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(Securities Code 4755)

March 12, 2020

To Shareholders with Voting Rights:

Hiroshi Mikitani
Representative Director,
Chairman, President & CEO
Rakuten, Inc.
1-14-1 Tamagawa
Setagaya-ku, Tokyo, Japan

**NOTICE OF
THE 23RD ANNUAL GENERAL SHAREHOLDERS' MEETING**

Dear Shareholders,

You are cordially invited to attend the 23rd Annual General Shareholders' Meeting of Rakuten, Inc. (the "Company"). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Shareholders' Meeting (described hereinafter) and exercise your voting rights by 6:00 P.M. Japan Standard Time on Thursday, March 26, 2020.

- 1. Date and Time:** Friday, March 27, 2020, at 10:00 A.M. Japan Standard Time
- 2. Place:** Hiten Main Banquet Hall,
Grand Prince Hotel Shin Takanawa,
3-13-1 Takanawa, Minato-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Matters to be reported:
 1. Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements for the 23rd Fiscal Year (January 1, 2019 - December 31, 2019)
 2. Results of Audits of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board**Proposals to be resolved:**
Proposal No.1 : Partial Amendments to the Articles of Incorporation
Proposal No.2 : Election of Seven Directors
Proposal No.3 : Election of Two Audit & Supervisory Board Members
Proposal No.4 : Revision of Remuneration for Directors (Grant of Stock Options)

Please be aware that no gifts will be provided to shareholders attending the General Shareholders' Meeting. We appreciate your understanding.

Infection prevention measures for the novel coronavirus at the General Shareholders' Meeting will be posted on the following Rakuten website.
<https://corp.rakuten.co.jp/investors/stock/meeting.html>
Contents will be updated as circumstances change.

Corporate Mission

Empowering individuals and society through innovation and entrepreneurship

Rakuten Group's corporate mission is to empower individuals and society through innovation and entrepreneurship. We strive to contribute to the enrichment of society through innovation and empower many to achieve their goals and provide services which deliver a high standard of satisfaction to users, partners, and other stakeholders.

Message from CEO

In 2019, Rakuten Group faced many challenges and celebrated many achievements.

In the internet services business, domestic e-commerce led by Rakuten Ichiba delivered solid double-digit growth in gross merchandise sales. This was achieved by strengthening our logistics infrastructure and our fashion business, by continuously improving our service quality to respond to increasingly diverse consumer needs, and by working to evolve our business model with the aim of sustainable growth together with our partner companies.

In the FinTech (financial) business, in addition to growth in the transaction volume of Rakuten Card, the pace of customer acquisition accelerated at Rakuten Bank, Rakuten Securities, Rakuten Life Insurance, and Rakuten General Insurance. In addition, with the support of the Japanese government's policy to promote cashless payment, our payment businesses--Rakuten Pay, Rakuten Edy and Rakuten Point Card--are driving the growth of the industry both online and offline.

In the mobile business, in October 2019, after just 18 months of preparation, we launched our mobile operator service utilizing the world's first end-to-end fully virtualized cloud-native mobile network, something which was said to be impossible in the telecommunications industry. 2020 will be the year of full-scale service expansion. As we recognize the significant scale of this challenge, we will leverage the full power of Rakuten Group to offer our users innovative mobile services which have never been available before in the market.

Internationally, businesses such as Rakuten Viber, Rakuten Viki, and Rakuten Kobo continue to grow. Global recognition of the Rakuten brand is rising rapidly due to initiatives including the transition from Ebates to the Rakuten brand, sponsorship of the Davis Cup, and entry to the professional baseball league in Taiwan, in addition to our partnerships with FC Barcelona and the Golden State Warriors.

As a result of these efforts, Rakuten Group's global user base expanded to approximately 1.4 billion and global gross transaction value grew to ¥19 trillion. In 2019, Group revenue showed strong growth, reaching approximately ¥1.3 trillion, up 14.7% year-on-year. However, Non-GAAP operating income was ¥95.1 billion, down 41.0% year-on-year, due to investment in the construction of the logistics business infrastructure and the mobile business. Investment for the future in both businesses is also intended to drive the evolution of the Rakuten Ecosystem.

This year, we will continue to strive to increase our corporate value and shareholder value by driving the development of the Rakuten Ecosystem to enable sustainable growth in partnership with all stakeholders, as expressed by our corporate slogan, "Walk Together." We ask for the ongoing understanding and support of our shareholders in these endeavors.

Hiroshi Mikitani
Representative Director, Chairman, President and CEO

A handwritten signature in black ink, reading "Hiroshi Mikitani". The signature is written in a cursive, flowing style with a large initial 'H'.

Information concerning the exercise of voting rights:

For those attending the Shareholders' Meeting:

Please present the Voting Rights Exercise Form, enclosed in the original Japanese version, at the reception desk. You may exercise your voting right by appointing another shareholder to act as your proxy. Please be advised that such proxies are required to submit documentation to prove their proxy rights.

Date: Friday, March 27, 2020 at 10:00 A.M. Japan Standard Time

For those unable to attend the Shareholders' Meeting:

■Exercise of voting rights in writing

Please indicate your votes for or against each of the proposals on the Voting Rights Exercise Form enclosed in the original Japanese version, and return the form so that it is received by the Company by the following deadline.

Deadline for exercise of voting rights: 6:00 P.M. Japan Standard Time on Thursday, March 26, 2020

■Exercise of voting rights via the internet

Please refer to the guide on exercising voting rights via the internet on the next page, and enter your votes for or against each of the proposals by following the instructions on the screen.

Deadline for exercise of voting rights: 6:00 P.M. Japan Standard Time on Thursday, March 26, 2020

Guide to exercising voting rights by internet

Deadline for exercise of voting rights: By 6:00 P.M. Japan Standard Time on Thursday, March 26, 2020

How to access the website using a smartphone

Exercise of voting rights by “Smart Voting” (The site is in Japanese only)

By using your smartphone to scan the QR Code® you can access the page without having to enter your exercise of voting rights code or password.

You can only exercise your voting rights once using this method.

STEP 1 Scan the QR Code®

Use a smartphone or tablet to scan the QR Code®, which is indicated on the enclosed Voting Rights Exercise Form.

STEP 2 Select how you would like to exercise your voting rights

Please select a voting method from the website.

STEP 3 Choose whether to vote for or against each of the proposals

Please indicate your vote for or against each of the proposals by following the instruction on the screen.

STEP 4 Please follow the on-screen instructions to complete

If you wish to change your vote after voting, you will be required to read the QR Code® again and enter your exercise of voting rights code and password indicated on the Voting Rights Exercise Form.

* QR Code® is a registered trademark of DENSO WAVE INCORPORATED.

How to access the website using a computer, mobile phone, or any other electronic device

Exercise voting rights by entering the exercise of voting rights code and password

STEP 1 Access the website

URL of website for exercise of voting rights
https://www.web54.net



QR Code

* The website for exercise of voting rights may also be accessed by scanning the QR Code® on the right using a mobile phone equipped with barcode reading function.

STEP 2 Log in by entering the code for exercising voting rights

Your code for exercising voting rights is indicated on the enclosed Voting Rights Exercise Form.

STEP 3 Enter your password and click NEXT

Your password is indicated on the enclosed Voting Rights Exercise Form.

STEP 4 Enter your votes for or against each of the proposals by following the instructions on the screen

Regarding the handling of exercise of voting rights

- (1) If voting rights have been exercised both in writing and via internet, the internet vote will be treated as valid.
- (2) In cases where voting rights are exercised multiple times via the internet, the last exercise of voting rights shall be treated as valid.
- (3) The fees charged by providers and communications companies when using the website to exercise voting rights shall be borne by the shareholder.

Regarding the handling of exercise of voting rights codes and passwords

- (1) The code indicated on the Voting Rights Exercise Form is valid for this General Shareholders' Meeting only.
- (2) If a password is entered incorrectly more than a certain number of times, it will no longer be available for use. If you wish to request a new password, please follow the instructions on the screen.
- (3) Your exercise of voting rights code and password are valuable pieces of information used to confirm that the person exercising voting rights is the actual shareholder. Please treat it as you would your personal seal or PIN number.

Contact

Contact point for queries related to operation of website for exercise of voting rights

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Web Support Helpline
(Telephone) +81 0120-652-031 9:00 - 21:00

Inquiries on other matters

- Shareholders who have an account with a securities company
Shareholders who have an account with a securities company should contact their securities company.
- Shareholders who do not have an account with a securities company
(Holders of special accounts)
Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Services Center
(Telephone) +81 0120-782-031
9:00 - 17:00 (excluding Saturdays, Sundays, and national holidays)

For institutional investors

In addition to the above method to exercise voting rights via the internet, you may exercise your rights using an electronic exercise of voting rights platform provided by ICJ, Inc. Please note that this service is only available for those who request it in advance.

Reference Documents for the General Shareholders' Meeting

Matters to be Resolved and Reference Matters

Proposal No. 1: Partial Amendments to the Articles of Incorporation

This proposal requests the approval of partial amendments to the current Article 27 (Exemptions from Directors' Liability) and Article 35 (Exemptions from Liability of Audit & Supervisory Board Members) of the Company's Articles of Incorporation to allow Directors who are non-executive Directors, etc. and Audit & Supervisory Board Members to conclude a liability limitation agreement based on Paragraph 1 of Article 427 of the Companies Act to adequately fulfill their expected roles.

Each Audit & Supervisory Board Member has given the consent with regard to the amendments to current Article 27 of the Company's Articles of Incorporation.

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
<p>(Exemptions from Directors' Liability) Article 27 The Company may, by resolution of the Board of Directors, exempt Directors (including former Directors) from the liability for damages arising as a result of negligence in performing their duties to the extent permitted by the applicable laws and regulations pursuant to paragraph 1 of article 426 of the Companies Act.</p> <p>2. The Company may enter into an agreement with <u>outside Directors</u> to limit their liability for damages arising as a result of negligence in performing their duties, pursuant to paragraph 1 of article 427 of the Companies Act, provided, however, that the limitation of such liability for damages under such agreement shall be set forth within the amount stipulated in the applicable laws and regulations.</p>	<p>(Exemptions from Directors' Liability) Article 27 (Unchanged)</p> <p>2. The Company may enter into an agreement with <u>Directors (excluding executive Directors, etc.)</u> to limit their liability for damages arising as a result of negligence in performing their duties, pursuant to paragraph 1 of article 427 of the Companies Act, provided, however, that the limitation of such liability for damages under such agreement shall be set forth within the amount stipulated in the applicable laws and regulations.</p>
<p>(Exemptions from Liability of Company Auditors) Article 35 The Company may, by resolution of the Board of Directors, exempt Company Auditors (including former Company Auditors) from liability for damages arising as a result of negligence in performing their duties to the extent permitted by the applicable laws and regulations pursuant to paragraph 1 of article 426 of the Companies Act.</p>	<p>(Exemptions from Liability of Audit & Supervisory Board Members) Article 35 (Unchanged)</p>

Existing Articles of Incorporation	Proposed amendment
<p>2. The Company may enter into an agreement with <u>outside Company Auditors</u> to limit their liability for damages arising as a result of negligence in performing their duties pursuant to paragraph 1 of article 427 of the Companies Act, provided, however, that the limitation of such liability for damages under such agreement shall be set forth within the amount stipulated in the applicable laws and regulations.</p>	<p>2. The Company may enter into an agreement with <u>Audit & Supervisory Board Members</u> to limit their liability for damages arising as a result of negligence in performing their duties pursuant to paragraph 1 of article 427 of the Companies Act, provided, however, that the limitation of such liability for damages under such agreement shall be set forth within the amount stipulated in the applicable laws and regulations.</p>

Proposal No. 2: Election of Seven Directors

1. Reasons for the proposal

The terms of office of all seven incumbent Directors will expire at the conclusion of the meeting. Accordingly, election of seven Directors (including four Outside Directors) is proposed. If this item is approved as proposed, four of the seven Directors will be appointed as Independent Directors, in accordance with the regulations of the Tokyo Stock Exchange, Inc.

