diverse team of talented employees from around the world to come together 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 in pursuit of our goal of a sustainable future.

Natural Capital

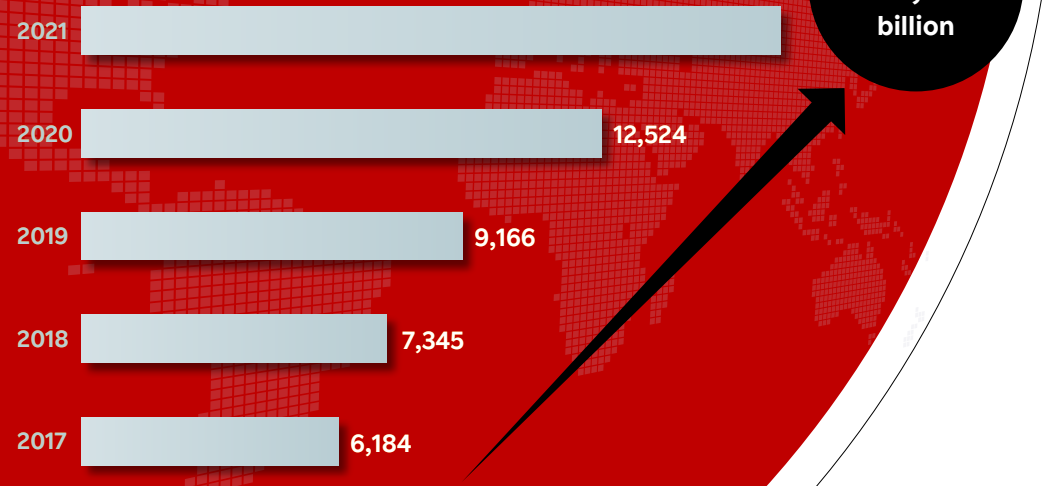
Rakuten's business operations are dependent upon resources provided by nature. By enhancing and optimizing the way in which we use these resources, we are working together with all of our stakeholders to effect positive change in society.

Strengthening the Rakuten Ecosystem with

Financial Capital

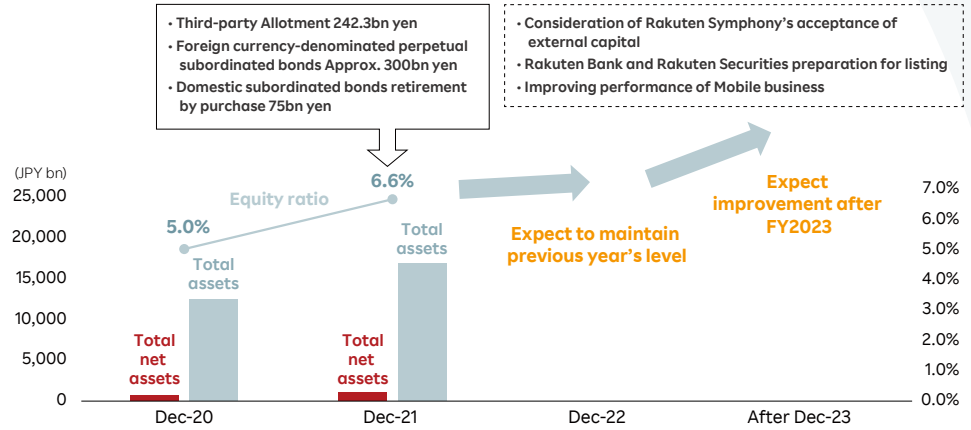
Rakuten Group's basic policy on financial management is to ensure stable and diverse means of procuring funds to meet our financing needs with the goal of realizing sustainable growth for all Group companies, and to ensure sufficient liquidity to maintain the financial soundness of subsidiaries engaged in financial services.

to enhance Financial Capital → Action



Securing Financial Soundness

As our FinTech businesses continue to expand and our assets increase, we have improved our capital adequacy ratio by effectively financing with equity characteristics and compressing our debt. In 2022, we are aiming for a level of consolidated capital adequacy consistent with 2021. From 2023, we expect this ratio to rise as the performance of our Mobile business improves.



Diversifying Funding and Pursuing a Growth Strategy that Leverages External Capital

As we continue to make upfront investments in our Mobile business, we have procured capital through a variety of methods geared toward securing financial soundness, including equity raising through third-party allotment, debt financing including perpetual subordinated bonds and the monetization of our own assets.

Furthermore, in order to enable a variety of growth and financial strategies, including independent capital procurement by Rakuten Bank, we began preparations in September 2021 for the initial public offering of Rakuten Bank. For Rakuten Mobile, the Rakuten Symphony business was incorporated as a new subsidiary of Rakuten Mobile in January 2022, and we are continuing to consider the acceptance of external capital for funding.

Financial Status

In line with the expansion of total assets stemming from the steady growth of our financial businesses, Rakuten Group's bonds and borrowings totaled 3.4 trillion yen in FY2021, a year-on-year (YoY) increase of 915.5 billion yen. Of this amount, short-term bonds and borrowings increased by 111.6 billion yen YoY to 1.6 trillion yen.

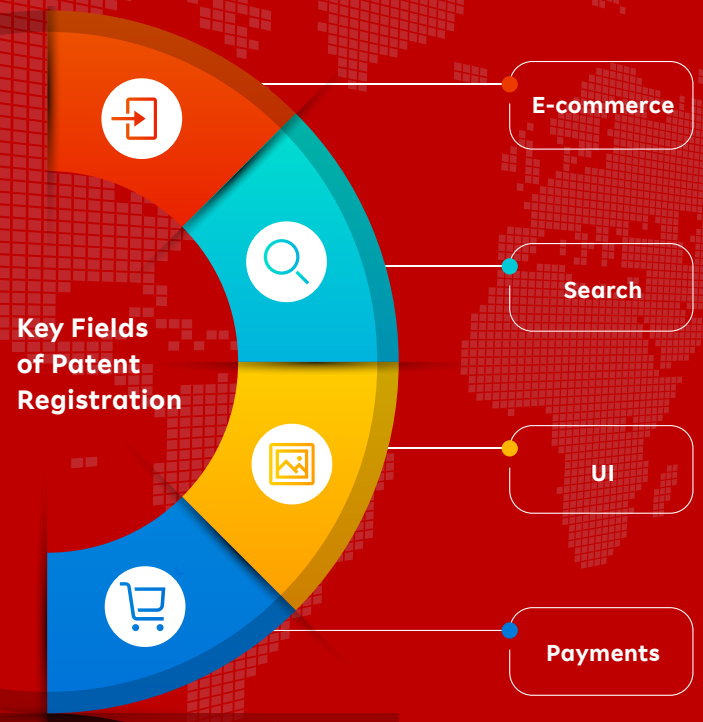
Furthermore, as our business operations continue their rapid expansion and to prepare for increased demand for capital and other funds, we increased the limit on the issuance of commercial papers from 150 billion yen to 200 billion yen, and increased the total amount of commitment lines of credit between multiple financial institutions from 120 billion yen to 150 billion yen.

Strengthening the Rakuten Ecosystem with

Intellectual Capital

At Rakuten, we are continuously working to ensure business continuity by securing rights to Rakuten's intellectual property and implementing countermeasures pertaining to other companies' IP. We strive to strengthen and secure our competitive advantage not just for each individual business, but for the Rakuten Ecosystem as a whole.

to enhance Intellectual Capital → Action

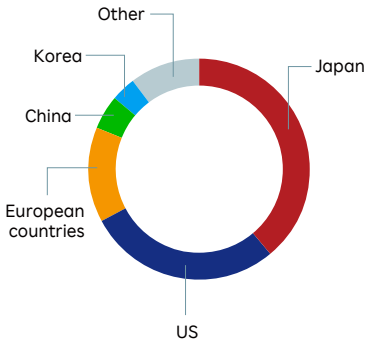


Building a Patent Portfolio for Business Continuity

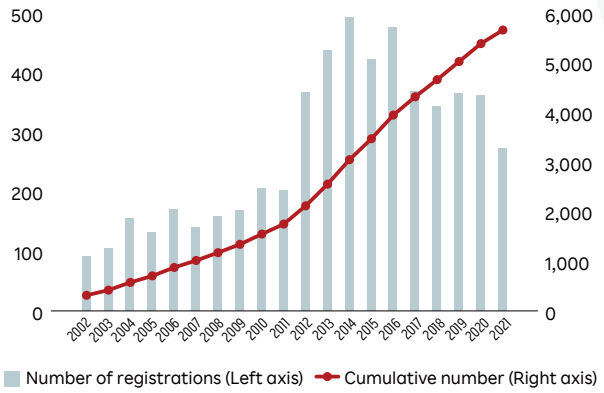
We are working to build a portfolio that can effectively defend Rakuten Group from competitors' challenges and secure the continuity of Rakuten's business operations through the acquisition of patents that place effective checks on other companies. The number of patents we file is growing in accordance with the growth and diversification of our operations, and there has been a particularly sharp increase in patent applications in the field of mobile telecommunications following our entry into the telecommunications industry.

As our scope of business becomes more global, we are also working to globalize our patent portfolio, with a focus on the United States, a recognized main patent battleground.

Breakdown of patent portfolio by country



Number of patent registrations in the last 20 years



A Management Framework for Intellectual Property

At Rakuten Group, we hold monthly meetings with directors in charge to report on and discuss the IP landscape. Any IP litigation involving a Group company and any important IP developments are also reported at board meetings, where the board works to assess IP risk appropriately and supervise the distribution of IP management resources.

The management team, which includes representative directors, also receives monthly KPI status updates on any new patents or design applications, holding a quarterly discussion surrounding patent strategy. Through these measures, Rakuten Group is working to selectively allocate and concentrate IP management resources where the current business conditions and strategy require them.

Protecting Brand Value

We are also making efforts to increase recognition of Rakuten as a global brand, boosting Rakuten's image through branding, while also preserving the brand equity that Rakuten Group wields. We have applied for or registered trademarks for Rakuten Group's corporate logo, service logos and more in 51 countries and regions*.

*As of April 1, 2022

Strengthening the Rakuten Ecosystem with

Technological Capital

Since our founding, Rakuten has believed in the power of innovation, offering a vast array of services that leverage technology, both in Japan and around the globe. None of it would be possible without the contributions of our diverse employee base, who produce new ideas and innovations on a daily basis, located all over the world.

to enhance Technological Capital → Action

The Global Talent behind Rakuten's Technology

Rakuten has established technology divisions in 10 cities across seven countries, where we are supported by some 5,900 engineers. In Tokyo, around 60% of those engineers come from outside of Japan, forming a diverse team that works together to take on revolutionary challenges. Rakuten India is expected to function as Rakuten's Global Innovation Center, and we are rapidly growing our team to keep up with an expanding business scope, taking in over 150 new recruits from the Indian Institutes of Technology. By accumulating knowledge and technical expertise within Rakuten and sharing standardized processes and procedures around the Group, we are optimizing Rakuten's many global businesses and building a truly global team.

R&D centers

7 Countries
10 cities

Number of engineers in Rakuten Group*

Approx. 5,900 people

*As of Jan. 2022

A Global Network of Research and Development

Rakuten has established Rakuten Institute of Technology (RIT) incubation centers in six locations, including Tokyo, across five different countries to work on AI and other technologies. These centers make significant contributions to the Rakuten Group's cutting edge technological research through initiatives such as studies on natural language processing and the implementation of deep learning-powered multilingual translation tool Rakuten Translate. In 2016, we established the Rakuten Blockchain Lab in Belfast, Northern Ireland to research blockchain technologies such as cryptocurrency assets and NFTs, which employs over 20 researchers including those based in Tokyo. The lab develops and operates blockchain platforms with the goal of creating more possibilities to utilize blockchain technology as a key driver of growth in Rakuten's individual businesses and greater ecosystem. It is also looking to expand Rakuten's internal blockchain community by holding working groups focused on specific fields of inquiry.

Utilization of AI and Data within the Rakuten Group

Rakuten is using big data in combination with AI to accelerate the growth of Group businesses. Virtual marketing agent Rakuten AIris seeks to understand user consumption behavior through data analysis. It scores and maps users based on analysis of some 920 different fact data including user attributes, purchase trends, pricing sensitivity and usage habits of Rakuten Group services. The system can use this data to identify which users are likely to make a purchase, even among users with no purchase history, based on the behavior of users with similar attributes. Big data is also being used to support Rakuten Mobile in areas such as the efficient installation of base stations.

Strengthening the Rakuten Ecosystem with

Human Capital

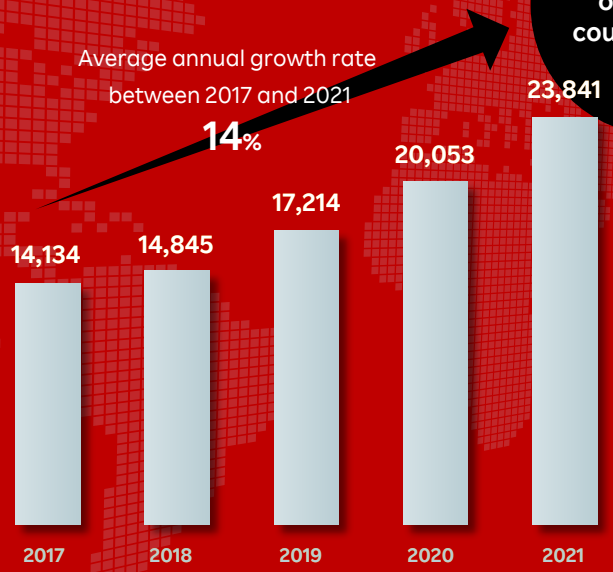
Rakuten's employees are an important asset for maintaining sustainable growth and implementing our business strategies. Our talented and diverse staff come together to work in a global environment that uses English as its official language, allowing Rakuten to provide innovative services that enrich our customers' lives.

For more information, please visit our website ▶
https://global.rakuten.com/corp/sustainability/employees/

to enhance
Human Capital → [Action]

Number of Rakuten Group employees

Average annual growth rate between 2017 and 2021
14%



Employees from over **70** countries and regions

Human Capital as a Driver of Sustainable Business Growth

Since our founding in 1997, Rakuten has leveraged innovation to solve a variety of social challenges. We began with Rakuten Ichiba, and have since expanded our business portfolio to over 70 diverse services in Japan and around the world.

To support this rapid growth, we are implementing calculated human resource strategies and measures to improve Rakuten's human capital. We are analyzing and running simulations based on factors such as occupational field and position within the organization (management or regular employee) to determine what kind of talent we need to recruit, place and transfer in order to effectively implement our business strategies. To further improve our human capital, we have also implemented talent development programs to teach technical and business skills, support self-improvement and boost employee engagement and motivation.

Human Resource Strategy

Recruiting

Employer ranking by Career-tasu

2018 **97th** ▶ 2022 **4th**

Rakuten places significant importance on the hiring of new graduates, and the scale of these hiring operations is trending upwards. We give new graduates meaningful roles to allow them to contribute to the business, inculcating Rakuten's corporate culture and creating opportunities for a wide range of career paths within the Rakuten Ecosystem. Since 2018, we have also provided programming training to all of our new-graduate employees—including non-engineers. This baseline of technical knowledge allows for smoother communication between business and technical departments. As Rakuten continues to climb Japan's employer rankings, we are seeing heightened interest from job-hunting students, in large part thanks to the diverse range of services we offer and the career growth that our environment facilitates.

To secure the necessary technical talent that drives innovation and the evolution of Rakuten's services, we are also strengthening our efforts to hire engineers. In addition to making English our official language, we have built working environments in which employees from diverse backgrounds can come together as one team, allowing us to recruit highly specialized talent from around the world.

Training

Rakuten employees are given training to improve their skills and competencies, strengthen the organizations they work for and produce talent that can perform on the global stage. As the scale of our business and number of employees continue to grow, there is an increasing need for talent that can effectively lead teams comprising members from various backgrounds and countries with differing skills and requirements. Through training on multi-cultural management and leadership, our employees can learn practical frameworks and use Rakuten-specific case studies to further their learnings.

Retention

We are boosting employee engagement by building inviting and comfortable working environments for long-term employment and offering incentives for employees who demonstrate exemplary performance.

The working environments we have built support employees through programs such as flex-time for flexible working styles, cafeterias to provide three free meals each day and in-house childcare facilities. Further initiatives like stock options and the Rakuten Awards, which celebrate exemplary employees around the world, also contribute to employees' sustained motivation.

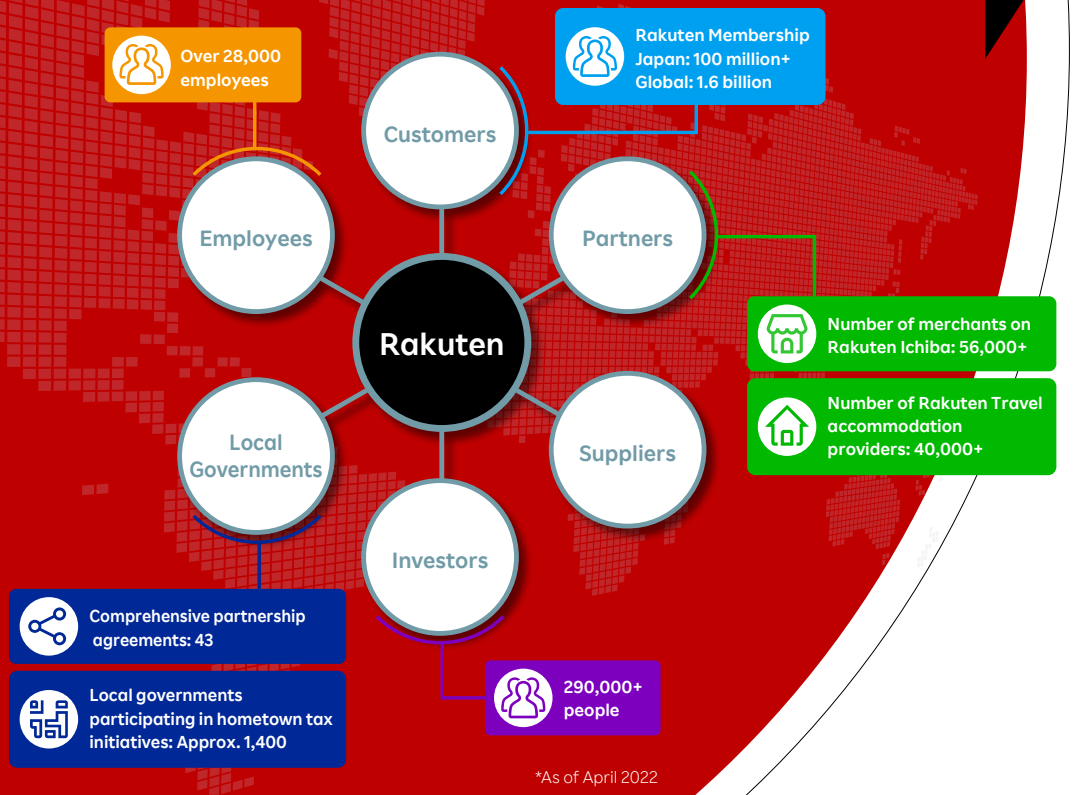
One-on-one meetings between team members and managers also play a role in strengthening mutual trust, while improving employees' engagement towards their teams and the company.

Strengthening the Rakuten Ecosystem with

Social Capital

The Rakuten Group's corporate slogan "Walk Together" expresses our determination to embrace a better future together with our business partners, customers and users. We aim to forge a sustainable future by building win-win relationships that promote mutual growth among all of our valued stakeholders.

to enhance Social Capital → Action



*As of April 2022

Delivering Innovative Ideas and Expertise on the World Stage

Rakuten Optimism, first held in Japan in 2019, has become the Rakuten Group's largest event. It is designed to bolster public understanding of Rakuten's ecosystem concept and services, and showcases optimistic and thoughtful perspectives from the best and brightest minds in a variety of fields.

