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(Securities Code 4755)

March 11, 2022

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 25TH ANNUAL GENERAL SHAREHOLDERS' MEETING**

Dear Shareholders,

We are pleased to announce that the 25th Annual General Shareholders' Meeting of Rakuten Group, Inc. (the "Company") will be held for the purposes described below.

In order to prevent the spread of COVID-19, we request you to refrain from attending the General Shareholders' Meeting in person this year. In lieu of attending the meeting in person, you may exercise your voting rights in advance in writing or via the internet. Please review the reference documents of the General Shareholders' Meeting (described hereinafter) and exercise your voting rights by 6:00 P.M. (Japan Standard Time) Tuesday, March 29, 2022.

The General Shareholders' Meeting will be streamed live via the internet, so that you may watch the proceedings of the meeting in real time, even if you do not attend the meeting in person.

Prior to the meeting, the Company will also accept questions in advance regarding the agenda items of this General Shareholders' Meeting. For details, please refer to the "Information concerning live streaming via the internet and advance questions" (described hereinafter).

- 1. Date and Time:** Wednesday, March 30, 2022, 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 25th Fiscal Year (January 1, 2021 - December 31, 2021)
    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 Nine Directors
    - Proposal No.3 :** Election of One Audit & Supervisory Board Member
    - Proposal No.4 :** Revision of Remuneration for Outside Directors (Grant of Stock Options)

## Notice on Measures in Response to COVID-19

In order to prevent the spread of COVID-19, and in consideration of the safety of our shareholders as our first priority, we have decided to adopt the following policy for holding the General Shareholders' Meeting.

- Please refrain from attending the General Shareholders' Meeting in person on the day of the meeting as much as possible, regardless of your health condition.
- The General Shareholders' Meeting will be streamed live via the internet so that you may watch the proceedings of the meeting in real time. Please exercise your voting rights for this General Shareholders' Meeting in advance in writing sent by post or via the internet.
- Questions regarding the agenda items of this General Shareholders' Meeting will be accepted in advance via the internet.
- There is a possibility that we may not be able to secure enough seats for our shareholders at the venue for this General Shareholders' Meeting, as we need to have wide space between seats. In consideration of the safety of our shareholders, please be advised that we may refuse admission to the venue for the General Shareholders' Meeting.
- Please be sure to wear a mask in the case of attending the General Shareholders' Meeting in person. Also, please cooperate with the use of hand sanitizer before entering the venue.
- We will check your temperature before entering the venue. If you have a temperature of 37.5 degrees Celsius or higher, or if you are considered to be in poor health, we may refuse your admission or order you to leave the venue.
- Administrative staff members will be wearing masks on the day of the meeting.
- No food or drink will be allowed in the venue of the General Shareholders' Meeting. In addition, no beverages will be provided to the shareholders attending the meeting in person.
- Please be aware that no gifts will be provided to the shareholders attending the General Shareholders' Meeting in person.
- If there are any major changes in the operation of the General Shareholders' Meeting due to factors such as the circumstance of the spread of COVID-19 or the announcements made by the government, etc. by the day of the General Shareholders' Meeting, we will post a notice to that effect on our website.

Rakuten website: <a href="https://corp.rakuten.co.jp/investors/stock/meeting.html">https://corp.rakuten.co.jp/investors/stock/meeting.html</a>
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## 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 empowering many to achieve their goals, and provide services that deliver high standards of satisfaction to users, partners and other stakeholders.

## Message from CEO

Dear Shareholders,

On behalf of the Rakuten Group, I would like to express my deepest condolences to those who have been affected by the global pandemic. This year, the Rakuten Group continued to engage in various activities aimed at raising awareness and helping prevent the spread of COVID-19. We also provided operational support for a large-scale vaccination center in Kobe City and provided vaccination opportunities in the form of comprehensive regional workplace vaccinations for employees, their family members, essential workers, business partners, community residents, and more. The Group's employees will continue to work as one to contribute in any way they can to the revitalization of economic and social activities.

The Rakuten Group strives to contribute to the development of society by providing new value through its business operations. As people are forced to make changes to their lifestyles, we are driving digital transformation to create new business opportunities and achieve further growth.