2. Our approach towards the Board of Directors

(Measures to Enhance the Effectiveness of Corporate Governance)

Rakuten Group's corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

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 long meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

(Selection of Candidates for Directors)

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

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

If the proposal on the election of Directors is approved at the 23rd Annual General Shareholders' Meeting, seven Directors will be appointed. The Company believes this to be an appropriate size in order to conduct management decision-making and supervision. Additionally, the Company places emphasis on the diversity of its Directors. This is reflected by the appointment of one woman and two foreign nationals as Directors among its seven candidates for Directors, and one woman and one foreign national among its four candidates for Outside Directors.

(Independence of Independent Directors and Independent Audit & Supervisory Board Members)

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

- a. Executive of the parent company or a fellow subsidiary of the Company (*1)

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

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

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

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

3. Candidates for Director

The candidates for Director are as follows:

No.	Name	Position at the Company	Term of Office	Attendance of the meetings of the Board of Directors
1	Hiroshi Mikitani Reappointment	Representative Director, Chairman, President & CEO	23 years	100% (12 out of 12 meetings)
2	Masayuki Hosaka Reappointment	Representative Director & Vice Chairman	6 years	92% (11 out of 12 meetings)
3	Charles B. Baxter Reappointment	Director	9 years	83% (10 out of 12 meetings)
4	Ken Kutaragi Reappointment Outside Independent	Director	10 years	100% (12 out of 12 meetings)
5	Sarah J. M. Whitley Reappointment Outside Independent	Director	1 year	89% (8 out of 9 meetings)
6	Takashi Mitachi Reappointment Outside Independent	Director	4 years	100% (12 out of 12 meetings)
7	Jun Murai Reappointment Outside Independent	Director	8 years	92% (11 out of 12 meetings)

(Note) Sarah J. M. Whitley's record indicates her attendance at Board of Director meetings after assuming the office of Director on March 28, 2019.

No.1	Name (Date of birth)	Hiroshi Mikitani (March 11, 1965) <u>Reappointment</u>		
Responsibilities at the Company		Representative Director, Chairman, President & CEO Group President of Group Company Division		
Reasons for nominating the candidate		Ever since founding the Company in February 1997, Mr. Mikitani has led the management of the Group as Representative Director for 23 years and has established the "Rakuten Ecosystem," a unique innovative business model. In addition, he is the driving force behind the growth of the entire Group and the Internet Services Segment as Chief Executive Officer and Internet Services Segment Leader. His continued appointment is requested in anticipation of achieving further development of the Group.		
Career summary, positions and responsibilities		Apr.	1988	Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
		May	1993	Received MBA from Harvard Business School
		Feb.	1996	President & Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)
		Feb.	1997	Founder & President & Representative Director of the Company
		Feb.	2001	Chairman, President, & Representative Director of the Company (current position)
		Mar.	2004	Chief Executive Officer of the Company (current position)
		Apr.	2006	Chairman & Representative Director of Crimson Football Club, Inc. (currently Rakuten Vissel Kobe, Inc.) (current position)
		Jan.	2008	Chairman & Representative Director of Rakuten Baseball, Inc.
		Feb.	2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)
		Oct.	2011	Chairman of Tokyo Philharmonic Orchestra (current position)
		Aug.	2012	Chairman & Representative Director & team owner of Rakuten Baseball, Inc. (current position)
		Mar.	2015	Director of Lyft, Inc. (current position)
		Aug.	2016	Chairman & Director of Aspyrian Therapeutics, Inc. (currently Rakuten Medical, Inc.)
		Sep.	2017	Outside Director of Genesis Healthcare Co. (current position)
		Jan.	2018	Chairman & Representative Director of Rakuten Mobile Network, Inc. (currently Rakuten Mobile, Inc.)
		Nov.	2018	Chairman & CEO of Rakuten Aspyrian, Inc. (currently Rakuten Medical, Inc.) (current position)
		Jan.	2020	Representative Director, Chairman and CEO of Rakuten Mobile, Inc. (current position)

Significant office(s) concurrently held	Representative Partner of Crimson Group, LLC. Chairman & Representative Director of Rakuten Vissel Kobe, Inc. Representative Director of Japan Association of New Economy Chairman of Tokyo Philharmonic Orchestra Chairman & Representative Director & team owner of Rakuten Baseball, Inc. Chairman & CEO of Rakuten Medical, Inc. Representative Director, Chairman and CEO of Rakuten Mobile, Inc.
Number of shares of the Company held	176,346,300 shares
Attendance of the meetings of the Board of Directors	100% (12 out of 12 meetings)

No.2	Name (Date of birth)	Masayuki Hosaka (July 31, 1954) <u>Reappointment</u>		
Responsibilities at the Company		Representative Director & Vice Chairman President of FinTech Group Company		
Reasons for nominating the candidate		After working for a credit card service company, Mr. Hosaka joined the FinTech start-up business as General Manager of Personal Finance Department of the Company in 2003 and contributed to the rapid growth of the said business. In addition, as the FinTech Segment Leader, he is the driving force behind the growth of this Segment. His continued appointment is requested in anticipation of achieving further development of the Group.		
Career summary, positions and responsibilities		Apr.	1980	Joined ORIX Credit Corporation
		Dec.	2003	General Manager of Personal Finance Department of the Company
		May	2005	Executive Officer of the Company
		Feb.	2006	President & Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.)
		Mar.	2007	Vice Chairman & Director of Rakuten Credit, Inc.
		Apr.	2009	President & Representative Director of Rakuten Credit, Inc. (current position)
		Feb.	2013	Managing Executive Officer of the Company
		Jan.	2014	Executive Vice President of the Company
		Mar.	2014	Representative Director of the Company (current position)
		Apr.	2016	Representative Director & Vice Chairman (current position)
		Jul.	2016	President of Card & Payments Company of the Company (currently FinTech Group Company) (current position)
Significant office(s) concurrently held		President & Representative Director of Rakuten Card Co., Ltd.		
Number of shares of the Company held		116,600 shares		
Attendance of the meetings of the Board of Directors		92% (11 out of 12 meetings)		

No.3	Name (Date of birth)	Charles B. Baxter (April 19, 1965) <u>Reappointment</u>		
Responsibilities at the Company		— (Chairman & Director, Rakuten USA, Inc.)		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of further promotion of the Group's US business based on his expertise in the Internet industry and corporate management, in addition to his contribution as Chairman and Director of Rakuten USA, Inc. since 2012.		
Career summary, positions and responsibilities		Oct.	1998	CEO of eTranslate, Inc.
		Mar.	2001	Director of the Company
		Mar.	2003	Retired as Director of the Company
		Jul.	2004	Chairman of Wineshipping.com LLC (current position)
		Mar.	2011	Director of the Company (current position)
		Feb.	2012	Chairman & Director of Rakuten USA, Inc. (current position)
		Jan.	2015	Chairman of Reynolds Holdco, Inc. (current position)
Significant office(s) concurrently held		—		
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		83% (10 out of 12 meetings)		

No.4	Name (Date of birth)	Ken Kutaragi (August 2, 1950) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management. He is an incumbent Outside Director of the Company and will have served for that position for ten years at the conclusion of the meeting.		
Career summary, positions and responsibilities		Apr.	1975	Joined Sony Corporation
		Nov.	1993	Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Apr.	1999	President & Representative Director of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2000	Director of Sony Corporation
		Nov.	2003	Director, Executive Vice President & COO of Sony Corporation
		Dec.	2006	Chairman, Representative Director & Group CEO of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment LLC.)
		Jun.	2007	Honorary Chairman of Sony Computer Entertainment Inc. Senior Technology Advisor of Sony Corporation
		Oct.	2009	President, Representative Director & CEO of Cyber AI Entertainment Inc. (current position)
		Mar.	2010	Outside Director of the Company (current position)
		Jan.	2018	Outside Director of GA technologies Co., Ltd (current position)
		Apr.	2019	Outside Director of SmartNews, Inc. (current position)
Significant office(s) concurrently held		President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of GA technologies Co., Ltd Outside Director of SmartNews, Inc.		
Number of shares of the Company held		10,000 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of 12 meetings)		

No.5	Name (Date of birth)	Sarah J. M. Whitley (August 6, 1958) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		Appointment is requested in anticipation of her advice to the management of the Company to enhance its corporate value based on her many years of experience in observing the Company and other Japanese companies as an investor. Although she has not directly participated in company management, the Company believes that she will be able to perform Outside Director's responsibilities for the above reasons. She is an incumbent Outside Director of the Company and will have served for that position for one year at the conclusion of the meeting.		
Career summary, positions and responsibilities		Sep.	1980	Joined Baillie Gifford & Co.
		May	1986	Partner of Baillie Gifford & Co.
		Apr.	2018	Retired from Baillie Gifford & Co.
		Mar.	2019	Outside Director of the Company (current position)
		May	2019	Trustee of Foundation Scotland (current position)
		May	2019	Chair of Edinburgh International Festival Endowment Fund (current position)
		Jun.	2019	Trustee of The Royal Scottish Academy Foundation (current position)
Significant office(s) concurrently held		Trustee of Foundation Scotland Chair of Edinburgh International Festival Endowment Fund Trustee of The Royal Scottish Academy Foundation		
Number of shares of the Company held		-		
Attendance of the meetings of the Board of Directors		89% (8 out of 9 meetings)		

No.6	Name (Date of birth)	Takashi Mitachi (January 21, 1957) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice to the management of the Company based on his expert knowledge and experience as a management consultant.. He is an incumbent Outside Director of the Company and will have served for that position for four years at the conclusion of the meeting.		
Career summary, positions and responsibilities		Apr.	1979	Joined Japan Airlines Co., Ltd.
		Jun.	1992	Received MBA from Harvard Business School
		Oct.	1993	Joined The Boston Consulting Group
		Jan.	1999	Vice President of The Boston Consulting Group
		Jan.	2005	Japan Co-chair of The Boston Consulting Group
		Apr.	2011	Board Member of Japan Association for the World Food Programme
		Apr.	2013	Adjunct Professor of Graduate School of Management of Kyoto University (current position)
		Jan.	2016	Senior Partner & Managing Director of The Boston Consulting Group
		Mar.	2016	Outside Director of the Company (current position)
		Jun.	2016	Outside Director of Lotte Co., Ltd. (current position)
		Mar.	2017	Outside Director of DMG MORI CO., LTD. (current position)
		Mar.	2017	Outside Director of FiNC Inc. (currently FiNC Technologies Inc.) (current position, scheduled to retire in March 2020)
		Mar.	2017	Outside Director of Unicharm Corporation (current position)
		Apr.	2017	Board Member of Ohara Museum of Art (current position)
		Jun.	2017	Outside Director of Tokio Marine Holdings, Inc. (current position)
Significant office(s) concurrently held		Oct.	2017	Senior Advisor of The Boston Consulting Group (current position)
		Mar.	2018	Chief Executive Director of Ronald McDonald House Charities Japan (current position)
Number of shares of the Company held		0 shares		
Attendance of the meetings of the Board of Directors		100% (12 out of 12 meetings)		