In 2021, Optimism was held entirely online, allowing viewers from anywhere in the world to tune in and participate. The event's sessions featured a wide range of global leaders covering topics such as the future of technology in the age of 5G, economic trends in the wake of the pandemic, marketing insights, sustainability, future business outlooks and other reasons to be optimistic about the digital age.

Views 266,000+

Social media engagements 29.5 million

Building Trust with Our Partners and Encouraging Mutual Growth Through Communication

At Rakuten, we believe in the importance of creating opportunities for communication because they help build trust with and support the growth of our partners.

Rakuten Ichiba has held the Rakuten New Year Conference annually since 2003 with the goal of sharing Rakuten's vision and strategy while encouraging merchants to network with one another. For Rakuten Travel's accommodation providers, we also hold the Rakuten Travel Conference. At the 2021 conference, we shared insights into how the tourism industry is evolving, along with measures and strategies for adapting to these changes. This conference is where we announce the Rakuten Travel Awards, which celebrate accommodation providers that have achieved outstanding performance in the preceding year.

Stakeholders' Voice: Award-winning Rakuten Travel accommodation partner

Our continuous pursuit of this award is synonymous with a continuous pursuit of improvement. Taking on this challenge was what turned things around for us. We want to voice our deepest thanks to Rakuten Travel for giving us this opportunity for growth.

-Takashi Fukumoto, Umiiro-Yunoyado Shogetsu Hotel

Working Together to Address Challenges Faced by Local Communities

The importance of contributing to local communities has been an unchanging principle of Rakuten's philosophy since the company's founding. We are leveraging the Rakuten Group's assets to implement measures to address social challenges facing rural communities.

Over 1,400 local governments across Japan have joined Rakuten's Hometown Tax Payment platform. This platform connects donors with rural governments attempting to solve a variety of different challenges relating to education and culture, nature conservation, welfare, medical care, community planning, child support, tourism, disaster prevention and disaster recovery.

The number of community development initiatives planned in cooperation with local governments is also increasing every year, and as of April 2022, we have signed cooperation agreements with 43 local governments located across Japan. Together with these governments, we are empowering local communities through tourism development, the revitalization of local economies, cultivating the next generation of talent and more.

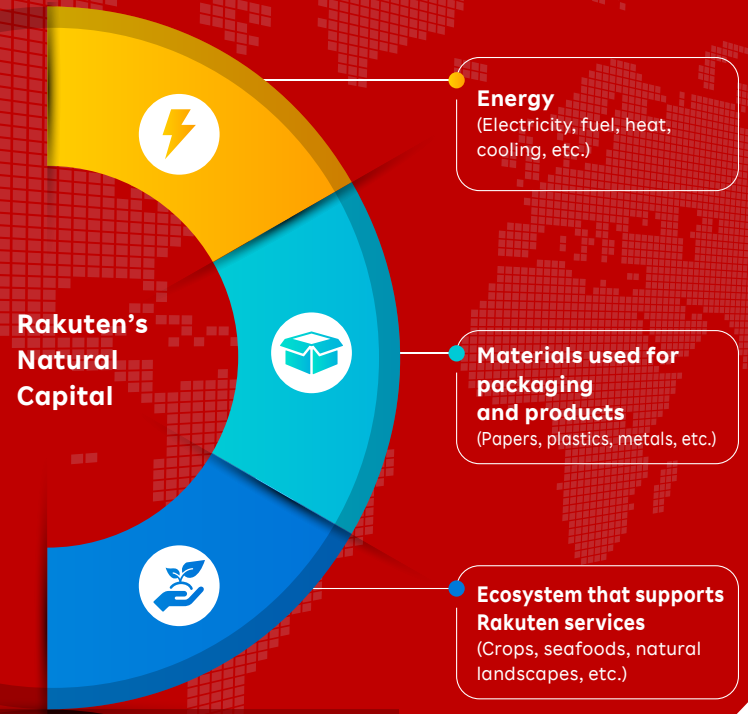
Strengthening the Rakuten Ecosystem with

Natural Capital

From the many different products purchasable on Rakuten Ichiba to the travel destinations available through Rakuten Travel, Rakuten's businesses rely on natural resources. Alongside all of our stakeholders, we are working to effect positive change in society through the improvement and optimization of our resource usage.

For more information, please visit our website ▶
https://global.rakuten.com/corp/sustainability/environment/

to enhance Natural Capital → Action



Natural Capital to Support Business Growth

The Rakuten Group operates a wide variety of businesses ranging from E-commerce and finance to mobile carrier services. The processes involved in delivering these services and products to our customers require energy and other natural resources.

To ensure sustainable business growth, it is crucial that we use these precious natural resources efficiently and transition to renewable options, not just for our own business operations, but for those of our suppliers and partners as well.

We are aiming to make the most of our technological capabilities to build services and platforms that contribute to the conservation of natural resources as part of an environmentally conscious value chain.

Energy Resources

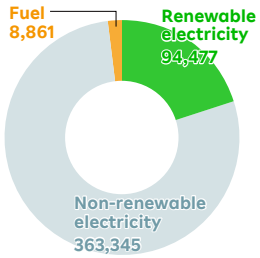
Because many of Rakuten's diverse services are provided online, elecricity plays a key role in our day-to-day business operations.

We are making efforts to procure clean electricity and reduce electricity use so as not to rely too heavily on limited resources and reduce the emission of greenhouse gases which contribute to climate change.

Rakuten Group, Inc. joined the international RE100 initiative in 2019 with the goal of transitioning to 100% renewable electricity used for all business operations by 2025. In FY2021, Rakuten Group, Inc.'s renewable electricity ratio reached 100%*, and are now looking to decarbonize the entire Group and our supply chains. By joining RE100, we are not only aiming to accelerate renewable initiatives within our business operations, but also to help increase demand for renewable energy for society at large.

*100% renewable electricity in real terms through the use of 'FIT Non-Fossil Certificates,' a certification of renewable electricity designation.

Energy Consumption (MWh)



Rakuten Group's Electricity Use

Mobile network	62%
Data center	23.6%
Office	9.1%
Sports facility	3.3%
Logistics	1.9%
Factory	0.1%

Natural Ecosystems

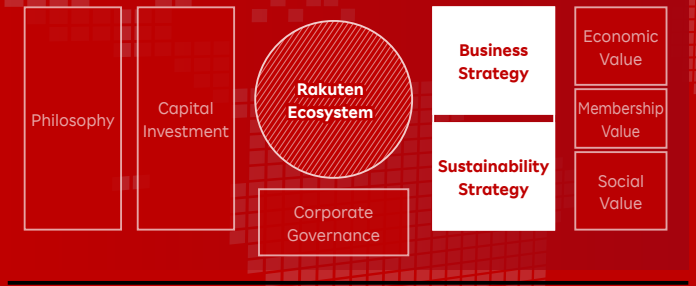
From product development to sales, Rakuten's business operations all use natural resources. In addition to reducing the direct impact our own operations have on the environment, it is crucial that we address the indirect effects of our wide range of platforms. We are implementing measures, alongside the partners and consumers who use our platforms, with the goal of reducing our reliance on non-renewable resources as a society and protecting natural ecosystems.

Earth Mall with Rakuten is a platform that curates a selection of sustainable products available for purchase on Rakuten Ichiba. It features a wide variety of products that guarantee sustainability through global certifications such as MSC (Marine Stewardship Council), FSC (Forest Stewardship Council), and the Rainforest Alliance (sustainable farming), which work to protect biodiversity and natural habitats. The platform seeks to transform consumer behavior along with the business operations of Rakuten Ichiba merchants and the supply chains that support them.

Rakuten Group Growth Strategy

We aim for sustainable growth by combining a business strategy centered on the Rakuten Ecosystem with a sustainability strategy.

Rakuten's Value Creation Process

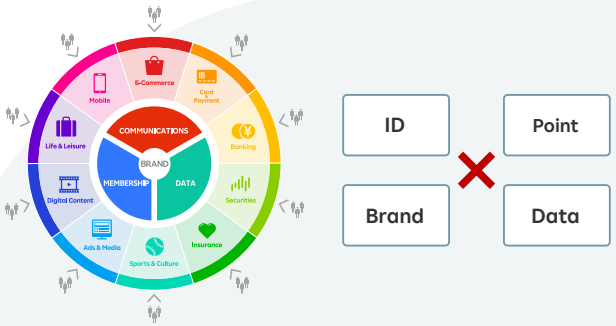


Business Strategy

Synergies created by Rakuten Ecosystem

1 One Rakuten ID to access multiple services in the Ecosystem

The Rakuten Group offers more than 70 services across a wide variety of sectors, including online services such as E-commerce, travel and digital contents; FinTech services such as credit cards, banking, securities, mobile payments and insurance; and mobile services such as a mobile carrier business. With a single ID, Rakuten members can access multiple services within the Rakuten Ecosystem and earn and use Rakuten Points when shopping or using other services. We have also integrated our offerings both in Japan and abroad under the Rakuten brand, improving our brand image and recognition. Using highly accurate consumer behavior and payment data accumulated from both our online and offline offerings, Rakuten is also able to perform effective client acquisition and marketing.



2 Rakuten Points: No. 1 in overall point satisfaction*

Rakuten offers a variety of loyalty point initiatives that adapt to the ways in which a user engages with Rakuten Group's offerings. Central to this is the Super Point Up (SPU) program, through which users can earn more points the more they use Rakuten services. Another factor that distinguishes Rakuten Points from other loyalty programs is the fact that Rakuten Points can be earned and used online as well as at around five million participating locations around Japan, including local supermarkets and convenience stores. Over 2.5 trillion points have been issued to date (as of late August 2021), and the usage rate of these points is extremely high, at over 90%. The program is very popular in Japan and enjoys the No. 1 ranking in overall point satisfaction.

*My voice com, Survey on points, October 2021

Annual points issued
Approx. 530 billion
FY2021 results

Cumulative number of points issued
more than 2.5 trillion points
as of end of Aug. 2021

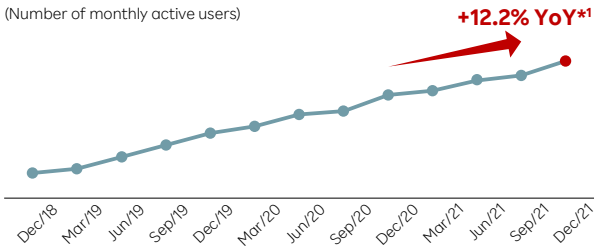
Percentage of points used
over 90%

3 More active users, more cross-use

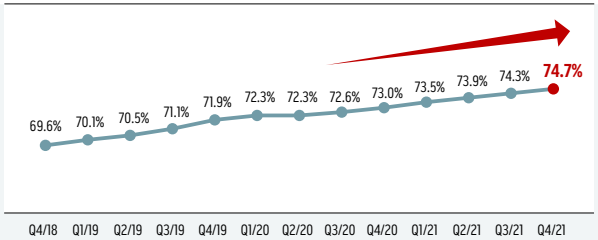
In 2021, we continued efforts to further improve convenience for users, resulting in steady active user growth. By connecting new users of Rakuten Mobile with other Rakuten services, we have also seen increased cross-use around the Ecosystem.

Monthly active user growth

(Number of monthly active users)



Ratio of users of two or more services*2



*1 Comparison of average monthly active users during end of September-end of December 2020 versus end of September-end of December 2021.

*2 Percentage calculated by dividing the number of users of two or more services in the past 12 months by the number of users of all services in the past 12 months (as of the end of December 2021). (Limited to the use of services that can earn Rakuten Points.)

Sustainability Strategy

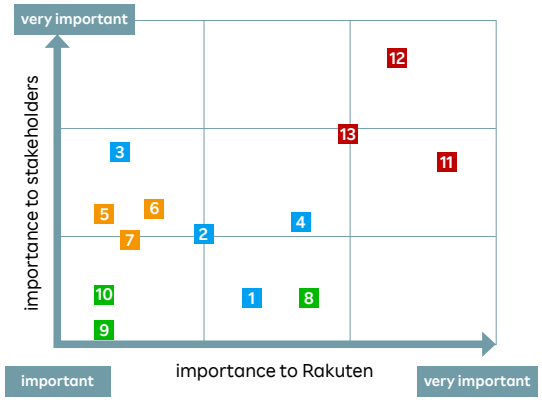
Building a sustainable future

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/commitment/materiality/**

1 Rakuten's Materiality

Identifying which of the many sustainability-related challenges are of particular importance is crucial for the efforts of the entire Rakuten Group to bring about a real impact. In 2017, we created a list of important topics, called materiality, and updated it in 2021 to reflect recent business developments and stakeholder expectations. Below are the topics we identified.

Rakuten Group's Materiality Matrix



Rakuten's Mission: To Contribute to Society through Empowerment

Focus areas

Growing with our employees	Providing sustainable platforms & services	Addressing global challenges
1 Diversity, Equality, Inclusion 2 Talent Attraction, Development & Retention 3 Responsible Labor Practices 4 Workplace Safety & Employee Wellness	5 Sustainable Production & Consumption 6 Responsible Advertising, Marketing, & Labeling 7 Internet Governance & Freedom of Speech	8 Climate Change & Energy 9 Risk & Crisis Management 10 Innovation & Entrepreneurship
Employees	Partners & Consumers	Society

Business foundations

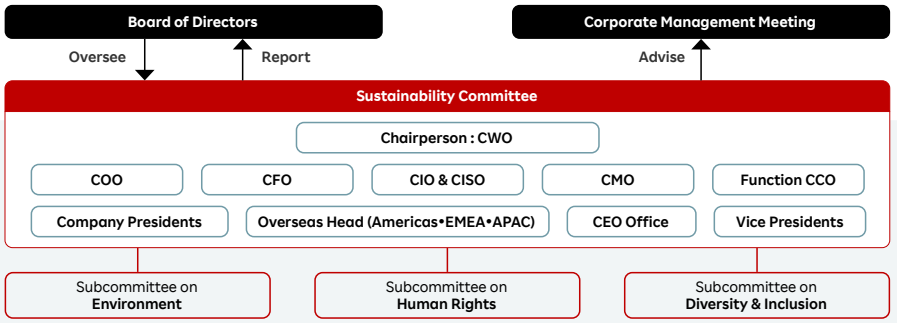
11 Ethical Business Practices 12 Information Security & Privacy 13 Product & Service Quality

2 Management Framework

In 2021, we established the Rakuten Group Sustainability Committee, made up of a cross-border management team and chaired by our CWO (Chief Well-being Officer), with the goal of strengthening the Group's framework for implementing sustainability measures. The Committee makes senior management-level decisions regarding challenges associated with our materiality focus areas. It is a venue for sharing information, such as stakeholder expectations and industry best practices, and for decision making on strategy and target setting.

We have also established subcommittees for challenges that require long-term, cross-organizational discussion, namely the environment, human rights and diversity and inclusion. Each of the subcommittees holds more concrete deliberations, to gain a better understanding of the situation on the ground, and conceive, propose and implement action plans.

The Sustainability Committee also deliberates on and makes regular reports to the Board of Directors on items such as proposals and decisions made by each subcommittee, updates on progress towards targets, implementation into business strategy and compliance with international guidelines, laws and regulations.



To help accelerate the implementation of initiatives regarding the environment – a particularly pressing challenge in the field of sustainability – we also established the Environmental Department. Under the leadership of this new department, we are aiming to become a leading environmental company by taking on a broad spectrum of environmental challenges, starting with a push for all of Rakuten Group to become carbon neutral.

3

Together with Stakeholders

For effective strategy implementation, we need understanding and cooperation from each and every stakeholder involved in Rakuten Group's business operations. At Rakuten, communication with stakeholders is a crucial part of taking on sustainability measures.

Employees

We share regular updates on sustainability initiatives at Asakai, Rakuten's weekly meeting attended by all Group employees. We also hold regular training to further employees' understanding of sustainability challenges, policies and goals. Additionally, an employee-led network called the Social Empowerment Community offers further opportunities to examine and discuss sustainability through a number of regular events, newsletters and other communication tools.

Partners and Suppliers

The Rakuten Group shares its sustainability strategy at numerous large-scale conferences held for Rakuten Ichiba merchants and Rakuten Travel hotels. Here, we also grant awards celebrating the "shops of the year" on Rakuten Ichiba in a number of categories. The merchants who have undertaken initiatives toward the realization of a sustainable society are recognized with the Sustainability Award. These conferences also feature seminars and workshops on SDGs, furthering understanding of sustainability-related topics and examining case studies to provide insight into how to implement such initiatives.

We hold sessions for our suppliers on our Sustainable Procurement Instruction, through which we communicate the importance of sustainable practices in business operations.

CWO Message

Rakuten has established a new Committee and strategy. Our sustainability initiatives are at a turning point.

In 2021, we reexamined Rakuten's goals, revising our materiality and solidifying our foundation for taking on priority challenges, all with the objective of strengthening and accelerating our efforts to realize our goal of a sustainable society.

This latest revision reflects a transformation in the attitudes of stakeholders and executives driven by recent challenges, such as the COVID-19 pandemic and the deepening climate crisis. For example, issues such as maintaining a safe work environment and the health of our employees, as well as climate change, have become considerably more important since we first established our materiality in 2017. After this revision, the priority issues specified in our materiality have become topics recognized by senior management, and I feel an even stronger commitment to prioritizing sustainability from the executive level. I think that much of this can be traced back to how we approached the revision, consulting 16 members of the executive team individually to discuss the importance of each issue and stakeholder expectations.

I also firmly believe that the establishment of the Sustainability Committee will prove to be an important turning point for Rakuten. The Committee is populated by members of Rakuten's global senior leadership, including C-suite executives and Company Presidents, forming a structure that allows us to take on these challenges from headquarters-, business- and global-oriented perspectives. Until now, the implementation of these initiatives centered on our Sustainability Department. Now, having established the Sustainability Committee, we are able to make decisions at the executive level, allowing us to move forward even faster and with even more power. Under this system, we are able to set targets according to our priority subjects and advance measures to make our goal of a sustainable society a reality.

Rakuten operates a diverse range of over 70 different services around the world. Our platforms connect customers both in Japan and around the world with businesses in many different fields. Coordinating measures designed to help build a sustainable society at such a large scale, and with so many diverse groups, is no walk in the park. It also presents us with even more ESG challenges. But I believe that this very diversity and large scale is Rakuten's biggest strength when it comes to sustainability measures. Recently, we were able to leverage this strength, appealing for donations in support of humanitarian aid for the people of Ukraine through our online donation system, the Rakuten Clutch Special Charity Fund. We also helped to establish workplace COVID-19 vaccination programs around Japan. By making the most of Rakuten's assets and partnerships with stakeholders, I believe we can make a real impact on society.

In 2022, Rakuten celebrates 25 years in business. What began as a startup with only six employees has since grown into a global company, alongside the many stakeholders with whom our vision resonated. As global momentum toward becoming a sustainable society grows, we will continue to demonstrate our strong commitment to sustainability and spearhead new initiatives for the coming 25 years and beyond, so as to provide continued value worthy of the enduring support of our stakeholders.

Masatada Kobayashi

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

Strategy

Internet Services

Business

FY2021 Domestic E-Commerce GMS
¥5.0tn
+10.4% YoY

FY2021 Shopping E-Commerce GMS
2 year CAGR
+23.5%

FY2021 Rakuten Seiyu Netsuper GMS
¥50bn
+25.6% YoY

Alongside Rakuten Ichiba, the central pillar of our E-commerce business, Rakuten offers a number of different online services such as Rakuten Travel and Rakuten GORA. Domestic E-commerce business GMS, including these businesses, reached a total of ¥5 trillion in FY2021. Our global services such as Rakuten Rewards (formerly Ebates), eBook service Rakuten Kobo and video streaming service Rakuten Viki are also seeing a steady increase in user numbers.