2021 was a year of tremendous growth for the Mobile business. As of the end of the year, our own 4G network lines covered 95.6% of the population. This ratio rose to 96% by February 2022. The speed with which our network grew was tremendous, enabling us to reach our target of 96% population coverage nearly four years ahead of the installation plan we submitted to the Ministry of Internal Affairs and Communications. We also launched Rakuten UN-LIMIT VI, our new single fee plan that flexibly adjusts to everyone's needs, and began offering iPhones as well. These efforts drove the steady growth of our customer base, and the cumulative number of subscribers\* exceeded 5.5 million in February 2022. The backbone of our mobile operator service is our fully virtualized technologies, for which we are the global pioneer. We have made the service even more compelling, and are also steadily making progress in the global expansion of our communication platforms.

The Internet Services business achieved strong growth in the previous fiscal year, boosted by stay-at-home consumption amid the COVID-19 pandemic. Although this stay-at-home consumption boom has subsided, we have continued to deliver strong growth. As a

result of the contributions of our e-commerce business anchored by Rakuten Ichiba, domestic e-commerce gross merchandise sales achieved 5 trillion yen in 2021, up 10.4% year-on-year. The growth in domestic e-commerce gross merchandise sales is testimony to the positive impact of the expansion of the Rakuten Ecosystem, spurred by the remarkable synergy between the Mobile business, such as our mobile operator service, and the rapidly growing FinTech business.

In the FinTech business, we achieved major milestones. These included Rakuten Card's membership base surpassing 25 million cards issued and the number of Rakuten Securities general securities accounts surpassing 7 million in December 2021, and the number of Rakuten Bank customer accounts surpassing 12 million in January 2022. Boosted by advances in the use of cashless payments, our customer base also expanded in payment businesses including Rakuten Pay, Rakuten Edy, and Rakuten Point Card.

Rakuten Group's global user base expanded to around 1.6 billion members as a result of these efforts, and global gross transaction value grew to 26.9 trillion yen in 2021. Group revenue showed strong growth, reaching approximately 1.7 trillion yen, up 15.5% year-on-year. We recorded Non-GAAP operating losses as we continued to engage in upfront strategic investments, such as the construction of base stations in the mobile business. At the same time, we are starting to see the tangible effects of the Mobile business on the Rakuten Ecosystem, and we are confident that the Rakuten Ecosystem will continue to evolve and advance further.

In 2022, the Rakuten Group celebrates its 25th anniversary. Over the years, we have taken on the challenges of creating new value through our technologies and business innovation in many diverse fields, such as shopping, finance, mobile communications, and sports. This year, we will continue to strive to enhance our corporate and shareholder value by driving the evolution of an ecosystem that enables sustainable growth, in partnership with all of our stakeholders. As awareness of sustainability as a critical concern grows, we will also focus even more on our environmental efforts to contribute to the realization of a sustainable society.

Thank you for your continued understanding and support.

Hiroshi Mikitani  
Representative Director, Chairman, President & CEO  
Rakuten Group, Inc.



\* Total number of MNO and MVNO contracts

## **Information concerning the exercise of voting rights:**

### **For those exercising voting rights in advance in writing sent by post: (Recommended)**

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 it to the Company by:  
Deadline for exercising voting rights: 6:00 P.M. (Japan Standard Time) Tuesday, March 29, 2022

### **For those exercising voting rights in advance via the internet: (Recommended)**

Please refer to the guide on exercising voting rights in advance 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 exercising voting rights: 6:00 P.M. (Japan Standard Time) Tuesday, March 29, 2022

### **For those attending the Shareholders' Meeting in person**

Please bring the Voting Rights Exercise Form, enclosed in the original Japanese version, and present it at the reception desk. You may exercise your voting rights by appointing another shareholder to act as your proxy. In such cases, please be advised to submit documentation to prove proxy rights.

Date and time: Wednesday, March 30, 2022 at 10:00 A.M. (Japan Standard Time)

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### **Regarding the handling of exercise of voting rights**

- (1) If voting rights have been exercised both in writing and via the internet, the internet vote shall 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 internet to exercise voting rights in advance shall be borne by the shareholder.

#### **For institutional investors**

In addition to the 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.

## Guide to exercising voting rights in advance via the internet

Deadline for exercise of voting rights: 6:00 P.M. (Japan Standard Time) Tuesday, March 29, 2022

### Procedure for “Smart Voting®” using a smartphone, etc.

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.