No.7	Name (Date of birth)	Jun Murai (March 29, 1955) <u>Reappointment</u> <u>Candidate for Outside Director</u> <u>Candidate for Independent Director</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his advice on the management of the Company based on his knowledge and experience as an academic expert in internet technology. He is an incumbent Outside Director of the Company and will have served for that position for eight years at the conclusion of the meeting.		
Career summary, positions and responsibilities		Aug.	1984	Assistant at Information Processing Center of Tokyo Institute of Technology
		Mar.	1987	Received Ph. D in Engineering from Keio University
		Apr.	1987	Assistant at Large-scale Computer Center of the University of Tokyo (currently Information Technology Center, the University of Tokyo)
		Apr.	1990	Associate Professor of Faculty of Environment and Information Studies of Keio University
		Apr.	1997	Professor of Faculty of Environment and Information Studies of Keio University (current position, scheduled to retire in March 2020)
		May	2005	Vice-President of Keio Gijuku Educational Corporation
		Oct.	2009	Professor of Faculty of Environment and Information Studies of Keio University
		Sep.	2011	Outside Director of BroadBand Tower, Inc. (current position)
		Mar.	2012	Outside Director of the Company (current position)
		Oct.	2017	Dean of the Graduate School of Media and Governance of Keio University
		Jun.	2018	Outside Director of LAC Co., Ltd. (current position)
Significant office(s) concurrently held		Nov.	2019	Outside Director of HAPSMobile Inc. (current position)
Number of shares of the Company held		5,500 shares		
Attendance of the meetings of the Board of Directors		92% (11 out of 12 meetings)		

- (Notes)
- Hiroshi Mikitani is Chairman of Tokyo Philharmonic Orchestra and Representative Director of Japan Association of New Economy, and the Company makes financial contributions and pays membership fees to both organizations. The ratio of such payments in fiscal 2019 was less than 1% of the combined total amount of the Cost of sales and selling, general, and administrative expenses of the Company for the year.
 - Takashi Mitachi is Adjunct Professor of Graduate School of Management of Kyoto University, and the Company makes donations, etc. to Kyoto University. The ratio of the amount of donations in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year. He is also Chief Executive Director of Ronald McDonald House Charities

Japan, and the Company makes donations to the organization. The ratio of the amount of donations in fiscal 2019 was less than 1% of the combined total amount of the Cost of sales and Selling, general and administrative expenses of the Company for the year.

3. Jun Murai is Professor of Faculty of Environment and Information Studies at Keio University (scheduled to retire in March 2020); the university shares a role in operating international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year. He is also Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year.
4. Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi and Jun Murai are candidates for Outside Director.
5. The Company stipulates under its current Articles of Incorporation that it can conclude with each Outside Director (on the condition of the approval of Proposal No. 1, each Director who is a non-executive Director, etc.) a liability limitation agreement, which restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into such a liability limitation agreement with the four incumbent Outside Directors of the Company Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, and Jun Murai. The liability limitation agreement will be renewed with the four incumbent Outside Director subject to the approval of their reappointment. In addition, Charles B. Baxter shall be a non-executive Director and is not expected to execute operations even if reappointed. If his re-appointment is approved, the Company, on the condition of approval of Proposal No. 1, plans to conclude a liability limitation agreement with him, which restricts his liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act and the amended Articles of Incorporation of the Company after the approval of the Proposal.
6. If the reappointment of Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, and Jun Murai are approved, they will be appointed to the position of Independent Director specified by the regulations of Tokyo Stock Exchange, Inc.

Proposal No. 3: Election of Two Audit & Supervisory Board Members

The terms of office of both Audit & Supervisory Board Members Takahide Uchida and Katsuyuki Yamaguchi will expire at the conclusion of the meeting. Accordingly, election of two Audit & Supervisory Board Members (including one new Audit & Supervisory Board Member) is proposed.

The Audit & Supervisory Board has given its consent with regard to this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

No.1	Name (Date of birth)	Katsuyuki Yamaguchi (September 22, 1966) <u>Reappointment</u> <u>Candidate for Outside Audit & Supervisory Board Member</u> <u>Candidate for Independent Audit & Supervisory Board Member</u>		
Reasons for nominating the candidate		His continued appointment is requested in anticipation of his contribution to the Company's audit system based on his expertise and extensive experience as a legal attorney on corporate legal affairs. He is an incumbent Outside Audit & Supervisory Board Member of the Company and will have served for that position for 19 years at the conclusion of the meeting.		
Career summary and positions		Apr.	1991	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners (currently Nishimura & Asahi)
		May	1997	Graduated from Columbia Law School (LL.M.)
		Sep.	1997	Served Debevoise & Plimpton LLP in New York
		Jan.	1998	Admitted as Attorney-at-law in New York, USA
		May	1998	Served Debevoise & Plimpton LLP in Paris
		Feb.	1999	Served Simeon & Associates in Paris
		Jul.	1999	Reinstated at Nishimura & Partners (currently Nishimura & Asahi)
		Aug.	2000	Attorney and Partner of Nishimura & Partners (currently Nishimura & Asahi)
		Mar.	2001	Outside Audit & Supervisory Board Member of the Company (current position)
		Jul.	2007	Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. (current position)
		Sep.	2013	Outside Audit & Supervisory Board Member of BrainPad Inc. (current position)
		Jun.	2015	Outside Audit & Supervisory Board Member of HAKUHODO DY HOLDINGS INCORPORATED (current position)
		Apr.	2016	Director of Lex Mundi (current position)
		Sep.	2018	Managing Partner of Nishimura & Asahi NY LLP (current position)
Significant office(s) concurrently held		Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. Outside Audit & Supervisory Board Member of BrainPad Inc. Outside Audit & Supervisory Board Member of HAKUHODO DY HOLDINGS INCORPORATED Director of Lex Mundi Managing Partner of Nishimura & Asahi NY LLP		
Number of shares of the Company held		69,500 shares		
Attendance of the meetings of the Board of Directors		92% (11 out of 12 meetings)		
Attendance of the meetings of the Audit & Supervisory Board		100% (6 out of 6 meetings)		

No.2	Name (Date of birth)	Yoshiaki Nishikawa (August 30, 1958) <u>New</u>		
Reasons for nominating the candidate		Appointment of Yoshiaki Nishikawa as Audit & Supervisory Board Member is requested in anticipation of his contribution to the Company's audit system based on his extensive knowledge and experience related to finance.		
Career summary and positions		Apr.	1981	Joined Family Shimpan K.K. (currently ORIX Credit Corporation)
		Jan.	2004	Joined Shinsei Bank, Limited
		Oct.	2004	Joined Aozora Card Co., Ltd. (currently Rakuten Card Co., Ltd.)
		Jul.	2012	Full-time Audit & Supervisory Board Member of Rakuten Card Co., Ltd.
		Jun.	2014	Audit & Supervisory Board Member of Rakuten Securities, Inc.
		Jun.	2015	Audit & Supervisory Board Member of Rakuten Life Insurance Co., Ltd.
		May	2016	Audit & Supervisory Board Member of Rakuten Edy Operation, Inc. (currently Rakuten Edy, Inc.) (current position)
		Jul.	2018	Full-time Audit & Supervisory Board Member of Rakuten Insurance Holdings Co., Ltd. (current position)
		Jan.	2019	Audit & Supervisory Board Member of Rakuten Insurance Planning Co., Ltd. (current position)
Significant office(s) concurrently held		-		
Number of shares of the Company held		7,200 shares		
Attendance of the meetings of the Board of Directors		-		
Attendance of the meetings of the Audit & Supervisory Board		-		

- (Notes) 1. Katsuyuki Yamaguchi is Managing Partner of Nishimura & Asahi NY LLP, which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Nishimura & Asahi NY LLP and the Company in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses of the Company for the year.
2. Katsuyuki Yamaguchi is a candidate for Outside Audit & Supervisory Board Member.
3. The Company stipulates under its current Articles of Incorporation that it can conclude with each Outside Audit & Supervisory Board Member (on the condition of the approval of Proposal No. 1, each Audit & Supervisory Board Member) a liability limitation agreement, which restricts their liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into such a liability limitation agreement with incumbent Outside Audit & Supervisory Member of the Company Katsuyuki Yamaguchi. The liability limitation agreement will be renewed with the incumbent Outside Audit & Supervisory Board Member subject to the approval of his reappointment. In addition, if the appointment of candidate for Audit & Supervisory Member Yoshiaki Nishikawa is approved, the Company, on the condition of the approval of Proposal No. 1, plans to conclude a liability limitation agreement with him, which restricts his liability for damages under Article 423, Paragraph 1 of the Companies Act to the statutory limit required under the provisions of Article 427,

Paragraph 1 of the Act and the amended Company's Articles of Incorporation after the approval of the Proposal.

4. If the reappointment of Katsuyuki Yamaguchi is approved, he will be appointed to the position of Independent Audit & Supervisory Board Member specified by the regulations of the Tokyo Stock Exchange, Inc.

Proposal No. 4: Revision of Remuneration for Directors (Grant of Stock Options)

This proposal requests the approval of grant of share options ("Share Options") as additional compensation for the Company's Directors (excluding Outside Directors; hereinafter, the same shall apply in this proposal) pursuant to Article 361 of the Companies Act, separately from the amount of compensation for Directors approved at the 18th Annual General Shareholders' Meeting held on March 27, 2015.

The Company plans to issue the following two types of share options: (i) share options exercisable while holders of the share options remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates; and (ii) share options as retirement compensation stock options, or share options exercisable for ten days from the date following the date on which holders of the share options retire from the Company, and its subsidiaries and affiliates. The details of these share options are as described below.

Given the approval of Proposal No.2 as submitted, the Company shall have three Directors (excluding Outside Directors), two of whom shall serve concurrently as Executive Officers of the Company.

1. The reason for justifying the grant of Share Options as stock options to Directors and the basis for calculation

[Reason]

Since the value of the Share Options is linked with the Company's stock price, delivering the Share Options as part of a performance-linked compensation package to the Company's Directors will allow them to share the gains of shareholders when stock prices rise and feel shareholders' losses when stock prices fall, thus enhancing their motivation to achieve higher performance and higher stock prices. The Company intends to implement stock option plans (share options exercisable while in service and share options as retirement compensation stock options) for the Company's Directors in order to continuously enhance the Group's corporate and shareholder value by increasing the motivation of the Company's Directors.

[Basis for Calculation]

The amount of Share Options to be delivered as part of the remuneration for the Company's Directors will be calculated by multiplying fair value of each Share Options calculated on the day when such rights are allotted, by the number of Share Options allotted to the Company's Directors. Fair value of each Share Options will be based on the fair unit price valuation calculated applying variables including share price on the day when the Share Options are allotted and the conditions of Share Options, etc. using an equity option pricing model such as the Black-Scholes model.

2. Details of Share Options to be issued as stock options exercisable while in service

- (1) Persons to whom Share Options will be allotted

Directors of the Company

(2) Class and number of shares to be issued upon exercise of Share Options

The class of shares to be issued upon the exercise of Share Options will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 1,000,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\begin{array}{lcl} \text{Number of shares} & & \text{Number of shares} \\ \text{after adjustment} & = & \text{before adjustment} \times \text{Ratio of split or} \\ & & \text{consolidation} \end{array}$$

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3) Total number of Share Options to be issued

Share Options to be issued in each fiscal year will not exceed 10,000 units.

One hundred shares will be issued for each Share Option; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the Share Options will be adjusted accordingly.

(4) Cash payment for Share Options

No cash payment is required for Share Options.

(5) Value of the assets to be contributed upon exercise of Share Options

The price for one Share Option will be one yen.