The High User Loyalty of Rakuten's E-Commerce Services

In FY2021, Rakuten Group's E-commerce businesses exceeded ¥5 trillion in total EC GMS*1, continuing their steady growth in the wake of the effects of the COVID-19 pandemic in the preceding year. Our total shopping EC GMS*2 grew 13.1% YoY in FY2021, achieving a strong two-year average growth rate of 23.5%. This is evidence that the loyalty of our users is increasing every year, and per-user shopping frequency and purchase amounts are both growing as well. A number of measures to enhance shopper convenience contributed to this increase in loyalty, such as Rakuten Ichiba's vast selection of products, improvements to our UI and UX, and the fact that over 90% of merchants have now joined our universal free shipping (cost of shipping included in price) program, through which shoppers can enjoy free shipping on orders exceeding ¥3,980.

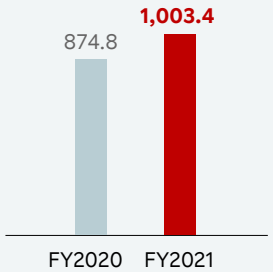
Our online travel reservation service Rakuten Travel now boasts one of the highest market shares in Japan, returning to positive growth in total number of overnight guests in Q4 2021 and undergoing a steady recovery in comparison with 2019. Since launching Rakuten Seiyu Netsuper, a joint venture with supermarket chain Seiyu, in October 2018, GMS has been increasing annually. Thanks to expansions of our dedicated logistics centers and the release of a dedicated app, the service

Main Businesses

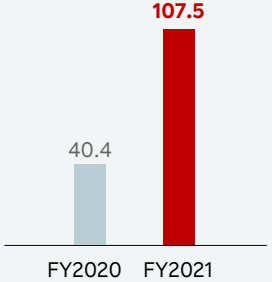
- Domestic E-commerce (Rakuten Ichiba, Rakuten Travel, etc.)
- Overseas E-commerce (Rakuten Rewards (former Ebates), Rakuten France, etc.)
- Investments (Rakuten Capital)
- Advertising (Rakuten Advertising, etc.)
- Professional sports (Rakuten Eagles, Vissel Kobe, etc.)

Segment Information

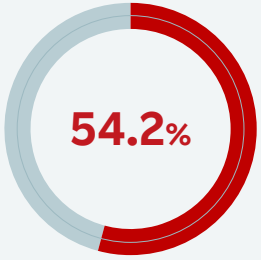
Segment revenue
(billions of yen)



Segment profit
(billions of yen)



Sales composition ratio
(excluding adjustments)



Strategy

Internet Services

is seeing significantly more users. As a result of this, GMS grew steadily in FY2021, surpassing ¥50 billion, a 25.6% increase YoY.

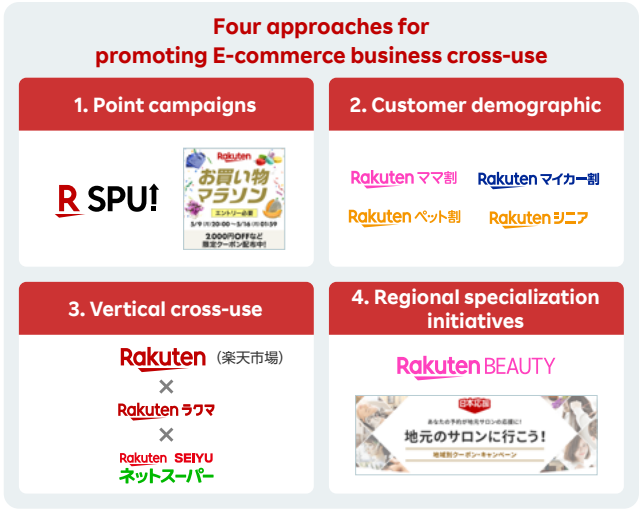
*1 Domestic E-commerce GMS is the combined transaction amount for Rakuten Ichiba, Rakuten Travel (GTV on checkout basis), Rakuten Books, Rakuten Books network, Rakuten Kobo (domestic), golf business, Rakuten Fashion, Rakuten Dream businesses, Rakuten Beauty, Rakuten Delivery, Rakuten 24 and other first-party daily necessities shops, auto business, Rakuma, Rakuten Rebates, Rakuten Seiyu Netsuper, cross border trading, etc. (*Excludes some tax-exempt businesses, includes consumption tax.)

*2 Shopping E-commerce = Rakuten Ichiba + 1st Party (Rakuten Fashion, Rakuten Books, Rakuten 24 and other direct daily necessities shops, Rakuten Seiyu Netsuper) + Open EC (Rakuten Rebates, Rakuten Pay online payments) + Rakuma

Promoting Cross-use Among E-Commerce Businesses

As Japan's digital transformation picks up speed, the total GMS of each of our E-commerce businesses continues to grow. In addition to the independent growth of Rakuten Ichiba and other individual E-commerce businesses, we are looking to grow our overall E-commerce business by building an ecosystem that encourages more cross-use of different services. Each year, more and more customers are using Rakuten Ichiba, the main pillar of our E-commerce business, alongside one or more of our other E-commerce services, and we are promoting this cross-use from four directions, namely: Rakuten Points, customer retention, directing users to other businesses and localization measures.

Cross-Use Expansion Strategy in Domestic E-Commerce Businesses



Supporting our E-Commerce Business with JP Rakuten Logistics

We have been expanding our logistical operations since 2018 to cater to a growing demand for E-commerce services. In July 2021, we established JP Rakuten Logistics, Inc., a joint venture with Japan Post, with whom we are collaborating on a number of initiatives to enhance logistical functions such as user experience improvements, shortened lead times from order to delivery and improvements in delivery efficiency.

In September 2021, we carried out Japan's first return-flight drone delivery trial beyond line of sight without human assistance. Going forward, we are looking to improve logistical efficiency and promote rural revitalization through the use of drones for communities in hard-to-reach locations, such as mountainous areas. Furthermore, in November, as the first stage of an initiative to enhance user convenience and improve delivery efficiency, we launched a package-bundling app, through which users expecting packages delivered by Japan Post can have products purchased from multiple different stores bundled and delivered at a single specified time, chosen by the user. Previously, products were delivered individually, but this initiative has made it possible for multiple products to be delivered at once. This delivery optimization helps reduce CO_2 emissions, in addition to enhancing user convenience. We will continue to collaborate with Japan Post to enhance customer satisfaction, while reducing CO_2 emissions in pursuit of our goal of helping to build a sustainable society.

Rakuten fulfillment centers

Growing our Global Businesses and Boosting Revenue

Our free calling and messaging app Rakuten Viber, eBook service Rakuten Kobo, streaming video service Rakuten Viki and other global businesses are seeing significant increases in user numbers each year, as well as increased sales revenue and operating profits. These businesses all operated at a loss in the years following acquisition, but turned profitable in FY2020. FY2021 Non-GAAP operating profit for our online cashback site Rakuten Rewards (formerly Ebates) has largely recovered from the effects of the COVID-19 pandemic felt in 2020, reaching US$56 million, an increase of 229.6% YoY. We are targeting even more growth going forward to help improve profitability for the entire Rakuten Group.

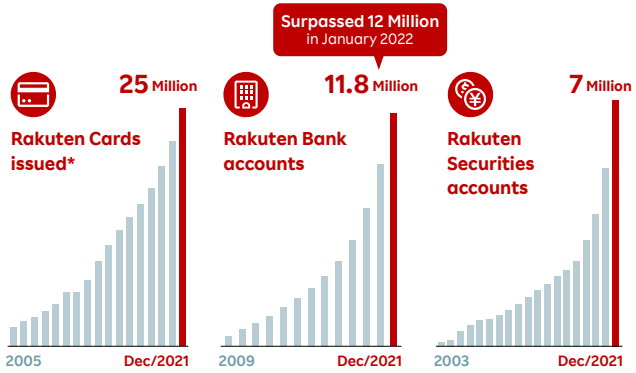
For a Sustainable Future

Rakuten's platforms connect consumers and businesses around the world. We are committed to leveraging our global presence to take on sustainability initiatives that promote positive change in the behavior of consumers, businesses, manufacturers and all related stakeholders in pursuit of our goal of helping to build a sustainable society.

Strategy

FinTech

FinTech Customer Base Expansion



* Includes the issuance of the second Rakuten card per cardholder, which began full-scale in June 2021.

Supporting Our Users' Everyday Lives and Peace of Mind through FinTech Services

The FinTech business offers a variety of FinTech-related services, including a variety of payment services, such as credit cards, and point programs, online banking, online securities trading and insurance. We hope to be a lifestyle partner for our users by offering lifelong capital and finance-related services that allow them to Spend, Earn, Grow and Prepare.

Steady Growth for our FinTech Service Customer Base

In 2021, our FinTech businesses reached several significant milestones: Rakuten Card has now issued 25 million cards, Rakuten Securities has over 7 million accounts, and in January 2022, Rakuten Bank surpassed 12 million accounts. As the Japanese government continues its push for cashless initiatives and as customer needs continue to shift due to changing lifestyles, many users are turning to Rakuten Group's FinTech services to meet their everyday needs.

Increased Cross-Use among FinTech Services

We are building an ecosystem of FinTech businesses with Rakuten Card at its core. Customers can set their Rakuten Bank account to pay their Rakuten Card balance, and use their Rakuten Card to pay for Rakuten Securities investment and insurance products. Rakuten Card's growing customer base is fueling the growth of other FinTech services in the ecosystem.

As of December 2021, over three million users are using the Money Bridge service, which connects a user's Rakuten Bank account with their Rakuten Securities account, and the combined

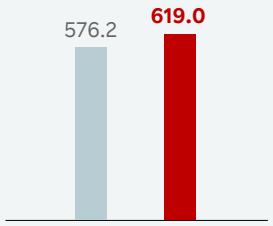
Main Businesses

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

Segment Information

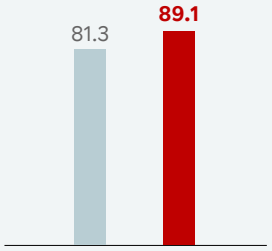
Segment revenue

(billions of yen)



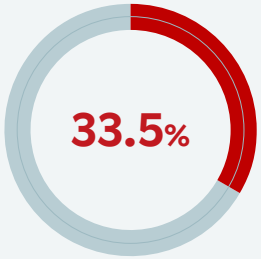
Segment profit

(billions of yen)



Sales composition ratio

(excluding adjustments)



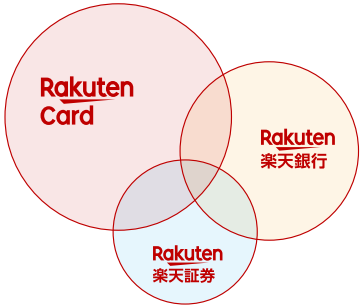
Strategy
FinTech

balance for all users has exceeded four trillion yen. Rakuten Group's strength lies in how we connect our different services, allowing us to offer services with high added value. This has enabled us to grow the number of customers who use Rakuten Card, Rakuten Bank and Rakuten Securities by 89.4% YoY.

Rakuten Card Cross-Use with Other Rakuten FinTech Services Gaining Momentum

+89.4%
YoY

* As of December 2021.

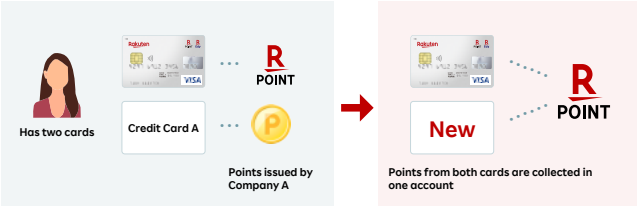


Becoming the FinTech Service that More Users Choose

As the customer bases of each of our FinTech services grow, more and more customers are choosing to use our offerings as their main services. In December 2021, over 22.5% of Japan's credit card transaction volume*1 was through Rakuten Card. As customer behavior undergoes a digital shift and customers seek increased convenience, Rakuten Bank saw the number of payroll accounts rise 55.4% in Q4 2021 compared to the previous year, and more customers are choosing Rakuten Bank accounts as their account for daily use. Rakuten Securities is seeing a more diverse range of customers opening new accounts: In 2021, under-30s made up over two thirds (67.5%) of new users, around half (46.7%) of whom were women. Rakuten Securities is the choice of 77% of beginner investors, and the customer base continues to diversify. Rakuten Life Insurance and Rakuten General Insurance have introduced offerings that allow users to earn Rakuten Points and have since seen major growth in online sales.

Rakuten Card Now Allows Current Cardholders to be Issued a Second Card

As demand for contactless payments surges and society embraces a cashless economy, the variety of use cases for credit cards has diversified to include not just online shopping on platforms like Rakuten Ichiba, but also the payment of rent, cellphone bills and everyday shopping. Until recently, Rakuten Card has generally only issued one card to each individual customer. From June 2021, however, in response to requests for additional cards for specific uses and featuring specific designs, we made it possible for almost all cardholders to have a second card issued*2. This has led to an increased possibility of using a Rakuten Card to make payments and earn Rakuten Points, not just by allowing customers to use separate cards for specific purposes according to their lifestyles, but also by allowing them to hold cards from different international brands. This potentially simplifies the management of household budgets by enabling easy grouping of expenses. In the seven months following the start of the second card program, over one million second cards were issued.



Rakuten Payment: Proactively Directing Customers to Additional Rakuten Group Services

Rakuten Payment, Inc. currently operates a wide selection of payment-related services such as mobile payment service Rakuten Pay (for both in-app and in-store payments), Rakuten Point Card, e-money service Rakuten Edy, online e-money service Rakuten Cash and Rakuten Check, a service through which users can earn Rakuten points when visiting physical stores. Rakuten Payment supports customers with a convenient and secure payment service, and supports partner stores with payment offerings tailored to their industry and business conditions, as well as with marketing programs that leverage the power of data.

At the core of these services is the Rakuten Pay app. It gives users easy payment solution for everyday shopping around town, as well as the ability to earn and invest Rakuten Points, receive coupons, manage budgets and engage with a range of other services to support various aspects of users' lives, making it an effective entry point for directing customers to additional Rakuten Group services. In 2021, the Rakuten Pay (app payment) service also received the top spot in the Loyalty and Customer Expectation categories of the QR Code Payments field of the Japanese Customer Satisfaction Index*3 and has been highly rated as a 'QR code payment service customers want to continue using.'

Rakuten Payment intends to further improve customer satisfaction with even more convenient, user-friendly and secure payment services.

*1 Calculated from the METI Current Survey of Selected Service Industries, Credit Card Service Industry (January 2022 final report 'Sales Credit Business' 2021).
*2 Some cardholders ineligible.
*3 The Japanese Customer Satisfaction Index

For a Sustainable Future

Financial services are an essential foundation for people to live economically stable lives. By offering a diverse selection of financial services, Rakuten intends to provide security and convenience, while also helping to address social challenges, such as the improvement of financial literacy and access to financial services.

Strategy

Mobile

Rakuten Mobile Triangle Strategy

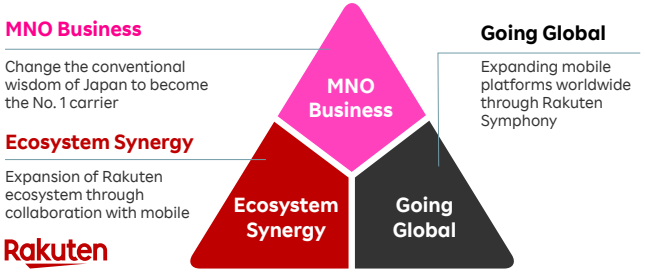
We are pursuing a triangle strategy for our Mobile business, which consists of 1) succeeding in Japan as a mobile carrier, 2) contributing to the Rakuten Ecosystem and 3) going global with Rakuten Symphony.

1) Succeeding in Japan as a Mobile Carrier

Since our full-scale launch in April 2020, we have worked to improve the quality of our service, enhancing Rakuten Mobile's pricing plan, expanding our network coverage, opening new Rakuten Mobile stores and improving our lineup of original devices. We have expanded Rakuten's 4G network with astonishing speed, reaching 96% of Japan's population in February 2022, around four years ahead of schedule of the base station deployment plan submitted to the Ministry of Internal Affairs and Communications. Building the network from the ground up, we have expanded our network from the 23 wards of Tokyo, Osaka City and Nagoya City at the time of launch to achieve nationwide coverage. This was made possible by leveraging not only virtualization technology, but the full, concentrated power of the Rakuten Group and all of the partnerships we have formed.

Initiatives such as the release of the Rakuten UN-LIMIT VI plan, as well as the addition of iPhone to the lineup of Rakuten Mobile-compatible devices, contributed to a steady expansion of our customer base, and total subscriber numbers* surpassed 5.5 million in February 2022. Furthermore, in December 2021, the ORICON Customer Satisfaction® survey rated Rakuten Mobile's service highly in the *Pricing plans*, *Cost-performance*, *Device lineup* and *Signup process* categories, awarding us the top spot in customer satisfaction among mobile carriers. Performance in the *Connectivity* category is improving rapidly, with our having reached 96% 4G population coverage, and as

Rakuten Mobile Triangle Strategy



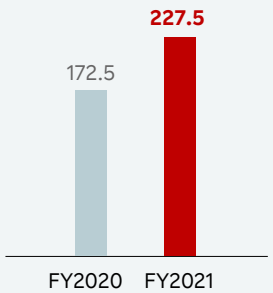
Main Businesses

- Communication services (Rakuten Mobile, etc.)
- Power supply services (Rakuten Energy)
- Telephone services (Rakuten Communications)

Segment Information

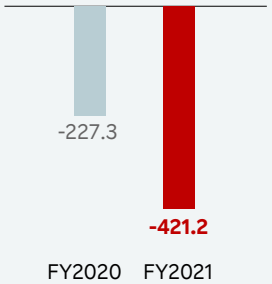
Segment revenue

(billions of yen)



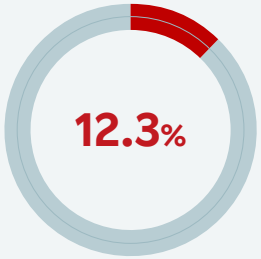
Segment profit

(billions of yen)



Sales composition ratio

(excluding adjustments)



Strategy
Mobile

we build more base stations to enhance network density, we expect the pace of customer acquisition to accelerate even further.

These achievements helped boost mobile segment sales revenue by 31.9% YoY to ¥227.5 billion in 2021, but operating losses also increased due to the ongoing costs of upfront investments such as for base station construction. Going forward, as the number of paying subscribers rises, new subscriber acquisition accelerates and roaming costs fall, we forecast that losses will bottom out in Q1 2022 and earnings will improve quarter by quarter starting in Q2 2022.

*Total number of contracts including MNO and MVNO.

2) Contributing to the Rakuten Ecosystem

Rakuten Mobile's contributions can be seen all across the Rakuten Ecosystem. For example, the average total monthly spend on Rakuten Ichiba of users who had signed up with Rakuten Mobile increased by a factor of 1.7 after signing up. Users who entered the Rakuten Ecosystem through Rakuten Mobile are trying out other Rakuten Group services including Rakuten Ichiba, Rakuten Card, Rakuten Bank and Rakuten Pay. In addition to improvements in lifetime value from customers using the mobile service itself, we expect that this synergy will continue to boost the membership value of the entire Rakuten Group going forward.