(6) Exercise period of Share Options

The exercise period will be from the date on which one year has passed from the issuance of the Share Options (hereinafter "Date of Issuance") to the date on which ten years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercising the Share Options

- a). Those who received an allotment of the issue of Share Options (hereinafter “Holders of Share Options”) will remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances and in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).
- b). Share Options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
- c). Share Options may not be offered for pledge or disposed of in any other way.
- d). Share Options may be exercised by the Holder of Share Options, in whole or in part, according to the following categories.
 - i) The entire allotment of Share Options may not be exercised prior to the date on which one year has passed from the Date of Issuance.
 - ii) 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the Date of Issuance to the date prior to the date on which two years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the Date of Issuance to the date prior to the date on which three years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the Date of Issuance to the date prior to the date on which four years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction will be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the Date of Issuance to the date on which ten years have passed from the Date of Issuance.
- e). The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of Share Options by the

methods listed below.

- i) Receipt by cash
- ii) Appropriation of shares owned by the Holders of Share Options
- iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
- iv) Other methods specified by the Company

(8) Restriction on the acquisition of Share Options by transfer

Any acquisition of Share Options by transfer will require approval via a resolution of the Board of Directors of the Company.

(9) Other details of Share Options

Other details of Share Options will be determined by the meeting of the Board of Directors to determine the conditions of the offer of Share Options.

3. Details of Share Options to be issued as retirement compensation stock options

(1) Persons to whom Share Options will be allotted

Directors of the Company who serve concurrently as Executive Officers of the Company.

(2) Class and number of shares to be issued upon exercise of Share Options

The class of shares to be issued upon the exercise of Share Options will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 1,000,000.

However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\begin{array}{lcl} \text{Number of shares} & & \text{Number of shares} \\ \text{after adjustment} & = & \text{before adjustment} \times \text{Ratio of split or} \\ & & \text{consolidation} \end{array}$$

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar action.

(3) Total number of Share Options to be issued

Share Options to be issued in each fiscal year will not exceed 10,000 units.

One hundred shares will be issued for each Share Option; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the Share Options will be adjusted accordingly.

(4) Cash payment for Share Options

No cash payment is required for Share Options.

(5) Value of the assets to be contributed upon exercise of Share

Options The Price for one Share Option will be one yen.

(6) Exercise period of Share Options

The exercise period will be from the date on which Share Options are issued (hereinafter "Date of Issuance") until the date on which 40 years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercise of Share Options

- a). Those who received an allotment of the issue of Share Options (hereinafter "Holders of Share Options"), shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and its subsidiaries and affiliates.
- b). Share Options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
- c). Share Options may not be offered for pledge or disposed of in any other way.
- d). The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of Share Options by the methods listed below.
 - i) Receipt by cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company

(8) Restriction on the acquisition of Share Options by transfer

Any acquisition of Share Options by transfer will require approval via a resolution of the Board of Directors of the Company.

(9) Other details of Share Options

Other details of Share Options will be decided at the meeting of the Board of Directors of the Company to determine the conditions of the offer of Share Options.

Business Report

(From January 1, 2019 to December 31, 2019)

Part 1 Current Condition of Rakuten Group

1. Business Progress and Results

Revenue	Non-GAAP operating income	IFRS operating income	Net loss attributable to owners of the Company
¥1,263.9 billion	¥95.1 billion	¥72.7 billion	¥31.9 billion
(14.7% increase YoY)	(41.0% decrease YoY)	(57.3% decrease YoY)	(¥174.2 billion decrease YoY)

Application of International Financial Reporting Standards: Starting from the fiscal year ended December 31, 2013, Rakuten Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

Rakuten Group discloses consolidated business results in terms of both its internal measures, on which management relies when making decisions (hereinafter the “Non-GAAP financial measures”), and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting nonrecurring items and other adjustments prescribed by Rakuten Group. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between Rakuten Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years for stakeholders and can provide useful information in understanding the underlying business results of Rakuten Group and its business forecast. Nonrecurring items refers to one-off items that Rakuten Group believes should be excluded, based on a set of rules, for the purpose of preparing a business forecast. Other adjustment items are those that tend to differ depending on the standards applied and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

(Note) For disclosure of Non-GAAP financial measures, Rakuten Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with said rules.

■ Business Results for the Fiscal Year Ended December 31, 2019 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2019 has been recovering gradually overall, although attention must still be paid to the forecast, including trends in trade issues, the situation affecting the Middle East, and the impact of fluctuations in financial and capital markets. The Japanese economy also enjoyed a gradual recovery due to increased capital investment by companies and personal consumption in the midst of continuing improvement in the wage and employment environment.

According to the White Paper on Information and Communications in Japan (Note) published by the Ministry of Internal Affairs and Communications, the development and spread of the Internet and other information and communications technology (ICT) has

brought about a new economy and society called the “Digital Economy,” and the government of Japan foresees “Society 5.0,” a concept of society positioned as the next stage of evolution for the current information society, to be realized with revolutionary technology such as IoT and Artificial Intelligence (AI).

(Note) “2019 White Paper on Information and Communications in Japan” by the Ministry of Internal Affairs and Communications

Under such an environment, Rakuten Group is developing businesses that bring together membership, data, and branding, along with the development and operation of services that proactively leverage AI. In communications services, preparations are underway including base stations set up for the full launch of the fourth-generation mobile communication system (4G) services in April 2020, as well as verification tests for the launch of the fifth-generation mobile communication system (5G) in June 2020.

In domestic e-commerce services, the mainstay of internet services, Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, further opening up the Rakuten Ecosystem, and reinforcement of the logistics network. As for overseas internet services, Rakuten Group integrated various services into the Rakuten brand, and conducted proactive sales promotion activities to raise the profile of the brand and expanded business overseas. In the investment business, Rakuten Group recorded ¥75,120 million in valuation gains on share investments related to the ride-sharing business, etc. during the fiscal year ended December 31, 2019.

In the FinTech Segment, growth in shopping transaction volume and revolving balances due to expansion of the membership base of “Rakuten Card” contributed to an increase in revenue and income. In addition, in banking services, revenue and income continued to expand due to an increase in interest income, etc. from growing loan balances and improvements in administrative efficiency, despite the backdrop of a negative interest rate policy. In securities services, revenue and income decreased due to reduced commissions under the backdrop of a sluggish domestic stock market.

In the Mobile Segment, preparations, including the installment of base stations, were made to enable Rakuten to fully launch its mobile business in April 2020 and provide the world’s first end-to-end fully virtualized cloud-native network. The “Free Supporter Program” was launched in October 2019 and is open to 5,000 subscribers, offering voice and data communications free of charge. As a result, Rakuten Group has experienced, since the fourth quarter of the fiscal year, a depreciation of property, and incurred line usage fees in roaming areas of competitors. In the “Free Supporter Program,” Rakuten Group allowed up to 20,000 additional subscribers in January 2020 and is working to improve the quality and stability of its network. In addition, “Rakuten Mobile,” which provides Mobile Virtual Network Operator (MVNO) services, and “Rakuten Viber,” which provides messaging and VoIP services, substantially increased revenue due to growth in membership.

As a result, Rakuten Group achieved a revenue of ¥1,263,932 million, up 14.7% year-on-year, for the fiscal year ended December 31, 2019. Non-GAAP operating income was ¥95,129 million, down 41.0% year-on-year.

■ Reconciliation of IFRS Operating Income to Non-GAAP Operating Income

For the fiscal year ended December 31, 2019, amortization of intangible assets of ¥8,764 million and share based compensation expenses of ¥10,137 million were excluded from Non-GAAP operating income. In the United States, nonrecurring items including an

impairment loss on property, plant and equipment, etc., of ¥3,483 million were recorded. In addition, nonrecurring items of ¥28,110 million were recorded for the previous fiscal year mainly due to the transfer of all shares of O-net, Inc.

■ Operating Results for the Fiscal Year Ended December 31, 2019 (IFRS basis)

For the fiscal year ended December 31, 2019, Rakuten Group recorded revenue of ¥1,263,932 million, up 14.7% year-on-year, operating income of ¥72,745 million, down 57.3% year-on-year, and net loss attributable to owners of the Company of ¥31,888 million, compared to a net income of ¥142,282 million in the previous fiscal year.

(Millions of yen)

	Fiscal year ended December 31, 2018 (22nd)	Fiscal year ended December 31, 2019 (23rd)	Amount Change YoY	% Change YoY
Revenue	1,101,480	1,263,932	162,452	14.7%
Non-GAAP operating income	161,130	95,129	(66,001)	(41.0)%
Amortization of intangible assets	(10,982)	(8,764)	2,218	(20.2)%
Share based compensation expenses	(7,833)	(10,137)	(2,304)	29.4%
Nonrecurring items (loss)	28,110	(3,483)	(31,593)	—
IFRS operating income	170,425	72,745	(97,680)	(57.3)%
Net income (loss) attributable to owners of the Company	142,282	(31,888)	(174,170)	—

■ Segment Information

Business results for each Segment are as follows. In terms of the IFRS management approach, Segment profit (loss) is presented on a Non-GAAP operating income basis.

Internet Services Segment

Sales composition ratio (excluding adjustments):56.6%

(Billions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Segment Revenue	676.7	792.5
Segment Profit	107.7	90.7

Main businesses: Domestic e-commerce (Rakuten Ichiba, Rakuten Travel, etc.), Overseas e-commerce (Rakuten Rewards (former Ebates), Rakuten Marketing, etc.), Investment (Rakuten Capital), E-book services (Rakuten Kobo, etc.), Professional sports (Rakuten Eagles, Vissel Kobe, etc.)

This fiscal year, in domestic e-commerce services, the mainstay of internet services, Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, and further expansion of the Rakuten Ecosystem. Rakuten Group worked to mitigate the medium- to long-term impact of volume limits and increased shipping costs from shipping companies and enhance the convenience of both customers and merchants who use Rakuten services by reinforcing its logistics network. These efforts include increasing the capacity of Rakuten Group's logistics facilities to accept products for stores on the Rakuten marketplace and expanding the last mile delivery area covered by Rakuten Group based on the One Delivery concept of providing comprehensive logistics services.

In overseas internet services, Rakuten Group integrated various services into the Rakuten brand, and conducted proactive sales promotion activities to raise the profile of the brand and expanded business overseas.

In the investment business, Rakuten Group recorded ¥75,120 million in valuation gains on share investments related to the ride-sharing business, etc.

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

FinTech Segment

Sales composition ratio (excluding adjustments): 34.8%

(Billions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Segment Revenue	424.5	486.4
Segment Profit	67.9	69.3

Main businesses: Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Life Insurance, Rakuten General Insurance, Rakuten Pay

This fiscal year, at Rakuten Card of the FinTech Segment, growth in shopping transaction volume and revolving balances due to expansion of the membership base of “Rakuten Card” contributed to an increase in revenue and income. In addition, in banking services, revenue and income continued to expand due to an increase in interest income, etc. from growing loan balances and improvements in administrative efficiency, despite the backdrop of a negative interest rate policy.

In insurance services, a gain on sales of securities was recorded from managing financial instruments, and a rebound from large payments of insurance claims related to disasters including the heavy rains in western Japan in the fiscal year ended December 31, 2018 contributed to increased revenue and income in the fiscal year ended December 31, 2019.

In securities services, revenue and income declined due to reduced commissions under the backdrop of a sluggish domestic stock market.

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

Mobile Segment

Sales composition ratio (excluding adjustments): 8.6%

(Billions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Segment Revenue	89.9	119.8
Segment Profit	(13.7)	(60.1)

Main businesses: Communication services (Rakuten Mobile, etc.), messaging services (Rakuten Viber)

In the Mobile Segment for the fiscal year ended December 31, 2019, preparations, including the installment of base stations, were made to enable Rakuten to fully launch its mobile business in April 2020 and provide the world's first end-to-end fully virtualized cloud-native network. The "Free Supporter Program" was launched in October 2019, and is open to approximately 5,000 subscribers, offering voice and data communications free of charge. As a result, Rakuten Group has experienced, since the fourth quarter of the fiscal year, a depreciation of property, and incurred line usage fees in roaming areas of competitors. In the "Free Supporter Program," Rakuten Group recruited additional subscribers of up to 20,000 in January 2020 is working to improve the quality and stability of its network.