3) Going Global with Rakuten Symphony

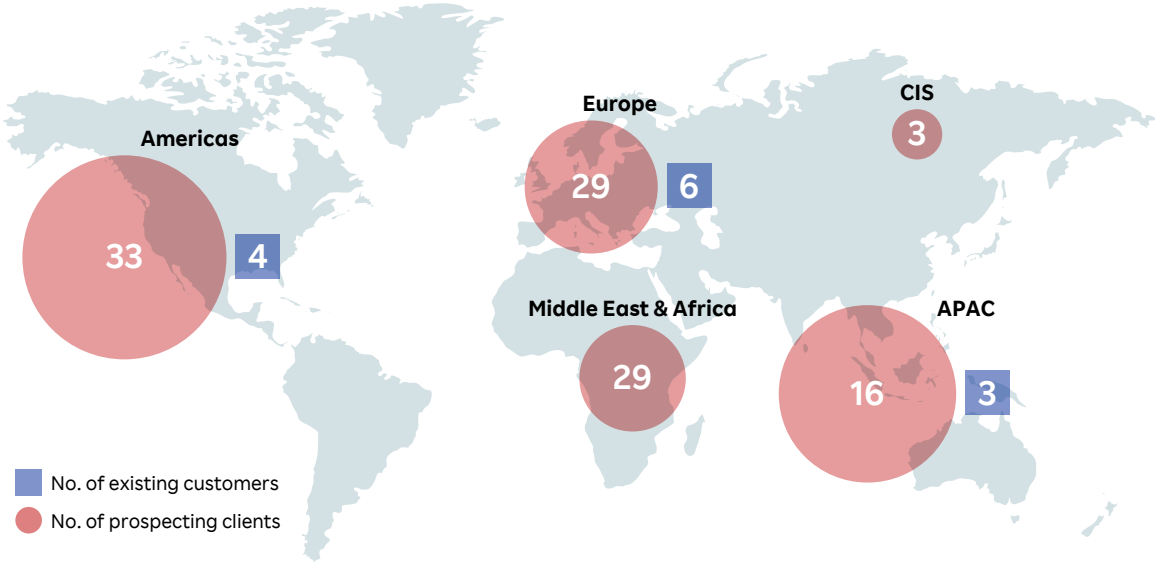
The Rakuten Mobile network, supported by the world's first fully virtualized technology, continues to evolve every day. In addition to typical outdoor base stations, our network utilizes small cells, femtocells and a variety of hardware chosen according to area and per-site requirements. Over 200,000 cells have already been deployed in the network, making it one of the most extensive networks utilizing Open RAN in the world. For these initiatives, Rakuten Mobile has been recognized as a company that promotes innovation in the rapidly evolving mobile telecommunications industry. In 2022, Rakuten Mobile received a Global Mobile (GLOMO) award for the second year running at Mobile World Congress, the largest mobile trade fair in the world.

We also continue to adjust our organization in preparation for taking our operations global. In August 2021, we launched Rakuten Symphony, which consolidates our cloud-native, Open RAN telco infrastructure platforms, services and solutions. Furthermore, in order to provide our future proven, cost-effective telecommunications cloud platform to global operators, companies and governments, we established Rakuten Symphony, Inc. in January 2022. In February 2022, we announced the acquisition of Robin.io, a US-based startup that provides cloud technologies. Rakuten Symphony is currently the only company in the industry with access to end-to-end fully virtualized mobile network technology, and we will continue to expand our portfolio and enhance functionality.

We are also gaining experience from the global market while leveraging the knowledge of our mobile network architecture in Japan. In August 2021, we announced a contract with German telecommunications operator 1&1, and have since announced that we will be providing solutions to US-based companies DISH and AT&T. The global market for Open RAN is expected to expand to approximately US$120 billion from 2025 onward. With an eye to this large market, Rakuten Symphony is looking to continue accelerating the development of businesses and services to capture market share and boost earnings for our Mobile business.

*As of January 2022.

Rakuten Symphony Existing Customers and Pipeline by Region (as of April 2022)



For a Sustainable Future

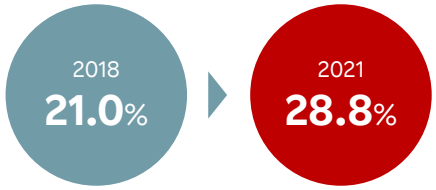
We rely on electricity to provide customers with a revolutionary mobile carrier service that offers both excellent quality and affordability. We are working alongside partners and clients to promote sustainability measures up and down the supply chain through initiatives to reduce our impact on the environment and become carbon neutral.

Strategy/Growing with our employees

Talent Management

Rakuten is powered by talented employees from over 70 different countries and regions, all of whom bring diverse cultural backgrounds and values to the table and work together as One Team to empower society. Our diverse team continues to build revolutionary services that enrich the lives of customers, while working in an environment that allows them to be themselves and perform to their full potential.

Share of female employees in management positions (%)



Managing Talent during the Pandemic

As the impact of COVID-19 continues to be felt around the world, Rakuten is maintaining a high level of productivity while ensuring the safety of its employees and strengthening its corporate culture.

In 2020, employee activities were largely carried out online in order to minimize the risk of infection. Beginning in 2021, as the vaccination rollout expanded, we shifted our recruiting, training and working arrangements to an online/offline hybrid format. For example, while recruiting activities have been predominantly conducted online since 2020, welcome events for new recruits were held in a hybrid format in 2021, taking appropriate infection prevention measures.

After shifting to an online workstyle to prevent the spread of infection in the spring of 2020, we perceived a marked reduction in in-person contact and interactions among team members. In order to strengthen our One Team spirit and increase opportunities for collaborative work, we expanded the number of in-office days during 2021, while maintaining work-from-home systems to allow for flexibility. CEO Mikitani also continues to directly share his insights on Rakuten's corporate values and mission through the weekly all-hands meeting known as Asakai. Rakuten Shugi workshops were also held to allow employees to experience and boost their understanding of Rakuten's shared principles and guidelines, also known as Rakuten Shugi.

Diversity and Inclusion

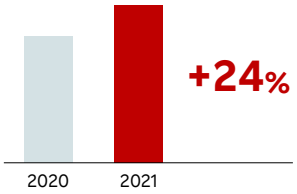
Diversity is one of Rakuten's core strategies and a driving force of innovation. In 2012, we adopted English as our official corporate language, allowing us to attract a wide range of talent from across the world with diverse personalities, values and skills.

We are also making efforts to support female employees, as well as employees with children, whose careers can be more susceptible to changes due to life circumstances. We offer a variety of initiatives such as an in-house daycare center and systems to enable flexible working styles, along with a family-themed network intended to provide employees with opportunities to connect. The ratio of female employees in management positions continues to rise, at the same time as high post-maternity leave return and retention rates of over 90% continue to be achieved.

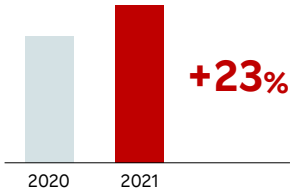
In addition, to further strengthen employee diversity and offer the kind of inclusivity that ensures everyone can use Rakuten's services and products, in 2021 we established the Diversity and Inclusion Subcommittee as part of our Group Sustainability Committee. This working group will play a central role in efforts to further accelerate measures related to diversity and inclusion for both employees and customers.

Group Productivity
(excluding mobile, logistics and investment businesses)

Operating profit per full-time employee



Operating profit / total costs



EMPLOYEE VOICE

What makes working at Rakuten so special is that I'm able to be true to myself, and there are many opportunities for me to use my unique skills to their full potential. Human Resources readily assisted me when I transferred departments to further develop my career and when I applied for permanent residency in Japan. The work culture at Rakuten makes it easy to reach out to people anytime, and because of that, I feel like I have a strong support system in place. As a woman, a foreign resident, and a member of the LGBTQ+ community, I feel that Rakuten is a comfortable place to work. My aim now is to strengthen support for web accessibility across Rakuten, creating web services that are easy for everyone to use.
-Maddy, UI/UX Engineer, Leisure Product Department

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/employees/**

Strategy/Providing sustainable platforms and services

Sustainable Platforms and Services

By affecting positive change along Rakuten's entire value chain, we can make an impact on society at large. Together with our stakeholders, we are advancing towards our goal of a sustainable society.

Sustainable Production and Consumption

Rakuten offers over 70 different services and a wide variety of products. With a mind to the impact that the development and production of these offerings has on the environment and society, we are working together with all of our stakeholders to promote initiatives with the goal of contributing to the realization of a sustainable society. Through these collaborative initiatives, we are building sustainable platforms, leading with Rakuten Group's achievement of our RE100 target.

Supply Chain of Services and Products

In order to deliver services and products to our customers, we procure materials such as parts and equipment, as well as services such as human resources and consulting. The Rakuten Group Sustainable Procurement Instruction sets expectations for suppliers in the areas of business ethics, compliance, environmental protection and human rights.

Given the vast number of suppliers that support our activities, putting the Instruction into practice in all our businesses simultaneously would be challenging. It is therefore implemented in stages, starting with high-priority suppliers.

Going forward, we will continue implementing these initiatives in other Group businesses, practicing sustainable procurement across our Ecosystem.

Case study

In 2021, Rakuten Mobile began taking on full-scale sustainable procurement initiatives in earnest. Briefings on the Rakuten Group Sustainable Procurement Instruction and guidelines specific to Rakuten Mobile were conducted for suppliers who were chosen according to product category and transaction amount. All suppliers signed written pledges indicating their understanding of the guidelines and commitment to adherence, and answered a detailed assessment questionnaire. Based on feedback from the questionnaire, concrete improvement areas were identified, and on-site audits are being conducted as required. Going forward, Rakuten Mobile will continue to work with suppliers, monitoring the implementation of improvement plans toward more sustainable operations.

E-commerce Platform

Rakuten Ichiba is one of Japan's leading E-commerce platforms, connecting over 56,000 merchants with over 100 million registered members. Due to our position in the market, we can help bring about behavioral changes both on the demand side and the supply side, through merchants and their supply chains, allowing us to make a significant impact on the realization of sustainable consumption and production.

The 'Rakuten Ichiba Charter' defines our policies for Rakuten Ichiba merchants, highlighting their role as an integral part of an E-commerce platform. It appeals for their cooperation on adherence to laws and regulations, appropriate data management, as well as their consideration for human rights with regard to customers and everyone involved in the production and sales process.

On the Earth Mall with Rakuten, our platform for curating the sustainable products sold on Rakuten Ichiba, we aim to increase shopping choices for our users. The platform is growing rapidly, and in 2021 saw total GMS grow to around 3.9 times that of the previous year, as well as a traffic increase by a factor of around 4.5.

In addition, at the Rakuten Shop of the Year Awards, an annual event celebrating the top stores of a given year, we grant a Sustainability Award to merchants who are actively working toward a sustainable society. In 2021, this award recognized Kojima-ya, a dried fruit and nuts specialty store, for its target setting in line with the Sustainable Development Goals, as well as its transparency in disclosing progress.

Responsible Marketing

At Rakuten, we communicate with users around the world through advertising and marketing activities. In order to deliver the best possible advertising experience, we are mindful of our potential impact on human rights. Our Online Ad Instructions, standards for posting and receiving orders for online advertising, prohibit language or visual information that could be perceived as discriminatory or could constitute a breach of privacy or human rights. We have assigned company representatives for each service to maintain oversight of advertisements and ensure that advertising operations adhere to the aforementioned instructions and other company-wide regulations.

We are also working to ensure web accessibility so that all people are able to use Rakuten services, regardless of limitations or difficulties imposed upon them by physical ability or environment. Our services are used by 1.6 billion people around the world, and each of our users has different needs. To allow us to provide services that cater to everyone in our diverse customer base, we are acting in accordance with the Rakuten Group Accessibility Policy, which is based on the Web Content Accessibility Guidelines of the World Wide Web Consortium (W3C), the main international standards organization for the world wide web.

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/services/supplychain**

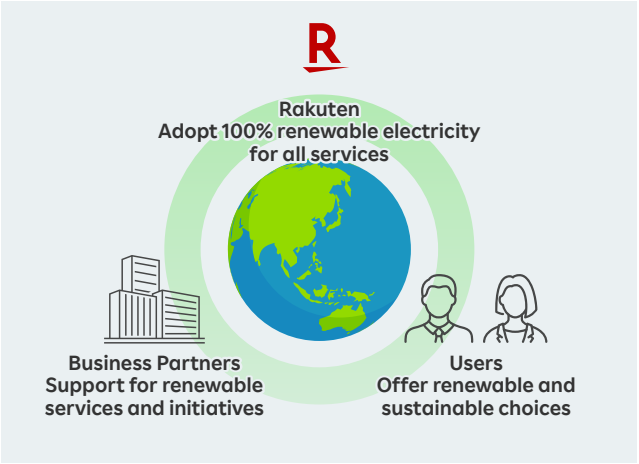
Strategy/Addressing global challenges

Climate Change

As the climate crisis intensifies, it has become imperative that the global community come together to solve this issue. Rakuten is working to reduce the environmental burden of its own business activities, while also working together with customers and partners to promote eco-conscious services and products.

Becoming a Leading Environmental Company

The Rakuten Group aims to help realize a carbon neutral society and become a leading environmental company. To achieve this, we have established an organizational framework charged with setting targets and implementing climate change initiatives across the Group.



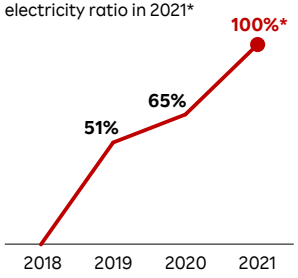
RE100 Roadmap

As part of our measures against climate change, Rakuten Group, Inc. joined the international RE100 initiative in 2019 with the goal of transitioning to 100% renewable electricity used for all business operations by 2025. In FY2021, Rakuten Group, Inc.'s renewable electricity ratio reached 100%*, and 20.6% for the Rakuten Group including consolidated subsidiaries. Going forward, we are aiming to transition all Group company operations to run on renewable electricity as per the RE100 initiative by 2023.

Roadmap to RE100

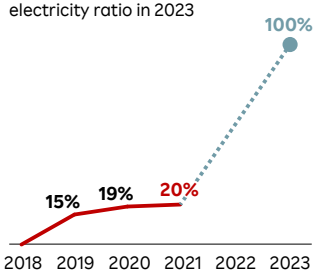
Rakuten Group, Inc.

Reached 100% renewable electricity ratio in 2021*



Rakuten Group, including major consolidated subsidiaries

Aiming to reach 100% renewable electricity ratio in 2023

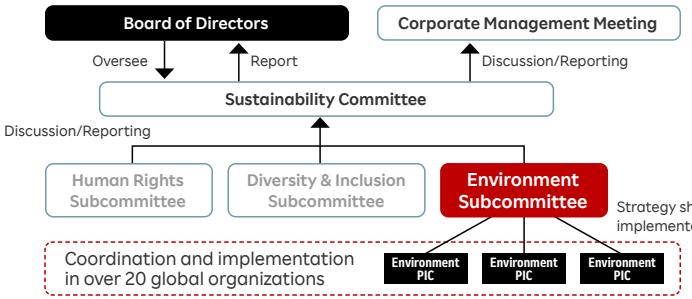


*100% renewable electricity in real terms through the use of 'FIT Non-Fossil Certificates,' a certification of renewable electricity designation.

Establishing an Organizational Framework

With each passing year, the role of companies in tackling climate change is becoming increasingly complex. Implementing climate change measures across Rakuten's entire array of Group services requires strong centralized leadership. This is why we established the 'Environmental Department' as part of our Operation Division in January 2022. We appointed environment persons in charge (PICs) inside each organization, who are responsible for coordinating with the Environmental Department and taking on a wide range of climate change-related measures, including strategy formulation, implementation and risk management.

We have also streamlined Group-wide implementation systems and reporting lines. The Sustainability Committee holds monthly Environment Subcommittee meetings, in which members seek to break down climate change-related measures into concrete actions to be taken by each organization.



EMPLOYEE VOICE

"The Environmental Department's mission is to ensure that the Rakuten Group becomes a leading environmental company. The world is undergoing revolutionary changes to become carbon neutral, and this is an important initiative for us in continuing to empower people and society.

Today, the topic of climate change is frequently covered in the media, but we feel that many still struggle to grasp the extent of the problem and find solutions. As the information surrounding this issue is updated every day, we are implementing Group-wide initiatives with speed. Within just months of the creation of the Environmental Department, we have already established an internal organizational framework. We've only just begun, but we are working hard to bring everyone together to help tackle major social challenges, guided by one of Rakuten's brand concepts: "Solidarity: Succeed as a Team.""

–Koyuru Ohashi, Office Manager, Environmental Department

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/environment/**

Strategy/Addressing global challenges

Social Initiatives

Guided by our mission to empower people and society through innovation, the Rakuten Group is working alongside employees and many other stakeholders to make a positive social impact through our services and technology.

Rakuten's Social Initiatives

At Rakuten, we are working alongside our many partners and stakeholders to leverage our advanced technological and business assets towards tackling social issues. With each party bringing unique expertise to the table, we aim to combine our strengths to bring about a more significant social impact and build a better society. One important group of stakeholders are our employees, to whom we offer numerous programs and opportunities for engaging in social initiatives. These programs embody Rakuten's mission and vision, and employee participation in such activities helps boost motivation and awareness of social contribution.

Partnering up for SDGs

In February 2021, the Rakuten Group signed a comprehensive cooperation agreement with the Japan International Cooperation Agency (JICA) with the goal of solving developmental challenges faced by emerging countries while contributing to the achievement of the United Nations' Sustainable Development Goals (SDGs) through international cooperation.

Through this collaboration, in 2021 JICA and Rakuten were able to exchange culture, expertise and technology, resulting in new findings for both parties on topics such as the promotion of the SDGs and the strengthening of intra-organizational ties. We will continue working together to bring out each other's strengths and specialties, leveraging the power of technology in pursuit of a new kind of international cooperation.

Areas of Cooperation

Innovation

Promoting innovation that contributes to solving developmental challenges faced by emerging countries through IT and other technologies.

Sustainable lifestyle

Facilitating understanding of the SDGs and modifying attitudes and actions through appeals for sustainable consumption and lifestyle choices.

Partnership

Pursuing new international collaborations through cooperation with a variety of stakeholders and invigorating existing partnerships.

Case study

Partnership

Internship for ABE Initiative student

Through the African Business Education Initiative, JICA aims to assist promising industry talent from Africa by offering opportunities to earn master's degrees at Japanese universities. In 2021, Rakuten accepted Obiyo Chukwuma Harvey, an exchange student participating in this program, for an online internship.

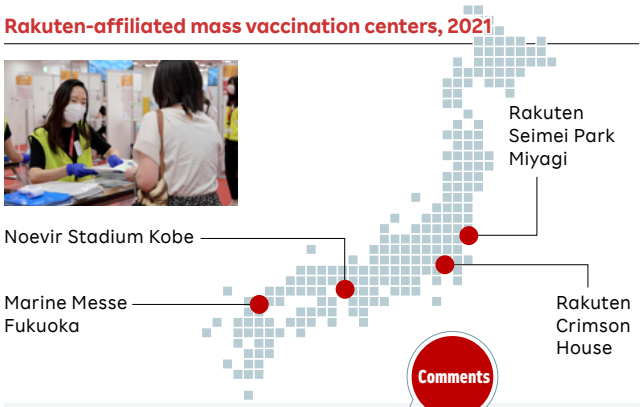
Comments

"Specializing in the environment, I joined Rakuten's Sustainability Department as an intern. This internship gave me new perspectives that I hadn't come across in the academic world, and proved to be a valuable experience for my future career. Rakuten has a One Team culture where employees with different roles come together, and that left a strong impression on me. I was also grateful for the opportunity to work in English in a global setting."
-Obiyo Chukwuma Harvey of Nigeria

Taking on the Pandemic

To help stem the spread of COVID-19 and encourage the resumption of economic activities as swiftly as possible, Rakuten has worked hard to accelerate the rollout of vaccinations. We set up four centers for public and workplace vaccinations, not only for Rakuten employees and their families, but also local residents, partners, and local companies that are unable to operate their own vaccination programs. The centers were the result of extensive collaboration between a number of stakeholders including universities, medical institutions, local authorities and Chamber of Commerce member companies, as well as Rakuten Group employees. The centers were able to reduce the time from check-in to inoculation to just 3.5 minutes per person, resulting in nearly 900,000 vaccinations being administered over a span of approximately six months.

Rakuten-affiliated mass vaccination centers, 2021



Comments

"We'd appealed for vaccinations for our hotel staff, who are in daily contact with many guests, so this was extremely welcoming news."
- Odakyu Hotel Century Southern Tower

Comments

"Fukuoka has thriving service and retail industries, and there are many people who work directly with customers—particularly in restaurants and retail stores. I feel that this workplace vaccination initiative has really helped Fukuoka's economy. We had no expertise in the way of vaccine operations, so we are extremely grateful that Rakuten reached out and we were able to make this a reality."
- Takahiro Ihara, Fukuoka Chamber of Commerce & Industry

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/communities/**

Strategy/Addressing global challenges

Risk Management

As society and the environment continue to undergo rapid change, 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 that quickly identifies and addresses risks.

Risk Management at Rakuten

To achieve sustainable development amid rapid changes in business and society, we are pursuing risk management initiatives from three different perspectives: Enterprise Risk Management (ERM), Incident Management and Business Continuity Plan (BCP).

Enterprise Risk Management (ERM)

We operate a diverse range of businesses in 30 countries and regions around the world, and these operations involve a variety of risks. The Rakuten Group defines risk as uncertainties that could affect our ability to achieve our business goals. It is important to manage risk factors in a holistic manner, which we do through an ERM cycle: We identify risks, determine and carry out appropriate countermeasures and monitor their results.

We report the risks present in each organization and the evaluation of countermeasures to the senior executive management. The Group Risk and Compliance Committee meets four times a year to discuss Group-wide risks. The most serious risks are reported and discussed at the Board of Directors' meetings. Our framework thus combines bottom-up risk responses by front-line staff and Group-wide risk monitoring by senior executive management.

Incident Management

The 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.

In 2021, we implemented an initiative called the Quality Control Circle, a bottom-up quality and productivity enhancement activity which empowers employees to take the initiative in solving problems on the front line. This has led to a reduction in incident recurrence thanks to analysis of causes, recurrence prevention plans and the strengthening of implementation processes.

Business Continuity Plan (BCP)

In order to minimize damage to our business assets in the event of an emergency while ensuring the continuity and swift recovery of our core activities, we have formulated and updated our Business Continuity Plan (BCP) according to the steps outlined below.

In 2021, we further strengthened BCP initiatives in response to frequent natural disasters, including major earthquakes. We reexamined our group-wide systems for information gathering and coordination in order to be able to respond swiftly to natural disasters, and we are continually assessing and improving these systems through the staging of regular drills.

Examples of Major Risks and Corresponding Responses

Major managerial risks are designated "top risks." Described below are examples of those risks and their corresponding responses. For more details, please reference the Business Risk section of the FY2021 Annual Securities Report.

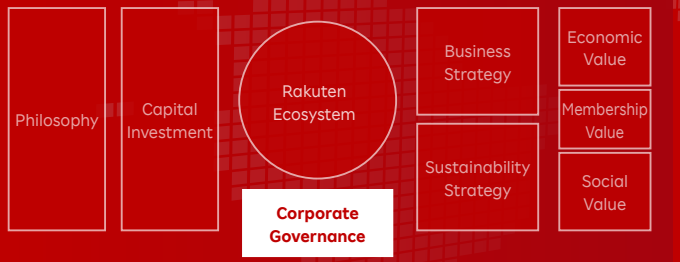
Risk Item	Overview of Risk	Response
Risks related to information security	Providing a wide range of online services carries the risk of not being able to ensure system availability or information integrity due to laws and regulations or criminal activity.	We take various measures, such as establishing 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.46
Risks related to laws and regulations	Our diverse range of businesses overseas around the world are subject to a wide range of laws and regulations depending on the country or region, which may impact the Group's businesses, operating results and financial status.	To fulfill our important corporate duty of adhering to laws and regulations, our Chief Operating Officer (COO) and Function Chief Compliance Officer (CCO), as well as Company Compliance Officers appointed to each Internal Company, promote Group-wide compliance initiatives. ▶For details, see p.44
Risks related to natural disasters and infectious diseases	Natural disasters such as earthquakes, typhoons and tsunamis, along with pandemics and other unforeseen dangerous phenomena could significantly impact the Group's businesses, operating results and financial status.	In order to be prepared for potential disasters and other dangerous phenomena, we are working to minimize risks by formulating measures such as our Business Continuity Plan (BCP), which includes safety drills for our executives and employees, along with checkups on backup mechanisms for our information systems.
Risks related to human resources	Unexpected hurdles associated with our hiring activities, talent development or the establishment of workspaces that accommodate talent from diverse backgrounds could cause us to lose employees and face labor shortages, driving down productivity and impacting the Group's businesses, operating results and financial status.	We carry out a range of hiring activities, updating our personnel planning on a monthly basis, observing changes in the market, diversifying our hiring channels and increasing the number of recruiters we employ. Through education and training of new hires appropriate to their job classification, we work to foster talent and boost engagement within the Group. By creating discussion opportunities between members of senior management, we also hope to strengthen Group-wide collaboration and leadership. ▶For details, see p.32

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/risk/**

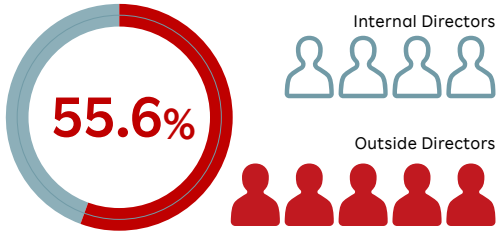
Rakuten's Governance

Rigorous governance is essential for enhancing corporate value. We make continuous efforts to build the foundations for responsible management structures and to earn the trust of society at large.

Rakuten's Value Creation Process

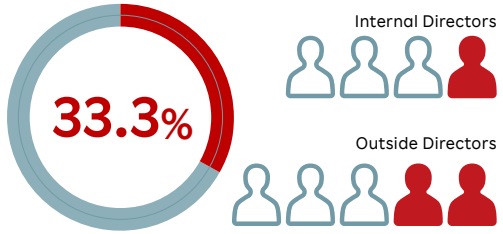


1 Percentage of Outside Directors within the Board of Directors



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.

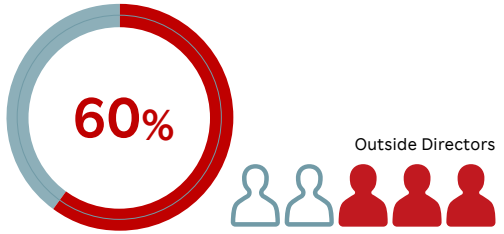
2 Ratio of foreign Directors



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.

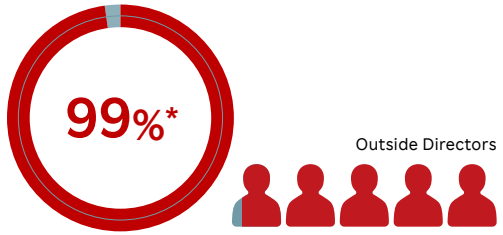
The four features of Rakuten's corporate governance

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.

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 five Outside Directors, four Directors achieved 100% attendance in FY 2021.

Interview with Outside Director

The Rakuten Ecosystem shows the characteristics of a decentralized autonomous system

Jun Murai
Outside Director

Q Please tell us how you came to be an Outside Director for the Rakuten Group.

Rakuten was founded in 1997, with the launch of the online shopping mall Rakuten Ichiba. The company is considered a pioneer of E-commerce in Japan. In those days, I was busy with internet development at Keio University, while conducting research for my own 'theory of internet civilization,' which explored the impact that online environments could have on people's lives and civilization. Of course, I was very interested in whether the E-commerce platform that Rakuten was trying to build would catch on in Japan, and I became close friends with Mickey Mikitani. Japanese households have had access to the internet since about 1995, but there weren't too many people online at that time. Back then, Japanese people were reluctant even to use credit cards, let alone make payments online to engage in E-commerce. The prevailing opinion was that if E-commerce were to take off, it would be led by a foreign company.

Despite this, Mikitani was adamant that people would start shopping on the internet, and he persevered in his solitary struggle to get Japan's first E-commerce business on track, overcoming many significant challenges to achieve this vision. In 2007, the first iPhone was unveiled. Rakuten began integrating mobile internet into its business, and by 2012, was looking to mobile as the next area of growth. This was when I was approached to take on the role of Outside Director. I had great respect for Rakuten's work popularizing E-commerce in Japan, and I wanted to support this company, which had achieved growth through the internet. I accepted the role then, and have been serving for 10 years now.

Q As a founding developer of the internet in Japan and advisor to the Digital Agency, what is your perspective on the Rakuten Group?

Rakuten's journey began with E-commerce, but it has since expanded its scope by connecting its operations across different industries to offer a diverse catalog of interlinked services and businesses. With finite management resources, most companies concentrate on a single area of expertise and stay focused on that area. In contrast to that, Rakuten's unique approach has been to create value through the internet by forging many new connections and networks.

Another characteristic of Rakuten is the way it has built its own Rakuten *Ecosystem*, which operates like a decentralized autonomous or autonomous distributed system. Such a system isn't controlled by one large computer or mainframe, but rather by many individual autonomous terminals connected over a network and working together as a single system. The internet itself has evolved to become the perfect example of such a system, in that it is not managed by a central government or owner, nor intended to be a space controlled by regulations. The original concept behind the internet was for a global space where digital data could be propagated freely across national borders, connecting the entire world. Because the internet was developed with this concept in mind, as a system, it is highly compatible with the notion of expanding businesses laterally across the globe. I think the Rakuten Group is leveraging the internet very effectively to build a foundation for this kind of decentralized autonomous system. By connecting its diverse services to allow each to work effectively within its respective field while also expanding the *Ecosystem*, I believe that Rakuten has created a unique business model that no-one else in the world has been able to replicate.

Q What kind of advice would you give at strategic management discussions involving outside directors?

I am not a business or financial specialist, but a scholar. My area of expertise is our internet-connected society, and looking at this from the perspective of a massive system and

thinking about how our online environment could change society going forward, I can see many points of interest and potential challenges.

Take blockchain technology, which is used in cryptocurrencies such as bitcoin: Web3 has been the topic of much discussion recently and if this becomes a reality, global financial systems will be integrated and the banking industry will undergo significant changes. It could even open up the possibility of medical services, which are strictly regulated by national governments, being taken online and performed across borders. I consider my role not to be to look at the small details, but rather to assess the big picture – to observe the changing online environment and the direction society is headed, and take all of it into account in assessing investments. By taking this approach and by listening carefully to stakeholder concerns, I aim to put my knowledge and expertise to use.

Q

Rakuten's mobile segment is currently putting pressure on overall Group revenue. How do you view this area of the business?

The internet began as something built on top of the infrastructure built for telephones. Today, the situation is reversed – telecommunications technology is adapting to the internet. Communications devices are being developed around internet connectivity. It's not that we need to go back to telephones, but that telecommunications can be regarded as a key software function of the internet. And so Rakuten's idea has been to integrate this as yet another pillar of the *Ecosystem*. This is why it is so significant that Rakuten has opted not to emulate existing telecommunications companies but instead build a fully virtualized network.

In 2012, the UN deliberated on whether internet access was a human right. Today, anyone can connect to the internet at any time from anywhere. Meanwhile, Rakuten Mobile is working to democratize mobile networks by giving everyone access to an affordable and speedy connection. Japan's Digital Agency is also rapidly building out public and private infrastructure for the digital age, working to form digital policies in which 'no-one is left behind.' As remote work becomes the norm and smartphone payments undergo rapid growth, even government procedures will gradually shift online. With the world moving in this direction, the Rakuten Group will wield the critical functionality of the mobile internet, and I believe that continuing to enhance the utility of it will be of crucial importance.

Q

Having served as Outside Director for many years, how do you view your role? What is the board like overall?

With startups, there's often a charismatic founder, and it can take serious courage for others inside the organization to voice their own opinions. This is why outside directors are necessary – they can, without fear of repercussions, challenge the leader, no matter how charismatic, on why they're doing what they're doing. I see this as a large part of my role. Mickey Mikitani very much fits this charismatic startup CEO picture, but he is the type of person to calmly assess and make judgments before taking action. He proactively reaches out for input from Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, John V. Roos and myself, guided by our areas of expertise. He is also very open, sharing many of his ideas with us in their earliest stages.

The official language of Rakuten's Board of Directors is English, so non-Japanese members are able to seamlessly engage in discussions, without needing to work through interpreters. I think that this is a significant advantage that allows us to fully leverage the diversity of the Board.

Using English as our official language allows us to make the most of our diversity.

Q

How do you rate the effectiveness of the Board of Directors?

Following an age of innovation from the IT sector, we have entered an age when everyone accesses the internet on a daily basis. Today, every industry is undergoing a digital transformation and leveraging the internet to drive innovation. This digital transformation is expected to spark another industrial revolution. Reflective of this environment, Rakuten has established a forum called the Board Camp, which takes place in addition to the meetings of the Board of Directors. At this Board Camp, we can spend entire days debating a wide range of issues, not limited to those proposed by Rakuten – for example, topics relevant to the not-so-distant future, such as quantum computing and the metaverse. To be completely honest, because the Board has so many decisions to make regarding Rakuten's vast array of ongoing businesses, our meetings are taken up with decision-making and it has been difficult to fully leverage the expertise of the Outside Directors. The Board Camp addresses this issue, and I feel that the effectiveness of the Board has improved significantly as a result.

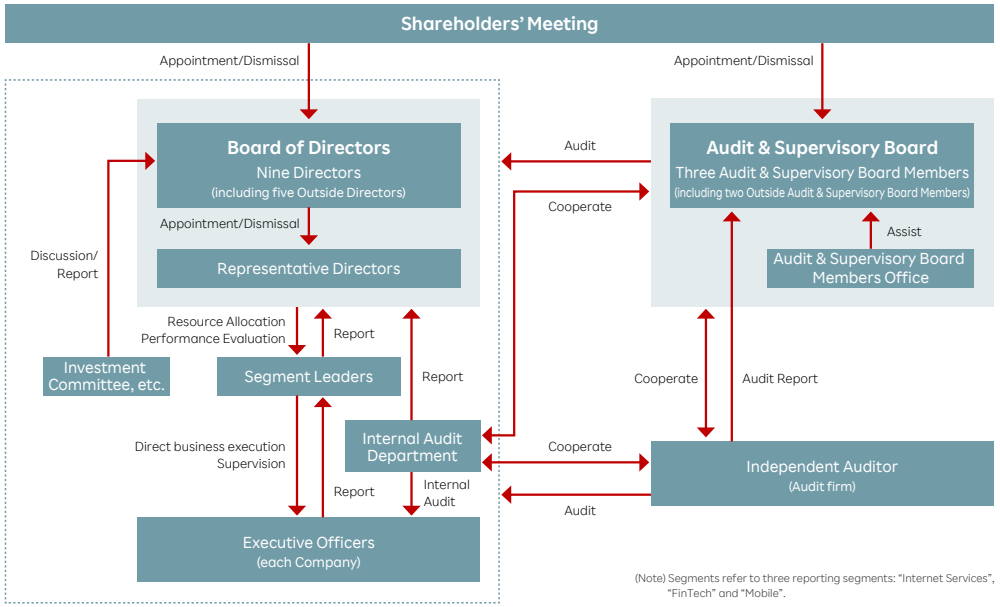
Corporate Governance

Basic Structure of Corporate Governance and Reasons for Adoption

The Company has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Company's management and ensure its appropriateness, efficiency, fairness, and soundness. The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

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

Corporate Governance Structure



(Note) Segments refer to three reporting segments: "Internet Services", "FinTech" and "Mobile".

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

Analysis and Evaluation of the Effectiveness of the Board of Directors

To enhance effectiveness of the Board of Directors, the Company carried out a survey among all of the Directors and the Audit & Supervisory Board Members from December 2021 to January 2022 about the operation of the Board meetings and the composition of the Board of Directors, and the results were reported to the Board of Directors in February 2022. Through the survey the effectiveness of the Board of Directors was generally confirmed. The Company will continue to work to improve the Board to enhance its effectiveness.

Expertise and Experience of Directors and Audit & Supervisory Board Members (skills matrix)

In selecting Directors and Audit & Supervisory Board Members, the Board of Directors, of which the majority are Independent Outside Directors, considers the skills possessed by each Director and obtains advice from Independent Outside Directors as necessary to decide on the candidates.

Job title	Name	IT	Finance	Corporate management	Legal affairs
Director	Hiroshi Mikitani	●	●	●	
Director	Masayuki Hosaka	●	●	●	
Director	Charles B. Baxter	●		●	
Director	Kentaro Hyakuno	●		●	
Outside Director	Ken Kutaragi	●		●	
Outside Director	Sarah J. M. Whitley		●		
Outside Director	Takashi Mitachi			●	
Outside Director	Jun Murai	●			
Outside Director	John V. Roos			●	●
Audit & Supervisory Board Member	Yoshiaki Nishikawa		●		
Outside Audit & Supervisory Board Member	Katsuyuki Yamaguchi				●
Outside Audit & Supervisory Board Member	Satoshi Fujita		●	●	

(As of April 1st, 2022)

Policies on Determining the Amount of Directors' Compensation and the Calculation Method (As of March 30, 2022)

1) Basic Policies

The compensation for the Company's Directors is determined based on the following basic policies.

For executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources. The portion of share options is designed to be high to promote sustainable growth of the Company by improving medium- to long-term corporate value and achieving management goals. For non-executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources who will support management with global expertise.

2) Compensation Structure

The compensation of executive Directors comprises the followings:

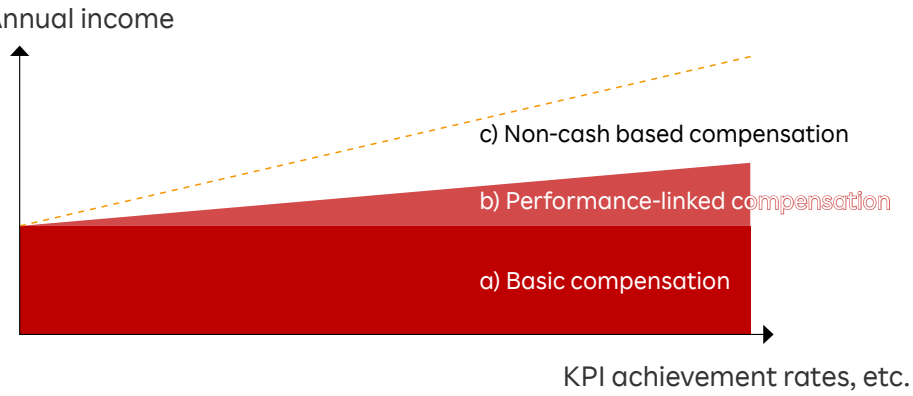
a. Basic compensation (fixed, monthly payment)
b. Performance-linked compensation (performance-linked bonuses as short-term incentive compensation, annual payment)
c. Non-cash based compensation (stock-based compensation stock option as medium- to long-term incentive compensation, annual payment)

Additionally, the ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on position and role of each executive Director. Non-executive Directors and Outside Directors are only paid a fixed monthly amount.