Furthermore, "Rakuten Mobile," which provides Mobile Virtual Network Operator (MVNO) services, and "Rakuten Viber," which provides messaging and VoIP services, substantially increased revenue due to growth in membership.

As a result, revenue for the Mobile Segment rose to ¥119,808 million, a 33.3% year-on-year increase, while Segment loss stood at ¥60,051 million, compared to a loss of ¥13,672 million in the previous fiscal year.

2. Operating Results and Financial Status

Classification		20th (From January 1, 2016 to December 31, 2016)	21st (From January 1, 2017 to December 31, 2017)	22nd (From January 1, 2018 to December 31, 2018)	23rd (From January 1, 2019 to December 31, 2019)
Revenue	(Millions of yen)	781,916	944,474	1,101,480	1,263,932
Operating income	(Millions of yen)	78,512	149,344	170,425	72,745
Non-GAAP operating income	(Millions of yen)	119,615	167,010	161,130	95,129
Income (loss) before income tax	(Millions of yen)	74,458	138,082	165,423	(44,558)
Net income (loss)	(Millions of yen)	38,435	110,488	141,889	(33,068)
Comprehensive income	(Millions of yen)	20,106	100,981	124,452	(42,818)
Basic earnings (loss) per share	(Yen)	26.96	80.03	105.43	(23.55)
Diluted earnings (loss) per share	(Yen)	26.74	79.28	104.38	(23.55)
Total assets	(Millions of yen)	4,604,672	6,184,299	7,345,002	9,165,697
Total equity attributable to owners of the Company	(Millions of yen)	682,391	683,181	774,473	735,672
Equity per share attributable to owners of the Company	(Yen)	478.40	507.32	572.83	542.43
Cash flows from operating activities	(Millions of yen)	30,700	162,056	145,615	318,320
Cash flows used in investing activities	(Millions of yen)	(26,841)	(203,718)	(67,569)	(286,290)
Cash flows from financing activities	(Millions of yen)	45,200	194,458	208,418	458,340
ROE	(%)	5.7	16.2	19.5	(4.2)
Dividend per share	(Yen)	4.5	4.5	4.5	4.5

(Notes) 1. Non-GAAP operating income is operating income under IFRS after deducting nonrecurring items and other adjustments prescribed by Rakuten Group. Management believes disclosure of Non-GAAP financial measures facilitates comparison between Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of Rakuten Group and its business forecast.

2. With regard to insurance business policy reserve for insurance business, Rakuten Group has

previously applied the method of measuring insurance liabilities prescribed by laws and regulations which 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 which recognizes interest arising from the book value of insurance liabilities in profit (loss) and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate in other comprehensive income. Accordingly, major management indicators, etc., for the fiscal year ended December 31, 2016 have been retrospectively restated to reflect the change in accounting policy.

3. Capital Investment

The total amount of capital investment for the fiscal year was ¥362,601 million, primarily due to the increase in capital investment executed by Rakuten Mobile, Inc. and the increase in right-of-use assets relating to new lease contracts under IFRS16.

4. Capital Procurement

Rakuten Group issues bonds as a means of capital procurement. The Company procured ¥80,000 million in June 2019 by issuing yen-denominated unsecured bonds, and USD 800 million in November 2019 by issuing USD-denominated unsecured bonds. Rakuten Card Co., Ltd. procured ¥50,000 million in December 2019 by issuing yen-denominated unsecured bonds.

5. Business Reorganization

The Company implemented the following Group Reorganization on April 1, 2019.

(1) Reorganization of internet services business

The Company implemented an absorption-type merger in which the Company is the succeeding company and Rakuten Direct, Inc., a wholly owned subsidiary of the Company, as the company absorbed in the absorption-type merger.

(2) Reorganization of FinTech business

The Company transferred the shares, etc. of its FinTech business (Rakuten Bank, Ltd. and Rakuten Securities, Inc., etc.) to Rakuten Card Co., Ltd., a wholly owned subsidiary of the Company, through an absorption-type split with the Company as the split company.

In addition, the Company transferred its payments-related businesses (Rakuten Pay business for real store payments, Point Partner business, Edy business, etc.) and the shares of Rakuten, Edy Inc., to Rakuten Payment, Inc., through an absorption-type split with the Company as the split company.

Furthermore, Rakuten Card Co., Ltd. transferred the shares of Everybody's Bitcoin Inc. (currently Rakuten Wallet, Inc.) to Rakuten Payment, Inc., through an absorption-type split with Rakuten Card Co., Ltd. as the split company.

(3) Reorganization of mobile business

The Company transferred its Mobile Virtual Network Operator (MVNO) business and the shares, etc. of Rakuten Communications Corp., a wholly owned subsidiary of the Company, to Rakuten Mobile Network, Inc. (currently Rakuten Mobile, Inc.), a wholly owned subsidiary of the Company, through an absorption-type split with the Company as the split company.

6. Challenges

As a company group that contributes to society by creating value through innovation and entrepreneurship, our challenges are to respond flexibly to changes in our business environment and to build a framework for continuous growth. Through long-term continuous growth, we aim to maximize corporate and shareholder value of Rakuten Group and continue to be a Global Innovation Company that brings benefits to all of society.

(1) Business strategy

Rakuten Group aims to generate synergistic benefits that include the maximization of the lifetime value of each member, minimization of customer acquisition cost, and maximization of Group revenue. We will achieve this by creating an environment in which members worldwide can continuously use multiple services in the "Rakuten Ecosystem," at the core of which are membership, data, and brand.

In the Internet Services Segment, particularly e-commerce and travel, Rakuten Group is

working on various initiatives, including cultivation of loyal customers and acquisition of new customers, promotion of cross-use of services, further expansion of the “Rakuten Ecosystem,” and reinforcement of its logistics network.

We are pursuing even greater growth of FinTech services in such areas as credit cards, banking, securities, insurance, and prepaid money services by generating synergistic benefits between businesses, promoting cross-use of services, and integrating technologies including AI and voice recognition. In cashless payments, the “Cashless Vision” developed by the Ministry of Economy, Trade and Industry in April 2018 sets a goal to increase the ratio of cashless payments to 40% by 2025. As part of this, on October 1, 2019, a point redemption system for cashless payments was introduced in line with the consumption tax hike. Given this, Rakuten Group is working to introduce its payment service in more locations, promote a full range of cashless payments including QR/barcode payments, prepaid money, and points. Furthermore, we will continue to focus on enhancing the functions of payment apps which integrate these payment methods, in order to achieve Rakuten Group’s vision for a comprehensive payment services platform.

In the Mobile Segment, Rakuten Group received certification in April 2018 from the Ministry of Internal Affairs and Communications for the plan to install specified base stations for rolling out its 4th generation mobile communication system, and received certification in April 2019 for its plan to install specified base stations for rolling out our 5th generation mobile communication system. In accordance with these plans, we constructed the world’s first end-to-end fully virtualized cloud-native network. Going forward, we will further expand our network to all areas of Japan, provide a highly reliable communication service, and work to expand our customer base. The importance of 5G as a communication network is expected to grow as infrastructure for development of IoT connecting all manners of objects through the Internet. 5G is expected to contribute to solving various social issues, with the advantages it offers in terms of high speed, low latency, and multiple simultaneous connections. Rakuten Group aims to establish 5G as a social infrastructure in the 2020s, to not only improve convenience for consumers, but also solve various social issues and contribute to regional revitalization through the application of 5G in various fields and the creation of new businesses.

Furthermore, we will enhance our portfolio of new businesses including C2C (consumer-to-consumer), sharing economy services, advertising and investment, while continuing to focus efforts on utilization of AI such as deep learning, in an unceasing pursuit of innovation which is not bound by the status quo.

In addition to pursuing growth of individual businesses and maximizing cross-business synergies, we intend to expand the “Rakuten Ecosystem,” not only in Japan but globally, by establishing innovative marketing methods that utilize Rakuten Group’s membership, big data and “Rakuten Points,” creating a Global ID Platform that provides a single membership ID and loyalty program worldwide, and raising our brand value through integrating service brands and partnerships with “FC Barcelona,” the NBA’s “Golden State Warriors,” and others. To do this, we must further enhance our global management, and we will work to review our business portfolio to optimize the allocation of management resources, and bolster our system for optimizing technological development on a global scale.

(2) Management structure

Rakuten Group’s corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate

governance as one of our highest priorities.

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 long meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance. In addition, we have introduced an internal Company System to ensure agile business execution and clear accountability.

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

7. Principal Businesses

The Group Companies are organized into three reportable Segments: "Internet Services," "FinTech" and "Mobile."

Discrete financial information for operating results of these Segments is available, and is regularly reviewed by the Board of Directors to determine the allocation of resources and assess performance.

The "Internet Services" Segment comprises businesses running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with business for advertising etc. on these sites. Additionally, this Segment includes businesses for the management of professional sports teams.

The "FinTech" Segment engages in businesses providing services over the internet related to banking and securities, credit cards, life insurance, general insurance and prepaid money.

The "Mobile" Segment engages in businesses for the provision of communication and messaging services.

8. Information on Principal Parent Company and Principal Subsidiaries

Information on Principal Subsidiaries

Company name	Capital	Ratio of voting rights	Main business
Rakuten Card Co., Ltd.	¥19,324 million	100.00%	Issuance of credit card, Rakuten Card, and related services
Ebates Inc.	0.1 U.S. dollar	100.00% (100.00%)	Online cash-back service
Rakuten Bank, Ltd.	¥25,954 million	100.00% (100.00%)	Internet banking service
Rakuten Mobile, Inc.	¥100 million	100.00%	Voice communication and data transmission services
Rakuten Securities, Inc.	¥7,496 million	100.00% (100.00%)	Online securities trading services
Rakuten Communications Corp.	¥2,026 million	100.00% (100.00%)	IP telephone, cloud and other services
Rakuten General Insurance Co., Ltd.	¥5,153 million	100.00% (100.00%)	General insurance business
Rakuten Life Insurance Co., Ltd.	¥7,500 million	100.00% (100.00%)	Life insurance business
OverDrive Holdings, Inc.	1 U.S. dollar	100.00% (100.00%)	E-book distribution services for libraries and others
Rakuten Kobo Inc.	901 million Canadian dollars	100.00% (100.00%)	E-book services
RAKUTEN MARKETING LLC	1 U.S. dollar	100.00% (100.00%)	Performance marketing services
Viber Media S.a.r.l	20 thousand U.S. dollars	100.00%	Mobile messaging and VoIP services

(Notes) 1. Figures in the brackets under Ratio of voting rights represent percentage of voting rights held indirectly.

2. There is no subsidiary that corresponds to the specified subsidiaries.

3. In the fiscal year ending December 31, 2020, the Group plans to transfer all shares of OverDrive Holdings, Inc. to Aragorn Parent Corporation.