	Type of Compensation	Method of Determination	Maximum Amount of Compensation per year
Executive Directors	a) Basic compensation (fixed, monthly payment)	The ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on position and role of each executive Director.	Cash based compensation: 1.2 billion yen Non-cash based compensation: Share options 10,000
	b) Performance-linked compensation (performance-linked bonuses as short-term incentive compensation, annual payment)		
	c) Non-cash based compensation (stock-based compensation stock option as medium- to long-term incentive compensation, annual payment)		
Non-executive Directors	Fixed monthly amount	Paid only basic remuneration that is not affected by fluctuations in the Company's operating performance.	
Outside Directors			200 million yen

As the proposal to grant stock option to Outside Directors was approved at the 25th General Shareholders' Meeting held on March 30, 2022, the Company plans to revise this Compensation Policy and pay non-cash based compensation to Outside Directors as well.

Breakdown of Compensation for Executive Directors



3) Indicators and Method of Calculation of Performance-linked Compensation and Non-cash Based Compensation

To increase awareness of the development and expansion of the Rakuten Ecosystem, multiple KPIs such as consolidated operating income of each fiscal year have been selected for performance-linked compensation and non-cash based compensation. They are linked to growth and profitability. In determining the amount of performance-linked compensation and non-cash based compensation, individual evaluations are determined based on the achievement of targets for the indicator set by the managing organization of each executive Director. The amount paid is determined based on individual evaluations and overall company performance.

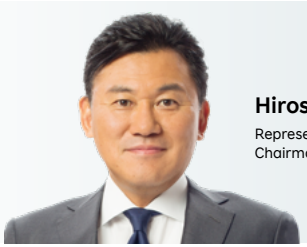
4) Compensation Determination Process

The Company's Board of Directors resolves the compensation policy for Directors after providing explanations to Independent Outside Directors and obtaining their appropriate advice. Other decision-making processes are also explained to the Independent Outside Directors at the Board of Directors as necessary, and appropriate advice is obtained.

The amount of individual compensation for Directors is determined by Hiroshi Mikitani, the Representative Director, Chairman, President & CEO, who is delegated this authority by the Board of Directors within the compensation limit determined at the general shareholders' meeting and in accordance with the compensation policy. He evaluates the business each Director is in charge of while considering the Company's overall performance and obtaining advice from Outside Directors as necessary to determine the amount of individual compensation. Thus, the Board of Directors believes that the content of individual compensation, etc. is in line with the compensation policy.

Management Team (As of June 1, 2022)

Director



Hiroshi Mikitani
Representative Director, Chairman, President & CEO

Masayuki Hosaka
Representative Director & Vice Chairman

Kentaro Hyakuno
Representative Director, Group Executive Vice President & COO

Charles B. Baxter
Director

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.
Representative Director & CEO of Ascent Robotics Inc.

Reasons for Nomination
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 twelve years. Considering his significant contributions to the Company, we believe he is irreplaceable for the Company.

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
Trustee of The Abbotsford Trust
Chair of Scottish Episcopal Church Pension Fund

Reasons for Nomination
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 three 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.
Board Member of Ohara Museum of Art
Outside Director of Tokio Marine Holdings, Inc.
Chief Executive Director of Ronald McDonald House Charities Japan
Distinguished Professor of Graduate School of Management of Kyoto University

Reasons for Nomination
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 six 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.
Professor of Keio University
Dean of the API Institute of Geo-economics Studies and API Senior Fellow of Asia Pacific Initiative
Special Advisor to the Cabinet
Advisor to the Digital Agency

Reasons for Nomination
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 ten years. He has been making efforts to popularize the Internet since the early days and has deep knowledge. Considering his significant contributions to the Company, we believe that he is irreplaceable for the Company.

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
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 Stanford Center for Asian Health Research and Education

Reasons for Nomination
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)

Satoshi Fujita *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 June 1, 2022)

Executive Officers

Yasufumi Hirai
Group Executive Vice President
CIO & CISO
CTO of FinTech Group Company

Kazunori Takeda
Group Executive Vice President
President of Commerce Company
President of Ad & Marketing Company

Kenji Hirose
Group Executive Vice President
CFO

Tareq Amin
Group Executive Vice President

Hiroto Furuhashi
Group Executive Vice President
CSO and Managing Executive Officer of Rakuten Mobile, Inc.
CSO of Rakuten Symphony, Inc.

Naho Kono
Group Executive Vice President
CMO
CMO and Managing Executive Officer of Rakuten Mobile, Inc.

Hiroshi Takasawa
Group Executive Vice President
President of Investment & Incubation Company
Head of Asia RHQ

Akihito Kurozumi
Group Senior Managing Executive Officer
Technology Platforms Division

Amit Patel
Group Senior Managing Executive Officer
CEO of Rakuten Americas Business

Kazuhiro Suzuki
Group Senior Managing Executive Officer
Representative Director, Chairman and CEO of Rakuten Communications Corp.
Representative Director and President of Rakuten Energy, Inc.

Shunsuke Yazawa
Group Senior Managing Executive Officer
Representative Director and President of Rakuten Mobile, Inc.

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.

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.

Sharad Sriwastawa
Group Managing Executive Officer
CTO of Rakuten Mobile, Inc.

Tomotaka Torin
Group Managing Executive Officer
Director of Group Compliance Supervisory Department

CEO = Chief Executive Officer
CIO = Chief Information Officer
CISO = Chief Information Security Officer
CTO = Chief Technology Officer
CFO = Chief Financial Officer
CSO = Chief Strategy Officer
CMO = Chief Marketing Officer
CWO = Chief Well-Being 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, we also seek to empower society by conducting business with integrity and holding ourselves to high ethical standards as a global leader.

Compliance Management System

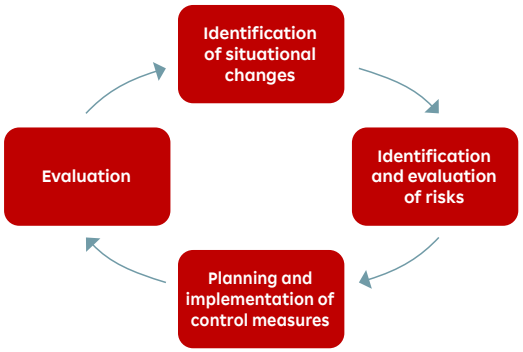
Under the leadership of the Group COO (Chief Operating Officer), a Function CCO (Chief Compliance Officer) was appointed to oversee Group-wide compliance. In addition, Company Compliance Officers and Business Compliance Officers in each Group company work in collaboration with the Function CCO to strengthen compliance systems by promoting related programs and monitoring their effectiveness.

The Group Risk and Compliance Committee also meets quarterly to identify risks surrounding laws and regulations that may hinder the implementation of business strategies, promote effective compliance throughout the Group, share best practices, propose and build consensus on related measures and report on and discuss the implementation of programs. In 2021, the Committee discussed measures against money laundering and the financing of terrorism, the improvement of procurement governance – including a ban on transactions with antisocial forces – and the prevention of insider trading.

The Board of Directors oversees compliance across the Group and receives regular reports from the COO and Function CCO on the progress and outcomes of related measures.

Group Compliance Program

In order to continuously improve compliance efforts and respond to new compliance-related risks, we have implemented the Rakuten Group Compliance Program, which follows a cycle made up of *Identification of situational changes, Identification and evaluation of risks, Planning and implementation of control measures* and *Evaluation.*



Program example

In recent years, operators of digital platforms have faced tightened regulations and stricter enforcement from international authorities. The establishment of legal compliance measures for antitrust and competition laws has become a pressing matter. Rakuten commits to 'Respecting fair competition' in its Group Code of Ethics, and adherence to these laws is part of our basic principles. In 2021, after conducting a risk assessment around antitrust and competition laws, we established Group regulations on prohibited actions and adherence to such legislation both in Japan and abroad, and we are now working to strengthen educational frameworks for our employees.

Fostering Awareness

To highlight the importance of compliance throughout the Rakuten Group, we provide ongoing compliance training to all Rakuten employees*. We promote awareness of business ethics and of the Rakuten Group Regulations (RGR) at Asakai, our weekly company-wide meeting, and through e-learning. Additionally, all executives and employees* have taken a compliance pledge, making a commitment to adhere to social standards, laws and regulations, and internal rules.

Examples of training topics covered in 2021

- Prevention of insider trading
- Prevention of harassment
- Compliance with the Act against Unjustifiable Premiums and Misleading Representations
- Compliance with the Subcontract Act
- Compliance with the Unfair Competition Prevention Act
- Prevention of infringements on intellectual property
- Measures against antisocial forces

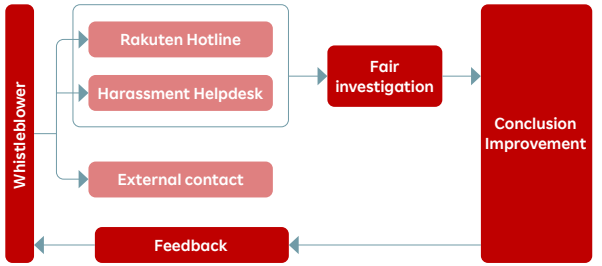
Percentage of Japan-based* employees who took the compliance pledge as of 2021

100%

*Employees of Rakuten Group, Inc. and the Group Companies adopted RGR

Rakuten Hotline

Through our whistleblowing system, called the Rakuten Hotline, Group employees regardless of their employment status can report on potential and actual illegal activity, unethical conduct, and violations of company regulations such as the RGR, to both internal and external parties. Reports can be made anonymously, and the confidentiality of consultations and reports is protected, with any disadvantageous treatment resulting from reports strictly prohibited. All reported misconduct is investigated by a dedicated team for substantiation, and whistleblowers are provided with feedback that includes a conclusion and plan for improvement. In cases where misconduct is substantiated, those responsible will be subject to disciplinary action in accordance with the provisions of the employment rules of the company.



For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/compliance/**

CIO&CISO Message

In the age of digital transformation, information security and privacy are critical challenges. Realizing secure services, guided by our trustworthy vision

Yasufumi Hirai
Group Executive Vice President
CIO & CISO
(Chief Information Officer & Chief Information Security Officer)

Information Security is More Important than Ever

With digital transformation the order of the day, businesses everywhere must shift to models that leverage information technology and data, making cybersecurity an issue of the highest priority.

At the same time, governments around the world are tightening regulations pertaining to privacy, requiring even stricter vigilance. Japan revised its data privacy laws this year with the Act on the Protection of Personal Information, and customers are also showing more interest in the actions companies are taking to protect their privacy.

Information security and privacy are becoming regular criteria of major ESG indices, while the heightened expectations of clients and investors are also prompting many companies to make significant changes.

Our Vision for Information Security

With online services including Rakuten Ichiba, our many FinTech services, and Rakuten Mobile, it is fair to say that the Rakuten Group bears a significant responsibility as part of the social infrastructure. Since the start of the pandemic, that responsibility has become even more crucial.

With that in mind, we adopted a vision, starting last year, of *trustworthy* in our commitments to information security and privacy. This is a vision in which 100 minus one is not 99, but zero. A single error has the potential to lose us 100% of the trust we have earned. Taking this approach to heart, we are committed to offering services that our customers can use with confidence and peace of mind.

Information security and privacy are also among the most important topics of Rakuten's materiality – a priority list of the key challenges we are facing – and we are working hard to strengthen information security and privacy measures by coordinating the values and priorities of the entire organization, from senior management to employees on the ground.

An Overview of 2021 Achievements

Phishing*1 countermeasures have long been a part of our enduring campaign against cybercrime. In 2018 in particular we made a great deal of progress in our measures against email phishing.

In 2021, we implemented email domain fraud prevention system DMARC*2 for most of our major services around the world. We are also working to implement measures to display the Rakuten logo and other marks of authenticity on emails sent to customers from Rakuten to services such as those provided by Gmail, Yahoo! Mail and NTT docomo.

Additionally, both our mobile and FinTech segment CSIRT*3 teams joined the international incident response organization FIRST*4, further bolstering our capability to strengthen our incident response frameworks and cybersecurity.

In late 2021, we relaunched our Privacy Center, the part of our corporate website designed to explain the Rakuten Group's initiatives related to privacy. It now outlines our actions in response to Japan's revised data privacy regulations and provides simplified explanations of our policies for our customers. We will continue to provide our customers with clear explanations of our policies regarding personal data.

*1 Phishing: an attack involving the deception of an individual by a malicious third party purporting to be from a reputable company with the goal of stealing personal information such as passwords or credit card numbers. Victims are often directed to a fake website through an email link and prompted to enter personal information.
*2 DMARC: Domain-based Message Authentication Reporting and Conformance (An authentication technology used for email, which marks emails deemed to be fakes for rejection.)
*3 CSIRT: Computer Security Incident Response Team (An assembly that investigates and responds to reports on security incidents.)
*4 FIRST: Forum of Incident Response and Security Teams

New Information Security Initiatives on the Horizon for the Rakuten Group

In 2021, our India-based subsidiary Rakuten India Enterprise Private Limited obtained the international information security management certification ISO/IEC27001. Over the three year period starting in FY2022, we are aiming to have all of our global businesses obtain this certification or its equivalent. These global information security certifications will allow us to proactively leverage data in a secure manner. Also starting in FY2022, we are aiming to strengthen the authentication frameworks used in the Rakuten ID system through the adoption of FIDO*5.

*5 FIDO: Fast IDentity Online (A new certification that allows safe and simple ID authentication for online services without the use of a password.)

Information Security

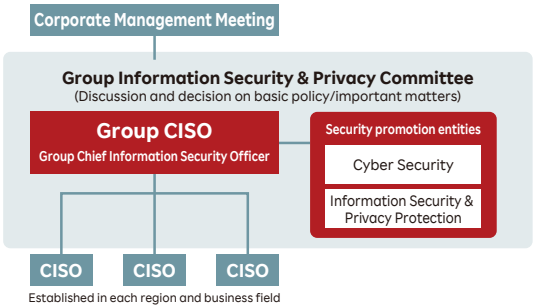
Ensuring information security is one of the highest management priorities of the Rakuten Group. As such, we are working to maintain and improve information security to adequately protect and manage our information assets, including our customers' personal data and the hardware and software that make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

Information Security Governance Structure

The Rakuten Group Information Security & Privacy Committee, chaired by the Group CISO (Chief Information Security Officer), holds monthly meetings 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 Corporate Management Meetings and communicated to the CISOs and employees in charge of information security 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, seeks to improve Group-wide information security through policy explanations from headquarters, the sharing of best practices and technical expertise from each Group company and talks by external experts.

Information management system of Rakuten Group



Compliance with International Standards

At Rakuten, we strive to maintain security for our information assets by establishing and implementing regulations and standards for Group companies based on the international information security management standard ISO/IEC 27001, managing risks such as loss or falsification of information assets and service outages, and making continual improvements to our risk management systems. In 2021, Rakuten India became the first Rakuten Group company outside of Japan to receive the ISO/IEC 27001 certification, and we are aiming to have all of our major global Group companies certified by FY2024.

In September 2021, we completed the implementation of tokenization measures for the storage of credit card information for all of our services, minimizing the risk of data leakage. Since last year, we have continued to be active as a member of the PCI SSC*1 Board of Advisors, a group that develops and promotes PCI DSS*2.

Scope of ISO/IEC 27001 Certification	22 Group Companies 24,000 Employees

*1 Payment Card Industry Security Standards Council
*2 Payment Card Industry Data Security Standard

Measures against Phishing Emails

In recent years, cases of email fraud in the form of phishing are on the rise. To protect our customers from such attacks, we accelerated the implementation of Sender Domain Authentication Technologies (SPF, DKIM, DMARC) for our marketing emails, which certify that Rakuten is the sender of the emails. Through this technology, it is possible to identify malicious emails falsely associated with Rakuten and have them discarded before delivery on a recipient's email server.

The average implementation rate of this technology in Japan is around 24%*3, but the rate for Rakuten's service domains has reached 97%*3, and we are looking to further deploy this technology for all outgoing emails from Rakuten. In addition, we have worked with major email service providers such as Gmail, Yahoo! Mail and NTT Docomo to introduce a system that displays the Rakuten logo on emails received from Rakuten to authenticate our status as the sender.

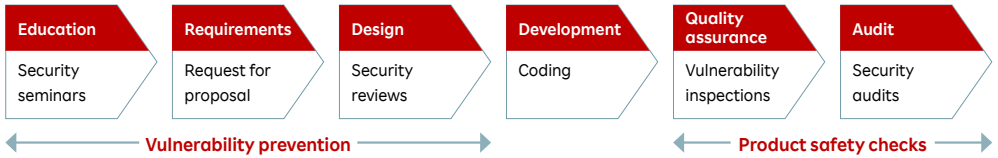
Example of the Rakuten logo shown in Gmail

*3 Implementation rate of DMARC. Japan rate taken from survey (page in Japanese) conducted by proofpoint.

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. We rolled out the Security Champion system globally, which oversees the development of secure services in each department, and we are aiming to provide safe and secure services across the Group by carrying out thorough security reviews and sharing best practices.

Development Process



To enhance cybersecurity, in addition to our Group-wide CSIRT*4 (Computer Security Incident Response Team), we work closely with administrative agencies and investigative authorities including the police, and security organizations such as FIRST*5 and the Nippon CSIRT Association.

*4 CSIRT: Computer Security Incident Response Team (An assembly that investigates and responds to reports about security incidents.)
*5 FIRST: Forum of Incident Response and Security Teams (A global organization that responds to incidents.)

For more information, please visit our website ▶ **https://global.rakuten.com/corp/sustainability/services/security/**

Privacy

Privacy and data protection are the foundation of a sustainable digital economy and of a trustworthy service ecosystem. As the Rakuten Group celebrates its 25th anniversary, we reaffirm our commitment to thorough privacy by not only being compliant with laws but also by ensuring our customers' peace of mind when using our services.

Strengthening Privacy Governance

From unprecedented fines under the General Data Protection Regulation (GDPR) to new legislative developments in the Americas and Asia, 2021 was marked by rapid changes in the field of data protection. To meet these challenges, the Rakuten Group approaches privacy compliance guided by the premise of continuous improvement, leveraging our position as a global innovation company. In 2021, we strengthened our privacy governance, launching the Privacy Dashboard, a visual report of data protection metrics. Including risk indicators, operational metrics and improvement opportunities, we monitor and report on the privacy performance and maturity of Rakuten Group services.

We have also implemented internal processes to oversee personal data use. As part of our data control process*, we perform privacy impact analyses to assure governed, compliant and safe data handling across the Group. Likewise, our privacy governance structure, supervised by our Global Privacy Manager and Global Data Protection Officer, continues to raise the bar for privacy compliance across our services by regularly reporting to the Group Information Security and Privacy Protection Committee and at Corporate Management Meetings.

*Process to review the data sharing case against compliance with laws and regulations, privacy policies, company policies and rules etc. to have proper control over the sharing of data within Rakuten

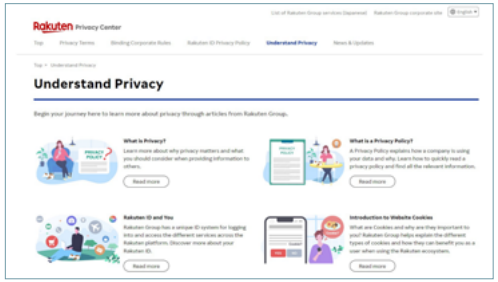
Life Cycle of Rakuten users' data

- User signs up for a service / product
- Personal data are stored in Rakuten
- Data Control Process verifies usage
- Data are used as per the Privacy Policy
- After usage, some data are kept for legal reasons
- Data are deleted

Privacy Dashboard

Ensuring Transparent Data Handling

Rakuten collects, uses and stores customer information to constantly improve the services we provide. Not only do we comply with relevant laws and regulations, we strive to ensure transparency in each of our services by disclosing the usage of personal data, and, when necessary, by giving clear explanations to users with easy-to-understand language and visuals. With the launch of our renewed Privacy Center, we aim for our users to become more informed, by explaining how we handle personal data and introducing other privacy topics relevant to society, so that they can use Rakuten services with greater peace of mind. In the future, we will expand the contents related to personal information and privacy, which are essential to our customers' daily lives as well as our services.