9. Principal Offices

(1) The Company

Name	Location	Name	Location
Rakuten Crimson House	Setagaya-ku, Tokyo	Nagoya Branch	Nagoya-shi, Aichi
Sapporo Branch	Sapporo-shi, Hokkaido	Osaka Branch	Osaka-shi, Osaka
Sendai Branch	Sendai-shi, Miyagi	Hiroshima Branch	Hiroshima-shi, Hiroshima
Saitama Branch	Saitama-shi, Saitama	Fukuoka Branch	Fukuoka-shi, Fukuoka

(2) Subsidiaries

Name	Location
Rakuten Card Co., Ltd.	Setagaya-ku, Tokyo
Ebates Inc.	U.S.
Rakuten Bank, Ltd.	Setagaya-ku, Tokyo
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo
Rakuten Securities, Inc.	Setagaya-ku, Tokyo
Rakuten Communications Corp.	Setagaya-ku, Tokyo
Rakuten General Insurance Co., Ltd. (*1)	Chiyoda-ku, Tokyo
Rakuten Life Insurance Co., Ltd. (*1)	Setagaya-ku, Tokyo
OverDrive Holdings, Inc. (*2)	U.S.
Rakuten Kobo Inc.	Canada
RAKUTEN MARKETING LLC	U.S.
Viber Media S.a.r.l	Luxembourg

(Notes) 1. The head office was relocated to Shinjuku-ku, Tokyo as of February 1, 2020.

2. In the fiscal year ending December 31, 2020, the Group plans to transfer all shares of OverDrive Holdings, Inc. to Aragorn Parent Corporation.

10. Employees

Classification	Number of employees	Year-on-year change
Total	20,053	Increased by 2,839

(Note) Number of employees excludes those serving concurrently as employees and Directors, temporary staff and part-time employees.

Name of business segment	Number of employees
Internet Services	10,695
FinTech	4,808
Mobile	1,485
Company-wide (common)	3,065
Total	20,053

(Note) Company-wide (common) figure represents the number of employees of the development and management divisions that cannot be classified within in a specific business segment.

11. Principal Borrowings

(Millions of yen)

Creditor	Outstanding balance
Mizuho Bank, Ltd.	227,826
Sumitomo Mitsui Banking Corporation	115,822
Trust & Custody Services Bank, Ltd.	90,000

Part 2 Matters Concerning Shares of the Company

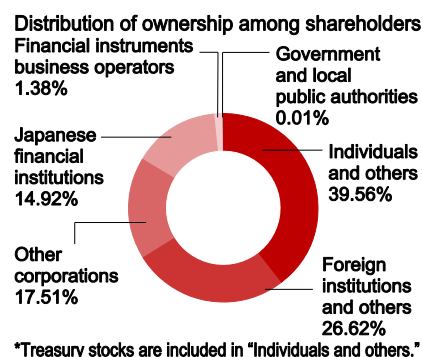
1. Total Number of Shares Issued:
1,434,573,900 shares
(including 78,318,938 shares of treasury stocks)

2. Number of Shareholders: 266,743

3. Major Shareholders (Top 10)

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

(Note) Percentage of shares held is calculated excluding treasury stocks (78,318,938 shares).



4. Other Important Matters Concerning Shares
Not applicable.

Part 3 Matters Concerning Share Options

1. Status of the Share Options as of the End of Fiscal Year

(1) Summary of Contents of Share Options Held by Officers of the Company

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 17th Share Options (February 20, 2013)	1,497	Common stock 149,700	Free of charge	0.01	From March 30, 2016 to March 28, 2022
The 22nd Share Options (February 20, 2014)	1,583	Common stock 158,300	Free of charge	0.01	From March 29, 2017 to March 27, 2023
The 36th Share Options (February 20, 2015)	3,931	Common stock 393,100	Free of charge	0.01	From March 29, 2018 to March 27, 2024
The 46th Share Options (February 18, 2016)	6,160	Common stock 616,000	Free of charge	0.01	From March 1, 2017 to February 27, 2026
The 47th Share Options (February 18, 2016)	45	Common stock 4,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 48th Share Options (February 18, 2016)	15	Common stock 1,500	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 50th Share Options (July 22, 2016)	21,849	Common stock 2,184,900	Free of charge	0.01	From August 1, 2017 to August 1, 2026
The 57th Share Options (February 20, 2017)	90	Common stock 9,000	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 58th Share Options (February 20, 2017)	72	Common stock 7,200	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 59th Share Options (February 20, 2017)	13,454	Common stock 1,345,400	Free of charge	0.01	From March 1, 2018 to March 1, 2027
The 69th Share Options (February 19, 2018)	84	Common stock 8,400	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 70th Share Options (February 19, 2018)	105	Common stock 10,500	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 71st Share Options (February 19, 2018)	14,153	Common stock 1,415,300	Free of charge	0.01	From March 1, 2019 to March 1, 2028

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 72nd Share Options (April 27, 2018)	30,964	Common stock 3,096,400	Free of charge	0.01	From May 1, 2019 to May 1, 2028
The 81st Share Options (April 26, 2019)	12,179	Common stock 1,217,900	Free of charge	0.01	From November 1, 2019 to May 1, 2059

- (Notes) 1. With regard to the exercise period of Share Options, if the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.
2. Conditions for exercise of the 17th and 22nd Share Options are as follows:
- Those who received the allotment of issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all circumstances.
 - Share Options may not be pawned or disposed of in any other manner.
3. Conditions for exercise of the 36th, 47th, 48th, 57th, 58th, 69th and 70th Share Options are as follows:
- Holders of Share Options shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - Share Options may not be pawned or disposed of in any other manner.
 - The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In the case where the Company, its subsidiaries or its affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
 - Receipt by Cash
 - Appropriation of shares owned by the Holders of Share Options
 - Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - Other methods specified by the Company
4. Conditions for exercise of the 46th, 50th, 59th, 71st and 72nd Share Options are as follows:
- Holders of Share Options shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - Share Options may not be pawned or disposed of in any other manner.
 - Share Options may be exercised by the Holders of Share Options, in whole or in part, according to the following categories.
 - The entire allotment of Share Options shall not be exercised prior to the date on which one year has passed from the date of issuance.
 - 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - 65% of the allotment of Share Options (if a portion of the allotment of Share Options had

been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).

- v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
 - e) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In cases where the Company, its subsidiaries or affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
 - i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company
5. Conditions for exercise of the 81st Share Options are as follows:
- a) Holders of Share Options shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company, its subsidiaries or affiliates.
 - b) Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - c) Share Options may not be pawned or disposed of in any other manner.
 - d) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In the case where the Company, its subsidiaries or affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
 - i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company

(2) Status by Classification of the Share Options Held by Officers of the Company

Classification	Name	Number of Share Options	Number of owners
Directors	The 17th Share Options	60	1
	The 22nd Share Options	39	1
	The 36th Share Options	78	1
	The 46th Share Options	611	3
	The 50th Share Options	275	1
	The 59th Share Options	1,771	3
	The 71st Share Options	2,649	3
	The 72nd Share Options	2,284	2
	The 81st Share Options	1,044	2
Outside Directors	The 17th Share Options	15	1
	The 22nd Share Options	13	1
	The 36th Share Options	12	1
	The 47th Share Options	15	1
	The 57th Share Options	54	3
	The 70th Share Options	63	3
Audit & Supervisory Board Members	The 48th Share Options	15	1
	The 58th Share Options	54	3
	The 69th Share Options	63	3

(Notes) 1. The number of shares to be issued for the Share Options above is 100 per Share Option.
2. "Directors" in the above table do not include Outside Directors.

2. Status of the Share Options Issued During the Fiscal Year

(1) Summary of Contents of Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Name (date of resolution)	Number of Share Options	Class and number of shares to be issued	Issue price	Exercise Price (per share) (yen)	Exercise period
The 76th Share Options (January 18, 2019)	51,294	Common stock 5,129,400	Free of charge	1	From February 1, 2020 to February 1, 2029
The 77th Share Options (January 18, 2019)	4,200	Common stock 420,000	Free of charge	1	From March 1, 2020 to March 1, 2029
The 78th Share Options (February 22, 2019)	1,570	Common stock 157,000	Free of charge	1	From March 1, 2020 to March 1, 2029
The 79th Share Options (April 26, 2019)	45,201	Common stock 4,520,100	Free of charge	1	From May 1, 2020 to May 1, 2029
The 80th Share Options (April 26, 2019)	1,320	Common stock 132,000	Free of charge	1	From May 1, 2020 to May 1, 2029
The 81st Share Options (April 26, 2019)	11,135	Common stock 1,113,500	Free of charge	1	From November 1, 2019 to May 1, 2059
The 82nd Share Options (July 26, 2019)	21,336	Common stock 2,133,600	Free of charge	1	From August 1, 2020 to August 1, 2029
The 83rd Share Options (October 25, 2019)	38,111	Common stock 3,811,100	Free of charge	1	From November 1, 2020 to November 1, 2029
The 84th Share Options (October 25, 2019)	1,770	Common stock 177,000	Free of charge	1	From November 1, 2020 to November 1, 2029

- (Notes) 1. With regard to the exercise period of Share Options, if the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.
2. Conditions for exercise of the 76th, 77th and 78th Share Options are as follows:
- Holders of Share Options shall remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.
 - Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
 - Share Options may not be pawned or disposed of in any other manner.
 - Share Options may be exercised by the Holder, in whole or in part, according to the following categories.
 - The entire allotment of Share Options shall not be exercised prior to the date on which one year has passed from the date of issuance.
 - 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one share arises in the

- number of exercisable Share Options, such fraction shall be discarded).
- iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
- e) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to share options and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
- i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company
3. Conditions for exercise of the 79th, 80th, 82nd, 83rd and 84th Share Options are as follows:
- a) Holders of Share Options shall remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, its subsidiaries or affiliates at the time of exercising such rights, provided however exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances and in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).
 - b) Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all circumstances.
 - c) Share Options may not be pawned or disposed of in any other manner.
 - d) Share Options may be exercised by the Holder of Share Options, in whole or in part, according to the following categories.
 - i) The entire allotment of Share Options shall not be exercised prior to the date on which one year has passed from the date of issuance.
 - ii) 15% of the allotment of Share Options may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iii) 35% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - iv) 65% of the allotment of Share Options (if a portion of the allotment of Share Options had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one share arises in the number of exercisable Share Options, such fraction shall be discarded).
 - v) The entire allotment of Share Options may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.
 - e) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium in all applicable jurisdictions) specified by laws and regulations in relation to Share options and

shares. In cases where the Company, its subsidiaries or affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.

- i) Receipt by Cash
- ii) Appropriation of shares owned by the Holders of Share Options
- iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
- iv) Other methods specified by the Company

4. Conditions for exercise of the 81st Share Options are as follows:

- a) Holders of Share Options shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company, its subsidiaries or affiliates.
- b) Share Options may not be inherited, unless the Board of Directors of the Company grants approval as a special case in consideration of all the circumstances.
- c) Share Options may not be pawned or disposed of in any other manner.
- d) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Share options and shares. In the case where the Company its subsidiaries or affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.
 - i) Receipt by Cash
 - ii) Appropriation of shares owned by the Holders of Share Options
 - iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
 - iv) Other methods specified by the Company

(2) Status by Classification of the Share Options Granted to Employees of the Company and Officers and Employees of the Subsidiaries

Classification	Name	Number of Share Options	Number of shares	Number of owners
Employees of the Company (Excluding Officers)	The 76th Share Options	24,019	2,401,900	5,709
	The 79th Share Options	912	91,200	13
	The 81st Share Options	10,918	1,091,800	52
	The 82nd Share Options	13,232	1,323,200	5,860
Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)	The 76th Share Options	27,275	2,727,500	2,708
	The 77th Share Options	4,200	420,000	321
	The 78th Share Options	1,570	157,000	20
	The 79th Share Options	44,289	4,428,900	1,480
	The 80th Share Options	1,320	132,000	8
	The 81st Share Options	217	21,700	1
	The 82nd Share Options	8,104	810,400	2,424
	The 83rd Share Options	38,111	3,811,100	1,002
	The 84th Share Options	1,770	177,000	27

Part 4 Matters Concerning Officers of the Company

1. Name of Directors and Audit & Supervisory Board Members

(As of December 31, 2019)

Title	Name	Responsibility within the Company and significant concurrent positions
Chairman, President, and Representative Director	Hiroshi Mikitani	Representative Director, Chairman, President & CEO Group President of Group Company Division Representative Partner of Crimson Group, LLC. Chairman & Representative Director of Rakuten Vissel Kobe, Inc. Representative Director of Japan Association of New Economy Chairman of Tokyo Philharmonic Orchestra Chairman & Representative Director and team owner of Rakuten Baseball, Inc. Chairman & CEO of Rakuten Medical, Inc. Chairman & Representative Director of Rakuten Mobile, Inc.
Vice Chairman and Representative Director	Masayuki Hosaka	Executive Vice Chairman President of FinTech Group Company President & Representative Director of Rakuten Card Co., Ltd.
Director	Charles B. Baxter	— (Chairman & Director of Rakuten USA, Inc.)
Director <u>Outside</u> <u>Independent</u>	Ken Kutaragi	President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of GA technologies Co., Ltd Outside Director of SmartNews, Inc.
Director <u>Outside</u>	Sarah J. M. Whitley	Trustee of Foundation Scotland Chair of Edinburgh International Festival Endowment Fund Trustee of The Royal Scottish Academy Foundation
Director <u>Outside</u> <u>Independent</u>	Takashi Mitachi	Adjunct Professor of Graduate School of Management of Kyoto University Outside Director of DMG MORI CO., LTD. Outside Director of Unicharm Corporation Board Member of Ohara Museum of Art Outside Director of Tokio Marine Holdings, Inc. Senior Advisor of The Boston Consulting Group Chief Executive Director of Ronald McDonald House Charities Japan
Director <u>Outside</u> <u>Independent</u>	Jun Murai	Professor of Faculty of Environment and Information Studies of Keio University Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd. Outside Director of HAPSMobile Inc.
Audit & Supervisory Board Member (Full-time) <u>Outside</u>	Takahide Uchida	—
Audit & Supervisory Board Member (Full-time) <u>Outside</u> <u>Independent</u>	Masahide Hiramoto	—
Audit & Supervisory Board Member <u>Outside</u> <u>Independent</u>	Takeo Hirata	Professor of Waseda University Graduate School of Sport Sciences Dean of Waseda University Research Institute for Strategy of Natural Resources Special Advisor to the Cabinet Chairman of Japan Society of Sports Industry Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd.

Title	Name	Responsibility within the Company and significant concurrent positions
Audit & Supervisory Board Member Outside	Katsuyuki Yamaguchi	Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. Outside Audit & Supervisory Board Member of BrainPad Inc. Outside Audit & Supervisory Board Member of HAKUHODO DY HOLDINGS INCORPORATED Director of Lex Mundi Managing Partner of Nishimura & Asahi NY LLP

- (Notes)
1. Director Hiroshi Mikitani assumed the office of CEO of Rakuten Mobile, Inc. on January 6, 2020.
 2. Sarah J. M. Whitley was newly elected as and assumed the office of Director at the 22nd Annual General Shareholders' Meeting held on March 28, 2019.
 3. Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi and Jun Murai are Outside Directors.
 4. Takahide Uchida, Masahide Hiramoto, Takeo Hirata and Katsuyuki Yamaguchi are Outside Audit & Supervisory Board Members.
 5. Director Takashi Mitachi is Adjunct Professor of Graduate School of Management of Kyoto University, and the Company makes donations, etc. to Kyoto University. The ratio of the amount of donations in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general and administrative expenses at the Company for the year. He is also Chief Executive Director of Ronald McDonald House Charities Japan, and the Company makes donations to the organization. The ratio of the amount of donations in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general and administrative expenses of the Company for the year.
 6. Director Jun Murai is Professor of Faculty of Environment and Information Studies at Keio University (scheduled to retire in March 2020); the university shares a role in operating international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year. He is also Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2019 was less than 1% of the combined total amount of the cost of sales and selling, general, and administrative expenses of the Company for the year.
 7. Audit & Supervisory Board Member Takeo Hirata is Professor of Waseda University Graduate School of Sport Sciences and Dean of Waseda University Research Institute for Strategy of Natural Resources, and the Company pays research expenses to Waseda University. The ratio of the amount of expenses in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses at the Company for the year. He is also Chairman of Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses at the Company for the year.
 8. Audit & Supervisory Board Member Katsuyuki Yamaguchi is Managing Partner of Nishimura & Asahi NY LLP, which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Nishimura & Asahi NY LLP and the Company in fiscal 2019 was less than 1% of the combined total amount of cost of sales and selling, general, and administrative expenses of the Company for the year.
 9. The Company has appointed Ken Kutaragi, Takashi Mitachi, Jun Murai, Masahide Hiramoto and Takeo Hirata as Independent Directors based on the stipulations of the Tokyo Stock Exchange, Inc. and reported the appointments to the Tokyo Stock Exchange.

2. Summary of the Liability Limitation Agreement

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

3. Compensation of Directors and Audit & Supervisory Board Members

Classification	Number of recipients	Amount of compensation
Directors	8	¥256 million
Audit & Supervisory Board Members	4	¥68 million

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

4. Matters Concerning Outside Officers

(1) Relationship between Significant Office(s) Concurrently Held and the Company

The relationship between significant office(s) concurrently held and the Company is described in the notes of "1. Name of Directors and Audit & Supervisory Board Members."

(2) Major Activities during the Fiscal Year

Classification	Name	Attendance of the meetings of the Board of Directors	Attendance of the meetings of the Audit & Supervisory Board	Major Activities
Outside Directors	Ken Kutaragi	12 out of the 12 meetings (100%)	—	He made necessary statements (questions, opinions, etc.) based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management.
	Sarah J. M. Whitley	8 out of the 9 meetings (89%)	—	She made necessary statements (questions, opinions, etc.) based on her extensive knowledge and experience as an investor.
	Takashi Mitachi	12 out of the 12 meetings (100%)	—	He made necessary statements (questions, opinions, etc.) based on his expert knowledge and experience as a management consultant.
	Jun Murai	11 out of the 12 meetings (92%)	—	He made necessary statements (questions, opinions, etc.) based on his knowledge and experience as an academic expert in internet technology.
Outside Audit & Supervisory Board Members	Takahide Uchida	12 out of the 12 meetings (100%)	6 out of the 6 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Masahide Hiramoto	12 out of the 12 meetings (100%)	6 out of the 6 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Takeo Hirata	12 out of the 12 meetings (100%)	6 out of the 6 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his wide-ranging expert knowledge and experience related to sports and education.
	Katsuyuki Yamaguchi	11 out of the 12 meetings (92%)	6 out of the 6 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his expertise and extensive experience as a legal attorney on corporate legal affairs

(Note) Sarah J. M. Whitley's record indicates her attendance at Board of Director meetings after assuming the office of Director on March 28, 2019.

Part 5 Accounting Auditor

1. Name of the Accounting Auditor

ERNST & YOUNG SHINNIHON LLC

2. Amount of Compensation to the Accounting Auditor for the Fiscal Year

- | | |
|--------------------------------------------------------------------------------------------------------------------------------|--------------|
| (1) Amount of compensation for services set forth in Article 2,
Paragraph 1 of Certified Public Accountants Act | ¥167 million |
| (2) Total amount of cash and other financial benefits payable to the Accounting Auditor by
the Company and its subsidiaries | ¥600 million |

(Notes) 1. The audit engagement entered into by the Company and the Accounting Auditor does not clearly distinguish—as this cannot be distinguished--the amount of compensation for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act. Therefore, (1) above shows the total amount of such compensation.

2. The Audit & Supervisory Board agreed to the amount of compensation to the Accounting Auditor, following the examination of the relevant factors including the number of days spent for audit work, staffing, etc., as part of the accounting audit plan for the fiscal year presented by the Accounting Auditor, as well as the verification and assessment of the audit work performed in the previous fiscal year, adequacy of progress in audit work by the Accounting Auditor, and the basis of calculation for the cost estimation presented as prerequisite to the amount of compensation.

3. With regard to the Company's principal subsidiaries which are overseas, an audit (limited to those based on the provisions of the Companies Act or the Financial Instruments and Exchange Act (including equivalent laws and regulations of foreign countries)) has been received from a certified public accountant or audit firm (including persons holding equivalent qualifications in foreign countries) other than the Company's Accounting Auditor.

3. Non-Audit Services

The Company entrusts to the accounting auditor primarily the work of providing consulting services and preparing a comfort letter related to issuance of corporate bonds at its consolidated subsidiary, which is a task other than the work set forth in Article 2, Paragraph 1 of the Certified Public Accountants Law, and paid compensation for the work.

4. Policy on Dismissal or Non-reappointment of Accounting Auditor

In the case where the Accounting Auditor is believed to be applicable to any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall consider the dismissal thereof and carry out such dismissal if such action is found adequate subject to the unanimous consent of all Audit & Supervisory Board Members.

Also, the Audit & Supervisory Board shall decide the details of any proposal on dismissal or non-reappointment of the Accounting Auditor to be presented to Shareholders' Meeting, if such action is deemed necessary--for example, in cases where the Accounting Auditor is found to have difficulty adequately fulfilling their duties

Part 6 The Company's Structure and Policy

Policy Concerning Decisions on Dividends of Surplus

Regarding the policy for shareholder returns, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments for medium- to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows.

- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Ensure sufficiency in relation to risks associated with business activities and assets
- Maintain the financial rating required for stable financing, while sustaining the level of shareholders' equity in compliance with regulatory requirements

For the fiscal year, the Company decided to pay a dividend of ¥4.5 per share (¥4.5 per share for the previous fiscal year) at the Meeting of the Board of Directors held on February 13, 2020.

The decision-making organ of the Company for distribution of dividends of surplus is the Board of Directors. Payment in principle is made once a year in the form of a year-end dividend. Other matters in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to judgment based on management status and other factors.

Purchase of treasury stock will be determined flexibly, as a financial measure towards contributing to the enhancement of shareholder value.

(Reference) Trends in dividend per share

	20th (From January 1, 2016 to December 31, 2016)	21st (From January 1, 2017 to December 31, 2017)	22nd (From January 1, 2018 to December 31, 2018)	23rd (From January 1, 2019 to December 31, 2019)
Dividend per share (yen)	4.50	4.50	4.50	4.50

Note: The dividends in the table above have been rounded to the indicated figures unless specified otherwise.

Consolidated Statement of Financial Position

(As of December 31, 2019)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Cash and cash equivalents	1,478,557	Accounts payable - trade	329,483
Accounts receivable - trade	222,485	Deposits for banking business	3,160,748
Financial assets for securities business	1,976,009	Financial liabilities for securities business	1,860,645
Loans for credit card business	1,828,216	Derivative liabilities	10,172
Investment securities for banking business	272,711	Bonds and borrowings	1,727,096
Loans for banking business	1,049,993	Other financial liabilities	820,440
Investment securities for insurance business	287,200	Income taxes payable	12,952
Derivative assets	28,050	Provisions	109,845
Investment securities	163,259	Insurance business policy reserve	318,090
Other financial assets	390,234	Employee retirement benefit liabilities	11,374
Investments in associates and joint ventures	177,199	Deferred tax liabilities	2,049
Property, plant and equipment	376,424	Other liabilities	65,603
Intangible assets	609,450	Total liabilities	8,428,497
Deferred tax assets	80,153	Equity	
Other assets	225,757	Equity attributable to owners of the Company	735,672
		Common stock	205,924
		Capital surplus	224,379
		Retained earnings	413,603
		Treasury stock	(92,305)
		Other components of equity	(15,929)
		Non-controlling interests	1,528
		Total equity	737,200
Total assets	9,165,697	Total liabilities and equity	9,165,697

Note: The figures have been rounded to the nearest million.