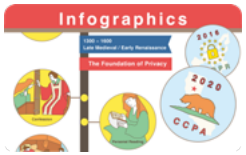


Completing the Adaptation to the Amended Act on the Protection of Personal Information (APPI)

By leveraging our global privacy framework and the experience of previous implementation programs, such as the General Data Protection Regulation (GDPR) or California Consumer Privacy Act (CCPA), the Rakuten Group has completed its adaptation program to the amended Act on the Protection of Personal Information (APPI). The measures implemented focus on improving the transparency of personal data handling, expanding users' rights and complying with the stricter international transfers rules.

Raising Employee Awareness

A key aspect to reinforce the adoption of our continuous improvement model is employee training and awareness. In addition to annual Group-wide training and onboarding of new hires, we organize Rakuten Privacy Awareness Day every year, held in conjunction with the globally recognized Data Privacy Day. Additionally, employees receive a variety of educational messages through different channels – such as posters, infographics and a monthly digest called "The Privacy Times".



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https://global.rakuten.com/corp/sustainability/services/security/#anchor2

Quality Initiatives

We believe that our pursuit of quality forms the foundation of the relationship of trust we share with our customers. We will continue to deliver joy and excitement through services and products that not only meet, but exceed our customers' expectations.

Rakuten's Quality Initiatives

In order to consistently provide our customers with safe and reliable products and services, we implement Group-wide initiatives including Quality Improvement, Quality Assurance and Quality Control Circle (QCC).

Quality Assurance

The entire Rakuten Group strives to provide a guaranteed level of quality in our services which allows our customers to use them with confidence. We are taking Group-wide quality assurance measures to ensure this consistency across our ecosystem of over 70 different services.

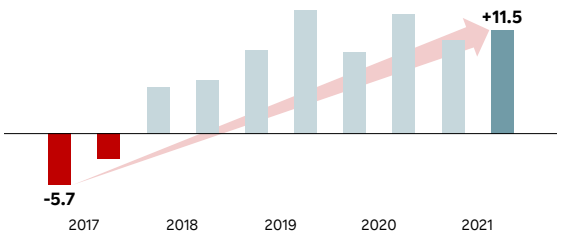
We have assigned Quality Assurance Officers to take charge of quality assurance measures in each individual company. Our cross-group Quality Assurance Committee sets targets, establishes quality standards, carries out training and promotes the sharing of best practices to prevent the occurrence of quality issues, and if they do occur, prevent their reoccurrence. Our vice chairs and executive vice presidents participate in quarterly Quality Assurance Committee meetings, bringing together management and frontline employees.

In 2021, we improved the quality of some of our service operations by implementing a new process for the issuance of loyalty points. This approach, in which every involved party guarantees the quality of their own operations in every step of the process, from campaign planning to point issuing, allowed us to prevent potential problems from occurring without the need to perform repeated checks. Going forward, we plan to adopt these initiatives across the entire Group.

Quality Improvement

At Rakuten, we utilize NPS® surveys to evaluate and improve customer experience. Since 2018, our Group NPS® has continually exceeded that of our competitors, with a score in Q4 2021 that placed us 11.5 points higher than our nearest competitor.

Trend of Relative NPS®



*Relative NPS refers to the difference in NPS compared to competitors.

Case study

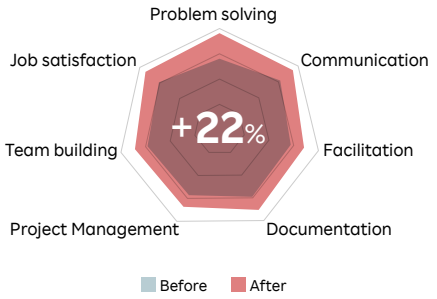
Enhancing management quality at Rakuten Communications

Fusion Communications, the predecessor to Rakuten Communications Corp., was undergoing managerial difficulties before it became part of the Rakuten Group. Even after joining the Group, the company had to overcome many hurdles before it was able to leverage Group synergy and realize steady growth. To overcome this, the company worked to promote organizational unity and vision by launching a managerial quality improvement program, which they called their Quality Journey. They pivoted from a cost-oriented mindset to one that prioritized offering services that bring real value to customers. The entire company's strategy and project execution were reassessed in an effort to improve the quality of its management. After pivoting to foster organizational solidarity and a customer-oriented mindset, the company was recognized for its speedy development of new services that combined its core expertise in communications services with cutting-edge technology, earning it a 2021 Japan Quality Award in the Large Enterprise category.

Quality Control Circle

The Quality Control Circle fosters talent and empowers employees by giving them the lead in solving problems in the workplace, with the purpose of boosting productivity and improving quality. In 2021, 4,025 employees participated in QCC activities, taking the total number of projects to 963 and contributing ¥3.1 billion in profits. Those who participated showed an average 22% skill improvement in seven categories, including problem solving, communication and project management skills.

Talent Development Impact

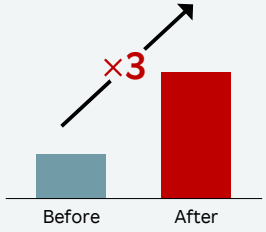


Case study

Improvements at Rakuten Mobile's in-house call center

As Rakuten Mobile continues to gain new subscribers, the number of customer inquiries is also increasing. To improve call center customer satisfaction, Rakuten Mobile undertook a three-month QCC initiative, analyzing the workflow of phone calls to improve processes and operator skills. Technology was successfully leveraged to reduce the average time required for each inquiry, improving the skills of operators by analyzing the differences between top performing and new employees, and implementing knowledge management measures and adjusting training frameworks to close the gap. During the three-month initiative, the center saw significant improvements, boosting its hourly inquiry capacity by a factor of three and decreasing average call time by around 30%.

Inquiries handled per hour



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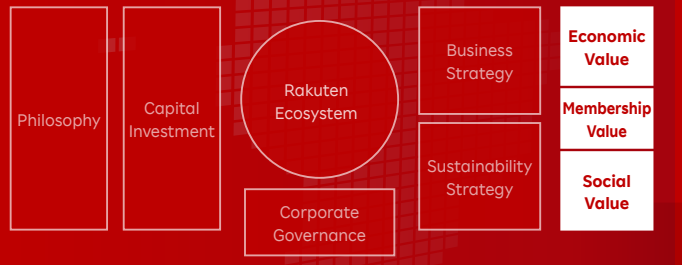
Value Created by Rakuten Group

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



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 2021, membership value was 6.5 trillion yen, -27.7% YoY. While the number of active users increased, centered on FinTech, and cross-use within the Rakuten Ecosystem remained strong, Rakuten Ichiba's LTV decreased due to a sharp increase in LTV due to a rise in retention rate amid the pandemic last year. 2 Year CAGR for membership value steadily increased to + 8%. 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 yen in membership value.

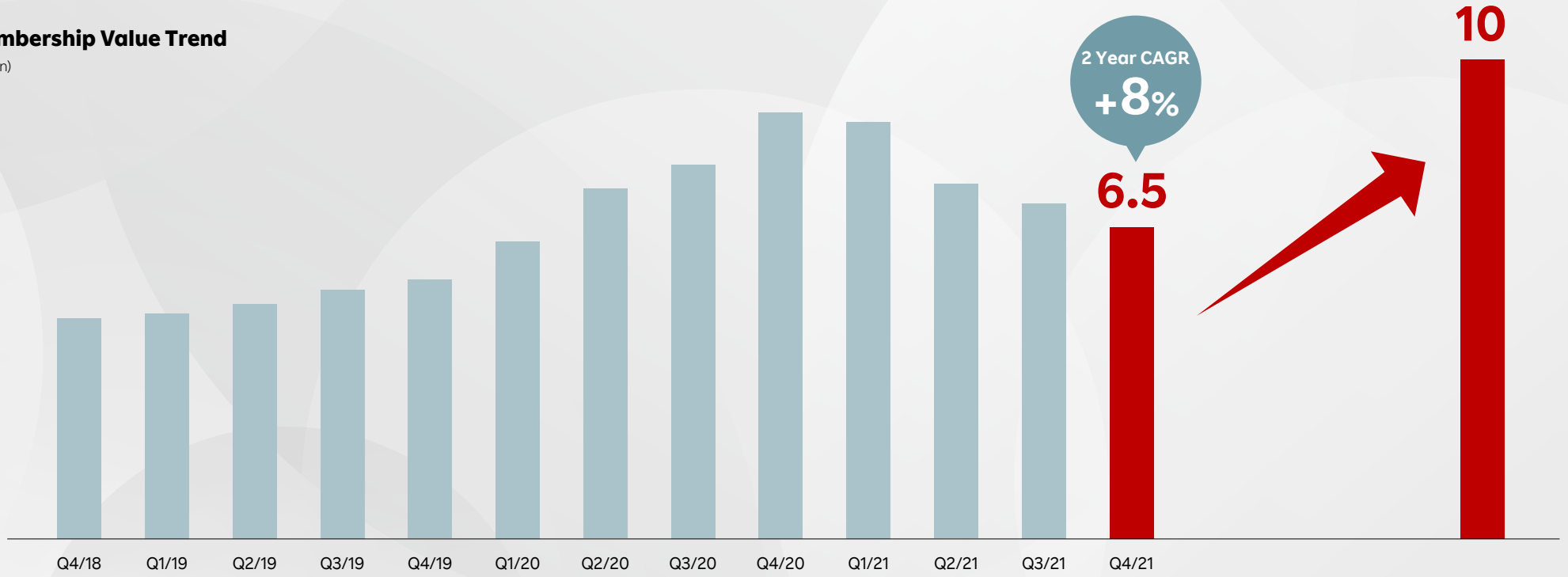
Components of Membership Value

Membership Value = Active users × Cross-Use × LTV* — CAC

* LTV = ARPU, Profit margin (Sales, Gross profit margin, Retention cost), Retention rate, Discount rate

Membership Value Trend

(JPY tn)



Economic Value Created by Rakuten

Membership value

¥6.5 trillion

2-year CAGR+8%

We calculate Rakuten's *membership value* based on the total number of users of our services and their lifetime value (LTV). This figure is growing steadily towards our target of ¥10 trillion.

Consolidated revenues

¥1,681.8 billion

+15.5% YoY

Healthy growth of the Rakuten Ecosystem has resulted in record-high consolidated revenues.

Core business* operating income

¥165.9 billion

+28.9% YoY

Our core businesses, which include services such as Rakuten Ichiba, Rakuten Card, and Rakuten Bank all achieved strong growth.

*Includes all the businesses other than "Non-recuring Investments" (Securities, General Insurance and Minority Investment) and "Future Growth Investments" (Logistic Business and all the businesses in Mobile segment)

Accumulated number of points issued

Exceeded 2.5 trillion points

(As of August, 2021)

By building an ecosystem with Rakuten Points at its core, cross-use of multiple Rakuten Group services has increased, resulting in more users for each individual service.

Rakuten Card Shopping GTV*1

¥14.5 trillion

+25.3% YoY

As of December 2021, we have issued over 25 million Rakuten Card credit cards. Our shopping GTV market share in Japan reached 22.5%*2, and we are maintaining strong growth.

*1 Management accounting basis

*2 Calculated fromthe METI Current Survey of Selected Service Industries, Credit Card Service Industry (January 2022 final report 'Sales Credit Business'2021).

Ad revenue*

¥157.9 billion

+22.0% YoY

Thanks to an accelerating movement for digital transformation, we increased online ad placements and achieved significant growth in ad revenue.

*Revenue includes internal transactions.

Global GTV*1*2

¥26.9 trillion

+20.5% YoY

Global gross transaction value is growing steadily thanks to the strong foundation provided by our online services, our FinTech services, and through open commerce activities on the global stage.

*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.

Domestic EC GMS*

¥5.0 trillion

+10.4% YoY

Thanks to an increase in user loyalty, we maintained healthy GMS growth even after the previous year's spike in E-commerce demand due to the pandemic.

*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.

Social Value Created by Rakuten

CASE 1

Building for sustainable local communities

With the founding of Rakuten Ichiba in 1997, we aimed to leverage the power of the internet to address the social challenges posed by Japan's declining local rural economies. Since that time, we have strived to empower all of our business partners to achieve their goals, regardless of the scale of their operations. Today, around 56,000 merchants offer goods on Rakuten Ichiba, over 40,000 accommodation providers are registered with Rakuten Travel, and we continue to work hard to grow together with these many businesses. In addition to supporting our partners' growth, we are also collaborating with rural governments to help solve local challenges. As of April 2022, we have entered collaboration agreements with 43 different local and regional government organizations, so that we can apply Rakuten's assets to promote local tourism, train the next generation of talent and conduct various activities to promote revitalization of local and rural economies.

Stakeholder perspective: Rakuten Ichiba merchant

My father runs a mandarin orange wholesale business called Kuniyasu Seika in Yawatahama, Ehime Prefecture, which is one of Japan's most famous mandarin producing regions. He was 51 years old when he opened his store, Ehime Fruit Village Kuniyasu, on Rakuten Ichiba. Three years later, I graduated from university and joined the family business. I wrote about the appeal of Ehime mandarins on our page, bringing more variety to our product offering in line with our customers' changing needs and demand, and saw our monthly sales swell considerably.

After we started seeing significant results from online sales, I felt that the value of our Yawatahama mandarins also rose. Some people in rural areas are sceptical about the need for E-commerce, but I believe that we should use it to communicate all the great things about our local region to the rest of the country, and to the world. Primary producers in rural areas are facing challenges such as labor shortages and an aging population, and I believe mandarin wholesaling has an important role to play in providing solutions. I want to continue to support the Yawatahama mikan and our mandarin farmers for many years to come. (Kenta Kuniyasu, Ehime Fruit Village Kuniyasu)

CASE 2

Making financial services more convenient and accessible

As the move to cashless accelerates around the world, Japan's Ministry of Economy, Trade and Industry has set a target* of 40% of payments to be made through cashless means by 2025. Rakuten's diverse lineup of cashless payment methods, including Rakuten Card, Rakuten Pay, Rakuten Edy and Rakuten Point Card, not only increases convenience for consumers, but also reduces the work associated with handling cash and improves merchant productivity. We are also supporting our diverse customer base in building assets, regardless of their investing experience, gender or age: Mock investing experiences with Rakuten Points give beginner investors an opportunity to try investing, and we are also offering services that allow customers to use Rakuten Points to buy real financial products.

Profile of customers opening new accounts on Rakuten Securities (2016 → 2021)

Female	30s or younger	Beginner
30%→ **46.7%**	51%→ **67.5%**	58.8%→ **77.0%**

*Ministry of Economy, Trade and Industry: Cashless Vision (Abridged edition) [6. Future Initiatives] (PDF) (Japanese).

Stakeholder perspective: Rakuten Pay merchant customer

Many of our customers pay with credit card, so we decided to implement cashless payments. I was inspired to choose Rakuten Pay because I am a regular user of Rakuten Ichiba and I thought that the ability to pay with Rakuten Points would help bring in customers. Any of our staff can use the system with ease, and it is extremely helpful not to have to deal with cash as often. (Toshio Kondo, CEO, casual restaurant "Shinagawa Horumon")

CASE 3

Mobile service for all

Mobile phones are an essential part of modern life. By building the world's first* fully virtualized cloud native mobile network, Rakuten Mobile is working to democratize mobile networks and ensure users access to affordable mobile services. We are also working with our diverse partners to leverage 5G in creating a variety of solutions that have the power to revolutionize lifestyles and workstyles.

Rakuten Mobile 4G population coverage

96%
(As of February 4, 2022.)

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

Stakeholder perspective: Rakuten Mobile users

We grow broccoli and rice in Shimane Prefecture. For farmers, changes in the weather affect crop growth and harvesting, so we need to monitor conditions carefully. By signing up with Rakuten Mobile and using a smartphone for the first time, we are now able to check rain forecasts through an app, which has made things considerably more convenient. We had previously needed to visit the greenhouse several times a day to check on the temperature, but now we are able to see it on the smartphone. We have also been using video streaming services to learn about and try out new equipment and farming methods. Our farm work has become more efficient and life has become more convenient, and so we were surprised to find that our monthly mobile bill has dropped to around just a quarter of what it was. We still can't travel to visit our grandchildren due to the ongoing pandemic, but we're happy to be able to see their faces through video calls. (Mr. and Mrs. Ochiai, Shimane Prefecture)

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Financial Data

10-year Key Financial Data (IFRS)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	(Millions of Yen)	¥ 400,444	¥ 518,568	¥ 598,565	¥ 713,555	¥ 781,916	¥ 944,474	¥ 1,101,480	¥ 1,263,932	¥ 1,455,538	**¥ 1,681,757**
Non-GAAP operating income or loss	(Millions of Yen)	0	103,344	118,092	152,153	119,615	167,010	161,130	95,129	(102,667)	**(224,999)**
Operating profit or loss	(Millions of Yen)	50,055	90,244	106,397	94,689	78,512	149,344	170,425	72,745	(93,849)	**(194,726)**
Income (loss) before income tax	(Millions of Yen)	49,106	89,424	104,691	94,076	74,458	138,082	165,423	(44,558)	(151,016)	**(212,630)**
Net income (loss)	(Millions of Yen)	21,136	44,170	71,412	45,885	38,435	110,488	141,889	(33,068)	(115,838)	**(135,826)**
Comprehensive income (loss)	(Millions of Yen)	31,574	67,866	122,847	52,725	20,106	100,981	124,452	(42,818)	(132,401)	**(73,041)**
Equity attributable to owners of the Company	(Millions of Yen)	235,942	303,497	424,020	666,111	682,391	683,181	774,473	735,672	608,738	**1,093,719**
Total assets	(Millions of Yen)	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	**16,831,221**
"Equity attributable to owners of the Company per share"	(Yen)	179.48	230.30	320.60	467.65	478.40	507.32	572.83	542.43	446.78	**691.47**
Basic earnings (losses) per share	(Yen)	15.59	33,12	53.70	33.50	26.96	80.03	105.43	(23.55)	(84.00)	**(87.62)**
Diluted earnings (losses) per share	(Yen)	15.56	32,93	53.38	33.25	26.74	79.28	104.38	(23.55)	(84.00)	**(87.62)**
Equity attributable to owners of the Company ratio	(%)	10.3	9.5	11.5	15.6	14.8	11.0	10.5	8.0	4.9	**6.5**
"Net income to equity attributable to owners of the Company ratio"	(%)	9.2	16.2	19.5	8.4	5.7	16.2	19.5	(4.2)	(17.0)	**(15.7)**
Price earnings ratio	(Times)	43.2	47.2	31.3	41.9	42.5	12.9	7.0	—	—	**—**
Cash flows from operating activities	(Millions of Yen)	104,687	1,485	111,860	78,245	30,700	162,056	145,615	318,320	1,041,391	**582,707**
Cash flows from investing activities	(Millions of Yen)	67,440	30,584	(261,085)	(224,078)	(26,841)	(203,718)	(67,569)	(286,290)	(303,347)	**(611,830)**
Cash flows from financing activities	(Millions of Yen)	(56,820)	75,252	189,512	221,831	45,200	194,458	208,418	458,340	808,108	**1,402,265**
Cash and cash equivalents at end of the year	(Millions of Yen)	270,114	384,008	428,635	501,029	548,269	700,881	990,242	1,478,557	3,021,306	**4,410,301**
Employees	(Persons)	9,311	10,867	11,723	12,981	14,134	14,845	17,214	20,053	23,841	**28,261**

1. Consumption tax is not included in Revenue.
2. Average number of shares during the fiscal year is calculated on a daily basis.
3. Number of Employees does not include those serving concurrently as employees and Directors, temporary staff and part-time employees.
4. With regard to insurance business policy reserves, 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, Rakuten Group has changed to a method that recognizes interest arising from the book value of insurance liabilities in net income, 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, 2016 have been retrospectively restated to reflect the change in accounting policy.