Consolidated Statements of Income

(Year ended
December 31, 2019)

(Millions of Yen)

Items	Amounts
Continuing operations	
Revenue	1,263,932
Operating expenses	1,266,902
Other income	86,901
Other expenses	11,186
Operating income	72,745
Financial income	3,642
Financial expenses	9,027
Share of losses of investments in associates and joint ventures	111,918
Loss before income tax	44,558
Income tax expense	(11,490)
Net loss	33,068
Net loss attributable to:	
Owners of the Company	31,888
Non-controlling interests	1,180
Net loss	33,068

Note: The figures have been rounded to the nearest million.

Balance Sheet (J-GAAP)

(As of December 31, 2019)

(Millions of Yen)

Assets		Liabilities	
Items	Amounts	Items	Amounts
Current assets	685,994	Current liability	652,493
Cash and deposits	180,209	Accounts payable-trade	20,578
Accounts receivable-trade	132,027	Commercial papers	84,000
Merchandise	9,448	Short-term loans payable	40,800
Supplies	423	Current portion of bonds	40,000
Prepaid expenses	15,211	Accounts payable-other	226,646
Accounts receivable-other	205,744	Accrued expenses	26,816
Income taxes receivable	1,958	Advance received	4,732
Short-term loans receivable from subsidiaries and affiliates	128,166	Deposits received	86,951
Other	13,157	Provision for point card certificates	101,092
Allowance for doubtful accounts	(352)	Provision for bonuses	4,480
Noncurrent assets	1,331,123	Suspense receipt	551
Property, plant and equipment	26,169	Other	15,843
Buildings	8,602	Noncurrent liabilities	857,124
Machinery, equipment and vehicles	718	Bonds	428,856
Tools, furniture and fixture	6,033	Long-term loans payable	311,600
Land	478	Provision for retirement benefits	4,268
Construction in progress	4,456	Asset retirement obligations	5,430
Other	5,879	Other	106,969
Intangible assets	102,073		
Goodwill	10,877	Total liabilities	1,509,617
Patent right	1,030		
Trademark	365	Net assets	
Software	45,212	Shareholders' equity	484,641
Software in progress	10,097	Common stock	205,924
Other	34,490	Capital surplus	175,724
Investments and other assets	1,202,880	Legal capital surplus	173,460
Investment securities	6,786	Other capital surplus	2,263
Stocks of subsidiaries and affiliates	1,111,883	Retained earnings	195,214
Investments in capital of subsidiaries and affiliates	645	Other retained earnings	195,214
Long-term loans receivable from subsidiaries and affiliates	8,894	Retained earnings brought forward	195,214
Claims provable in bankruptcy, claims provable in rehabilitation, and other	1,478	Treasury stock	(92,222)
Long-term prepaid expenses	2,450	Valuation and translation adjustments	1,150
Lease and guarantee deposits	11,141	Unrealized gains or losses on available-for-sale securities	1,150
Deferred tax assets	51,699	Share options	21,709
Other	9,639		
Allowance for doubtful accounts	(1,738)	Total net assets	507,501
Total assets	2,017,118	Total liabilities and net assets	2,017,118

Note: The figures have been rounded down to the nearest million.

Income Statement (J-GAAP)

(Year ended
December 31, 2019)

(Millions of Yen)

Items	Amounts	
Net sales		541,755
Cost of sales		181,181
Gross profit		360,573
Selling, general and administrative expenses		366,229
Operating loss		5,655
Non-operating income		
Interest income	1,983	
Dividends income	26,416	
Foreign exchange gain	9,692	
Other	2,896	40,988
Non-operating expenses		
Interest expenses	10,813	
Commission fee	4,781	
Other	331	15,926
Ordinary profit		19,406
Extraordinary gain		
Gain on extinguishment of tie-in shares	4,298	
Gain on sales of investment securities	1,622	
Gain on liquidation of subsidiaries and affiliates	25	
Other	33	5,981
Extraordinary loss		
Loss on disposal of properties	1,287	
Impairment loss	193	
Loss on sales of investment securities	2,578	
Loss on valuation of stocks of subsidiaries and affiliates	3,580	
Loss on valuation of investment securities	2,376	
Provision of allowance for doubtful accounts of subsidiaries and affiliates	232	
Restructuring loss	11,594	
Other	833	22,677
Income before income taxes		2,710
Income taxes-current	(149)	
Income taxes-deferred	(12,933)	(13,082)
Net profit		15,792

Note: The figures have been rounded down to the nearest million.

The Company's Structure and Policy

1. Structure to Ensure Execution of Duties

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

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

Rakuten, Inc. has stipulated the "Rakuten Group Code of Ethics" and Rakuten, Inc. as well as its subsidiaries ("Rakuten Group"), shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director, President and CEO); initiatives promoting Group-wide compliance under the leadership of the Chief Operating Officer (COO), a Function Chief Compliance Officer ("Function CCO") who, under the leadership of the COO, oversees the integration of Group-wide compliance management, and Company Compliance Officer appointed according to Rakuten, Inc.'s internal Company System structure; and by reporting the status of compliance initiatives to the Group Risk Compliance Committee and the Board of Directors.

Moreover, Outside Directors and Outside Audit & Supervisory Board Members shall also thoroughly supervise and audit the execution of duties by Directors. To technically and objectively verify compliance with laws, regulations and the "Articles of Incorporation," lawyers shall also be appointed for those positions.

Additionally, compliance education about the knowledge and sense of ethics needed as a member of Rakuten Group is carried out for all officers and employees of Rakuten Group. Rakuten Group shall appropriately administer a system for internal whistleblower system that prevents retribution against those who report and consult through establishing a point of contact for executives, current and former employees of Rakuten Group to consult and report about legal violations and other compliance issues. Rakuten Group will also collect information widely from outside the company.

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

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

(3) System for Risk Management

Under Rakuten, Inc.'s internal Company System structure, Company Presidents will be responsible for appropriately dealing with, in accordance with the Rakuten Group Regulations and other internal regulations, risks that arise during the course of each individual internal Companies' business operations. The CFO, CISO, COO and Function CCO will liaise with each Company President to manage Company-specific risks in relation

to their respective fields of finance, information security, and compliance, etc., as well as deal with important Group-wide risks relating to their respective fields.

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

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

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

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

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

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

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on "Financial Instruments and Exchange Act" and other applicable domestic and foreign laws and regulations shall be conducted and effectiveness of these shall be evaluated accordingly.

(6) System for Rakuten Group to Only Engage in Appropriate Business Practices

In order to realize unified Group management, Rakuten, Inc. stipulates the Rakuten Group Regulations and other internal regulations dealing with company ideals, group governance, company management, risk management, compliance, etc. Regarding the execution of subsidiaries' significant duties, Rakuten Group shall administer a system for approval and reporting to Rakuten, Inc. based on the "Rakuten Group Authority Table" and "Rakuten Group Guidelines". The Rakuten Group Regulations protect the independence of the subsidiaries while also creating the needed framework for business operations which is followed by the entire Rakuten Group.

In addition, the Internal Audit Department, which is an independent organization under the Representative Director and President ensures the appropriateness of operations by having a strong relationship with the organization of internal audit of each subsidiary and by conducting internal audits on Rakuten Group as a whole.

(7) Requests from Audit & Supervisory Board Members for Employees' Assistance and Employees' Independence from Directors

To assist the duties of Audit & Supervisory Board Members, the Audit & Supervisory Board Members Office is established under the Board of Audit & Supervisory Board, and the Audit & Supervisory Board Members may give orders to employees belonging to the Audit & Supervisory Board Members Office as they need. Additionally, when employees assist Audit & Supervisory Board Members, the effectiveness of the orders from Audit & Supervisory Board Members shall be ensured by employees of the Audit & Supervisory Board Members Office not receiving orders from Directors and by requiring approval from the Audit & Supervisory Board Members for such employees' transfer and performance assessments.

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

Directors and employees of Rakuten Group shall give all legally required reports to Audit & Supervisory Board Members and provide additional necessary reports and information if the Audit & Supervisory Board Members request Rakuten, Inc. will ensure the effectiveness of audits through prohibiting retribution for reporting against those who report to the Audit & Supervisory Board Members. Additionally, if Rakuten, Inc. receives a request for prepayment of expenses or repayment from Audit & Supervisory Board Members, Rakuten, Inc. shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Audit & Supervisory Board Members duty.

2. Summary of the Status of Application of the Structure to Ensure Execution of Duties

In the fiscal year under review, basic policies for internal controls have been applied based the aforementioned "Structure to Ensure Execution of Duties," under which the following initiatives have been implemented.

(1) System for compliance

- i) The Company. has established a reporting system between the Function CCO (Function Chief Compliance Officer), a position overseeing Group-wide compliance initiatives under the leadership of the COO (Chief Operating Officer)), and each Company Compliance Officer based on an internal Company System. Through this, the Company has maintained a system for strengthening compliance across the Group. Under this system, the Company held four meetings of the Group Risk and Compliance Committee comprising of the Function CCO and Company Compliance Officers from January to December 2019. The Group Risk & Compliance Committee promotes effective compliance at the Group level, shares best practices, and proposes compliance management strategies.
- ii) In May 2006, the Rakuten Group Code of Ethics was established. Employee training is conducted on an ongoing basis to ensure employees are well-informed about its spirit. Specifically, Rakuten Group has carried out morning meetings focused on compliance and business ethics involving employees of all Group Companies, compliance and business ethics training for new recruits, education on business ethics and key internal rules for employees of all Group Companies, and compliance pledges for executives and employees to make public statements on compliance and adherence to internal regulations.
- iii) The Company has stipulated Rakuten Group's internal whistleblower system in the Rakuten Group Guidelines, the common rules of Rakuten Group, and the system is operating in Japan and overseas. The status of internal whistleblower reports at the

Company and its subsidiaries is reported to the Board of Directors and Audit & Supervisory Board Members.

(2) System for risk management

- i) Important risks for each business are identified based on each Group Company's internal regulations, detailed regulations, and operational manuals, organized as a risk map and reported to Company Presidents and the Group Risk and Compliance Committee. Regarding information management, which is one of the major risks for Rakuten Group, a system has been established in accordance with the requirements of the Information Security Management Systems (ISMS).
- ii) A meeting of the Investment Committee, which consists of members including Outside Directors and external experts, are held on a monthly basis, in principle, at the Company in order to examine all new investment proposals etc. within Rakuten Group. Additionally, proposals involving major investment which exceed certain thresholds are approved and resolved at the Board of Directors of Rakuten, Inc.

(3) System for financial reporting

- i) Accounting Auditors conduct accounting audits based on the Companies Act and the Financial Instruments and Exchange Act, for the Company as well as its main subsidiaries.

The Company and the Accounting Auditors mutually exchange opinions and share information on a regular basis, while sharing internal audit results.

Meanwhile, the Company has prepared Group Accounting Policies in accordance with International Financial Reporting Standards (IFRS), by which the Company properly conducts its accounting and prepares consolidated financial statements.

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

- ii) In an effort to enhance the reliability of our financial reporting, information including: the annual assessment plan; progress status of the assessment; results of the assessment of effectiveness of internal controls over financial reporting at the Company as well as the Group are all reported to the Board of Directors and Officers in charge, in accordance with the document, "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" (Business Accounting Council).

(4) System to ensure effectiveness of audit by Audit & Supervisory Board Members

The Company ensures the effective execution of audits by Audit & Supervisory Board Members by streamlining the framework for providing reports and information to Audit & Supervisory Board Members, such as by the establishment of the Audit & Supervisory Board Members Office as an organizational unit which assists Audit & Supervisory Board Members in executing their duties.