Financial Data

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Cash and cash equivalents	¥ 3,021,306	**¥ 4,410,301**
Accounts receivable – trade	243,886	**307,821**
Financial assets for securities business	2,673,229	**3,088,544**
Loans for credit card business	2,033,013	**2,388,448**
Investment securities for banking business	266,227	**459,104**
Loans for banking business	1,436,513	**2,528,795**
Investment securities for insurance business	283,969	**290,455**
Derivative assets	32,644	**45,056**
Investment securities	275,236	**281,179**
Other financial assets	492,686	**642,650**
Investments in associates and joint ventures	58,072	**68,991**
Property, plant and equipment	684,110	**975,362**
Intangible assets	639,589	**858,997**
Deferred tax assets	126,203	**225,100**
Other assets	257,755	**260,418**
Total assets	12,524,438	**16,831,221**
Liabilities		
Accounts payable – trade	337,427	**392,455**
Deposits of banking business	4,716,162	**6,848,370**
Financial liabilities for securities business	2,587,227	**3,032,996**
Derivative liabilities	78,318	**24,825**
Bonds and borrowings	2,487,457	**3,402,912**
Other financial liabilities	1,131,505	**1,415,368**
Income tax payable	8,700	**13,499**
Provisions	162,579	**198,263**
Insurance business policy reserves	285,336	**247,911**
Employee retirement benefit liabilities	19,272	**29,752**
Deferred tax liabilities	1,920	**2,488**
Other liabilities	79,521	**105,092**
Total liabilities	11,895,424	**15,713,931**
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	**289,674**
Capital surplus	227,844	**311,970**
Other equity instruments	—	**317,316**
Retained earnings	290,449	**142,671**
Treasury stock	(84,941)	**(0)**
Other components of equity	(30,538)	**32,088**
Total equity attributable to owners of the Company	608,738	**1,093,719**
Non-controlling interests	20,276	**23,571**
Total equity	629,014	**1,117,290**
Total liabilities and equity	12,524,438	**16,831,221**

Consolidated Statements of Income

(Millions of Yen)

	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)
Continuing Operations		
Revenue	¥ 1,455,538	**¥ 1,681,757**
Operating expenses	1,579,630	**1,966,419**
Other income	54,483	**108,037**
Other expenses	24,240	**18,101**
Operating loss	(93,849)	**(194,726)**
Financial income	60,150	**18,904**
Financial expenses	79,607	**38,642**
Share of income (losses) of investments in associates and joint ventures	(37,710)	**1,834**
Loss before income tax	(151,016)	**(212,630)**
Income tax expense	(35,178)	**(76,804)**
Net income (loss)	(115,838)	**(135,826)**
Net income (loss) attributable to:		
Owners of the parent company	(114,199)	**(133,828)**
Non-controlling interests	(1,639)	**(1,998)**
Net loss	(115,838)	**(135,826)**

(Yen)

Earnings (losses) per share attributable to owners of the parent company		
Basic	¥ (84.00)	**¥ (87.62)**
Diluted	(84.00)	**(87.62)**

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)
Net loss	¥ (115,838)	**¥ (135,826)**
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	(18,898)	**(5,331)**
Income tax effect of gains or losses on equity instruments measured at fair value through other comprehensive income	4,680	**1,105**
Remeasurement of insurance business policy reserves based on current market interest rates	2,684	**577**
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(752)	**(193)**
Remeasurement of defined benefit plans	(1,434)	**(1,836)**
Income tax effect of remeasurement of defined benefit plans	439	**540**
Other comprehensive income of investments in associates and joint ventures	(57)	**163**
Total items that will not be reclassified to net income	(13,338)	**(4,975)**
Items that may be reclassified to net income		
Foreign currency translation adjustments	(18,415)	**66,681**
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	7,578	**(753)**
Corporate income tax on foreign currency translation adjustments	(1,166)	**—**
Gains on debt instruments measured at fair value through other comprehensive income	1,616	**(1,868)**
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	34	**(7)**
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(254)	**(246)**
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(403)	**561**
Gains (losses) on cash flow hedges recognized in other comprehensive income	(766)	**6,027**
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	239	**(1,841)**
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	3,893	**(7,767)**
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(1,208)	**2,385**
Other comprehensive income of investments in associates and joint ventures	(2,015)	**4,993**
Gains (losses) on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	7,642	**(405)**
Total items that will be reclassified to net income	(3,225)	**67,760**
Other comprehensive income, net of tax	(16,563)	**62,785**
Comprehensive income (loss)	(132,401)	**(73,041)**
Comprehensive income (loss) attributable to		
Owners of the Company	¥ (131,130)	**¥ (73,417)**
Non-controlling interests	(1,271)	**376**
Comprehensive income (loss)	(132,401)	**(73,041)**

Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)

(Millions of Yen)

	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity					Total equity attributable to owners of the Company	Non-controlling interests	Total equity
						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			
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														
Issuance of shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(6,103)	—	—	—	—	—	—	—	(6,103)	—	(6,103)
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(2,322)	—	—	2,322	—	—	—	2,322	—	—	—
Acquisition of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of shares with the exercise of share options	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	(7,364)	—	—	7,364	—	—	—	—	—	—	0	—	0
Issuance of shares	—	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, etc	—	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 Changes in Equity

Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)

(Millions of Yen)

	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity					Total equity attributable to owners of the Company	Non-controlling interests	Total equity
						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			
As of January 1, 2021	¥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
Comprehensive income														
Net loss	—	—	—	(133,828)	—	—	—	—	—	—	—	(133,828)	(1,998)	(135,826)
Other comprehensive income, net of tax	—	—	—	—	—	68,023	(5,651)	(1,196)	383	(1,148)	60,411	60,411	2,374	62,785
Total comprehensive income	—	—	—	(133,828)	—	68,023	(5,651)	(1,196)	383	(1,148)	60,411	(73,417)	376	(73,041)
Transactions with owners														
Contributions by and distributions to owners														
Issuance of shares	80,000	79,047	—	—	—	—	—	—	—	—	—	159,047	—	159,047
Issuance of other equity instruments	—	—	317,316	—	—	—	—	—	—	—	—	317,316	—	317,316
Cash dividends paid	—	—	—	(6,131)	—	—	—	—	—	—	—	(6,131)	—	(6,131)
Distributions to owners of other equity	—	—	—	(4,359)	—	—	—	—	—	—	—	(4,359)	—	(4,359)
Reclassification from other components of equity to retained earnings	—	—	—	(2,215)	—	—	2,215	—	—	—	2,215	—	—	—
Acquisition of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—	(0)	—	(0)
Disposal of treasury stock	—	(2,412)	—	—	84,759	—	—	—	—	—	—	82,347	—	82,347
Issuance of shares with the exercise of share options	3,750	(3,750)	—	—	—	—	—	—	—	—	—	0	—	0
Disposal of treasury stock with the exercise of share options	—	(182)	—	—	182	—	—	—	—	—	—	—	—	—
Issuance of shares	—	10,650	—	—	—	—	—	—	—	—	—	10,650	—	10,650
Forfeiture of share acquisition rights	—	(159)	—	159	—	—	—	—	—	—	—	—	—	—
Others	—	810	—	(1,404)	—	—	—	—	—	—	—	(594)	—	(594)
Total contributions by and distributions to owners	83,750	84,004	317,316	(13,950)	84,941	—	2,215	—	—	—	2,215	558,276	—	558,276
Changes in ownership interests in subsidiaries														
Issuance of shares	—	—	—	—	—	—	—	—	—	—	—	—	3,404	3,404
Acquisition and disposal of non-controlling interests	—	122	—	—	—	—	—	—	—	—	—	122	(293)	(171)
Others	—	—	—	—	—	—	—	—	—	—	—	—	(192)	(192)
Total changes in ownership interests in subsidiaries	—	122	—	—	—	—	—	—	—	—	—	122	2,919	3,041
Total transactions with owners, etc	83,750	84,126	317,316	(13,950)	84,941	—	2,215	—	—	—	2,215	558,398	2,919	561,317
As of December 31, 2021	¥289,674	¥311,970	¥317,316	¥142,671	¥(0)	¥45,325	¥(4,666)	¥(257)	¥(5,243)	¥(3,071)	¥32,088	¥1,093,719	¥23,571	¥1,117,290

Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)
Cash flows from operating activities		
Loss before income tax	¥ (151,016)	**¥ (212,630)**
Depreciation and amortization	151,506	**197,353**
Impairment loss	7,591	**4,239**
Other loss (income)	(19,413)	**(73,183)**
Decrease (Increase) in operating receivables	(33,425)	**(47,558)**
Decrease (Increase) in loans for credit card business	(204,590)	**(354,240)**
Increase (Decrease) in loans for credit card business	1,555,229	**2,130,634**
Net decrease (increase) in call loans for banking business	15,000	**(5,122)**
Decrease (Increase) in loans for banking business	(386,520)	**(1,092,238)**
Decrease (Increase) in receivables under securities borrowing transactions	—	**(147,777)**
Increase in operating payables	20,954	**45,045**
Decrease (Increase) in financial assets for securities business	(697,382)	**(414,794)**
Increase (Decrease) in financial liabilities for securities business	726,799	**445,190**
Increase and decrease in derivative assets and liabilities	63,067	**(80,114)**
Others	18,521	**188,962**
Income tax paid	(24,930)	**(1,060)**
Net cash flows from operating activities	1,041,391	**582,707**
Cash flows from investing activities		
Payments in time deposits	(9,095)	**(9,856)**
Decrease in time deposits	10,008	**9,180**
Purchases of property, plant and equipment	(279,278)	**(286,859)**
Purchases of intangible assets	(105,796)	**(123,782)**
Acquisitions of subsidiaries	(22,062)	**(42,974)**
Proceeds from sales of subsidiaries	62,599	**—**
Acquisition of investments in associates and joint ventures	(15,119)	**(23,029)**
Purchases of investment securities for banking business	(467,460)	**(736,644)**
Proceeds from sales and redemption of investment securities for banking business	473,499	**544,075**
Purchases of investment securities for insurance business	(75,676)	**(65,781)**
Proceeds from sales and redemption of investment securities for insurance business	60,327	**77,166**

(Millions of Yen)

	Fiscal year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)
Purchases of investment securities	(7,436)	**(15,726)**
Proceeds from sales and redemption of investment securities	38,036	**61,042**
Proceeds from sales and redemption of other financial assets	14,081	**2,942**
Other payments	(15,314)	**(16,506)**
Other proceeds	35,339	**14,922**
Net cash flows from investing activities	(303,347)	**(611,830)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	¥ 411,279	**¥ 116,507**
Net increase in commercial papers	135,500	**(6,000)**
Proceeds from long-term borrowings	424,590	**729,142**
Repayments of long-term borrowings	(324,141)	**(207,401)**
Proceeds from issuance of bonds	148,900	**355,321**
Redemptions of bonds	(40,000)	**(88,766)**
Proceeds from sale of shares by forward contract	75,348	**—**
Proceeds from issuance of shares	—	**159,047**
Proceeds from issuance of other equity instruments	—	**315,708**
Distributions to owners of other equity instruments	—	**(4,129)**
Proceeds from disposal of treasury stock	0	**82,347**
Repayments of lease liabilities	(34,476)	**(44,787)**
Cash dividends paid	(6,103)	**(6,131)**
Others	17,211	**1,407**
Net cash flows from financing activities	808,108	**1,402,265**
Effect of change in exchange rates on cash and cash equivalents	(3,403)	**15,853**
Net increase (decrease) in cash and cash equivalents	1,542,749	**1,388,995**
Cash and cash equivalents at the beginning of the year	1,478,557	**3,021,306**
Cash and cash equivalents at the end of the year	3,021,306	**4,410,301**

ESG (Environmental, Social, Governance) Data

Item			Coverage	Unit	FY2019	FY2020	FY2021
Environmental Data							
CO_2 emissions	Scope 1		Rakuten Group	t-CO_2	2,591	2,705	1,647
	Scope 2 (location-based)		Rakuten Group	t-CO_2	65,235	93,192	241,308
	Scope 2 (market-based)		Rakuten Group	t-CO_2	50,564	66,494	169,935
	Scope 3		Rakuten Group	t-CO_2	643,845*1	1,045,127	1,903,043
Energy Consumption	Total		Rakuten Group	MWh	140,507	192,777	466,683
Water Consumption	Total		Rakuten Group	1,000Nm^3	253	215	142
Waste Generation*2	Total		Rakuten Group	t	4,308	5,231	1,288

*1 Data covers Rakuten Group, Inc.
*2 Boundaries for waste generation limited to: large scale offices, fulfillment centers, stadiums, factories. See our Independent Assurance Statement for details.

Social Data

Total no. of employees				People	20,053	23,841	28,261
Region	Japan	Total	Rakuten Group	People	14,375	18,128	20,433
	APAC (excluding Japan)	Total		People	1,617	1,893	4,231
	Americas	Total		People	2,877	2,939	3,072
	EMEA	Total		People	1,184	881	525
Contract	Permanent	Total		People	18,531	22,078	26,606
	Temporary	Total		People	1,522	1,763	1,655
Employment rate of people with disabilities		Rate	Rakuten Group	%	2.47	2.32	2.47
Average age		Average	Rakuten Group, Inc.	Years	34.4	33.8	34.3
Total no. of employees in each of the following diversity categories				People	7,698	9,090	10,067
Age	Under 30 years old	Total	Rakuten Group, Inc.	People	2,841	3,178	3,606
	30–50 years old	Total		People	4,619	5,677	6,179
	Over 50 years old	Total		People	238	234	282
Gender	Female	Total		People	2,999	3,598	4,052
	Male	Total		People	4,699	5,492	6,015
Nationality	Japanese	Total		People	5,920	7,116	8,012
	Non-Japanese	Total		People	1,778	1,974	2,055
Total no. of managers in each of the following diversity categories				People	2,809	2,165	2,356
Gender	Female	Total	Rakuten Group, Inc.	People	676	611	678
	Male	Total		People	2,133	1,554	1,678
Nationality	Japanese	Total		People	2,174	1,780	1,949
	Non-Japanese	Total		People	635	385	407

Item			Coverage	Unit	FY2019	FY2020	FY2021
Total no. of employees that were entitled to parental leave				People	480	350	503
Gender	Female	Total	Rakuten Group, Inc.	People	142	83	174
	Male	Total		People	338	267	329
Total no. and percentage of employees that took parental leave				People	202	128	300
Gender	Female	Total	Rakuten Group, Inc.	People	139	79	186
		Percentage		%	97.9	95.2	106.9
	Male	Total		People	63	49	114
		Percentage		%	18.6	18.4	34.7
Return to work rate after parental leave							
Gender	Female	Percentage	Rakuten Group, Inc.	%	91	98	95
	Male	Percentage		%	90	100	98
Average annual paid vacation per employee		Days granted	Rakuten Group, Inc.	Days	15.4	13.1	15.9
		Days taken		Days	12	8	11
		Rate		%	78.7	61.2	71.3
Average hours of training per employee			Rakuten Group, Inc.	Hours	68.8	54.9	70.3
% of employees who received a regular performance and career development review			Rakuten Group, Inc.	%	100	100	100
Average length of service			Rakuten Group, Inc.	Years	4.6	4.5	4.7
Total no. of employee fatalities			Rakuten Group, Inc.	People	0	0	0
Lost-time occupational injury frequency rate*3			Rakuten Group, Inc.	n/million hours worked	0	0	0
Lost-time occupational disease frequency rate*4			Rakuten Group, Inc.	n/million hours worked	0	0	0.06

*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	7	9	9
	No. of female directors	Total	1	1	1
	No. of external directors	Total	4	5	5
	No. of independent directors	Total	4	5	5
Board of Company Auditors	No. of directors	Total	4	4	4
	No. of external directors	Total	3	3	3
	No. of independent directors	Total	3	3	3

The above data are as of the end of each fiscal year (December 31).

Awards and Recognitions

Rakuten's sustainability initiatives and transparency have been recognized both in Japan and abroad.

MSCI Indices

Rakuten has been selected for the MSCI Japan Empowering Women Index (WIN) and the MSCI Japan Empowering Women (WIN) Select Index, which recognize companies that promote a high level of gender diversity throughout their workforce.

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

*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 trademark or service marks of MSCI or its affiliates.

FTSE4Good Index Series

Rakuten was selected as a constituent of the FTSE4Good Index Series, the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index, all of which recognize Japanese companies that demonstrate strong ESG practices.

FTSE4Good

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

Dow Jones Sustainability Indices

Rakuten was selected for the second time as a constituent of the Dow Jones Sustainability World Index, and as a component of the Dow Jones Sustainability Asia Pacific Index for the third consecutive year. These indices were jointly developed by S&P Dow Jones Indices and Switzerland-based RobecoSAM and are composed of companies which excel in long-term sustainability strategies and initiatives.

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

S&P/JPX Carbon Efficient Index

Rakuten was again selected as a constituent of the S&P/JPX Carbon Efficient Index in the first decile of retail constituents, with the highest carbon-efficiency. The index is designed to measure the performance of companies in the Tokyo Stock Price Index, weighting them based on their disclosure status of environmental data and carbon emissions per unit of revenue.

S&P/JPX Carbon Efficient Index

Eco-First Certification (Ministry of the Environment)

Rakuten was certified as an Eco-First company by Japan's Ministry of the Environment through the Eco-First Program, which recognizes companies that are engaged in "advanced and independent industry-leading business activities" with regard to the environment.

ECO FIRST

Certified Health & Productivity Management Outstanding Organizations (Ministry of Economy, Trade and Industry)

Rakuten was designated a White 500 company through the 2022 Certified Health & Productivity Management Organization Recognition Program, which recognizes companies that undertake strategic measures to enhance employee wellness and examine employee health from a managerial perspective.

2022 健康経営優良法人 Health and productivity ホワイト500

Work with PRIDE Index

For the sixth consecutive year, Rakuten was awarded the Gold Level in the PRIDE Index, which evaluates workplace LGBTQ + initiatives and is awarded by Work with Pride, a voluntary association that promotes and supports the establishment of corporate diversity management initiatives relating to diverse sexual orientations.

work with Pride Gold 2021

Great Place to Work® Certification

Rakuten's business hub in Asia, Rakuten Asia Pte. Ltd., and development hub Rakuten India Enterprise Private Limited both received Great Place to Work certifications from Great Place to Work®, a specialty organization that conducts research and analysis on job satisfaction.

Great Place To Work. Certified SEP 2021 – SEP 2022 SG

Great Place To Work. Certified SEP 2021 – SEP 2022 INDIA

Corporate Information

(As of December 31, 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	¥289,674 million
Employees	Non-consolidated: 7,744 Consolidated: 28,261

Stock Information

Company Name	Rakuten Group, Inc.
Stock Code	4755 (Tokyo Stock Exchange Prime Market)
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 Group, 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 logo" 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 Sustainability 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 2021 Corporate Report. In publishing this report, we would like to express our gratitude to everyone who has supported the Rakuten Group over the years. 2021 was the year when vaccinations against COVID-19 progressed, and a new lifestyle was established. Under such circumstances, we have created each content to convey our desire to contribute to society and aim for a more prosperous world while walking together with all stakeholders.

We hope that our stakeholders can gain a better understanding of Rakuten's strengths and the thoughts contained in the values of "innovation" and "empowerment" that are connected to our business strategy and sustainability strategy. We sincerely appreciate your continued support.

All members of IR Department and Sustainability Department of Rakuten Group, Inc.