#### STEP 1 Scan the QR Code®

URL of the website for exercising voting rights: <https://www.web54.net>

#### STEP 2 Please follow the on-screen instructions to vote for or against each of the proposals

\* You may exercise your voting rights only once with Smart Voting®. If you wish to change your vote after voting, please refer to the “Procedure for exercising voting rights using a computer, mobile phone, or any other electronic device” below.

### Procedure for exercising voting rights using a computer, mobile phone, or any other electronic device

#### STEP 1 Access the website

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



The website may also be accessed by scanning the QR Code® on the right using a device equipped with barcode reading function.

QR Code®

#### 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

\* 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.

## **Information on live streaming via the internet and acceptance of questions in advance**

With the safety of our shareholders as our top priority, we will provide the live streaming of the General Shareholders' Meeting so that you may watch the proceedings in real time via the internet. Prior to the meeting, the Company will also accept questions in advance regarding the agenda items of this General Shareholders' Meeting.

### **How to watch the live streaming**

Date and time: Wednesday, March 30, 2022 at 10:00 A.M. Japan Standard Time (You may join the live streaming starting at 9:30 A.M. Japan Standard Time)

#### **STEP 1 Access the website**

Dedicated website URL to watch the live stream: <https://r10.to/kabu>

After accessing the dedicated website, please go to the login page from "For those who wish to watch and ask questions in advance of the 25th Annual General Shareholders' Meeting."

#### **STEP 2 Log in by entering your ID (shareholder number) and password**

Please log in with your ID (shareholder number) and password as indicated on the enclosed "Information on Shareholder Special Benefit Website for the 25th Annual General Shareholders' Meeting of Rakuten Group, Inc. and ID and Password."

#### **STEP 3 Apply for the live streaming**

Click on the "Apply to join" button to apply for the live streaming.

#### **STEP 4 Watch the live streaming**

When it is time to start the meeting, click the "Join" button to watch the live streaming.

## **Information on the acceptance of questions in advance**

Deadline for sending questions in advance: 6:00 P.M. Japan Standard Time on Wednesday, March 23, 2022.

Click on the "Ask a question in advance" button that is displayed in STEP 3 above, enter your question and send to submit a question.

## **Notes on live streaming and the acceptance of questions in advance**

- Shareholders who watch the live streaming will not be able to participate in the resolutions on the day of the General Shareholders' Meeting. We kindly request you to exercise your voting rights in advance in writing sent by post or via the internet.
- Watching the live streaming and the acceptance of questions will be limited to the shareholders themselves.
- IDs (shareholder numbers) and passwords are important information for confirming the identity of shareholders, so we kindly request shareholders to manage them carefully on their own. In addition, the provision of IDs (shareholder numbers) and passwords to third parties is strictly prohibited.
- Please note that it is not possible to log in with the same ID (shareholder number) from multiple terminals.
- During the live streaming, in consideration of the privacy of the shareholders attending the General Shareholders' Meeting, we will try to avoid filming the appearance of the shareholders to the extent possible. However, please understand that there may be cases where your appearance maybe unavoidably captured.
- Please refrain from filming, recording, saving the live streaming, or posting it on social media.
- Please note that there will be no on-demand streaming after the live streaming ends.
- Please note that you may not be able to watch the live streaming depending on your device or the communication environment.
- The fees charged by providers and communications companies for watching the live streaming and accepting advance questions shall be borne by the shareholder.
- On the day of the General Shareholders' Meeting, we will answer the questions received in advance that we determine to be of particular interest to shareholders and to be helpful for exercising the voting rights. For the other questions, their answers will be posted on the Company's website after the General Shareholders' Meeting. In addition, please note that not all questions will be answered. If your question does not relate to the agenda items of this General Shareholders' Meeting, if your question is redundant, or if answering your question may infringe on the rights or interests of customers, employees, or others, we will refrain from answering it. Please note that we will not be able to provide individual responses.
- If you lose the enclosed "Information on Shareholder Special Benefit Website for the 25th Annual General Shareholders' Meeting of Rakuten Group, Inc. and ID and Password," you may request a replacement by calling the Live Streaming of the General Shareholders' Meeting and Shareholder Special Benefits Helpline. However, please note that passwords will not be notified orally for security reasons, and they will be sent by post.

## **Contact information:**

### **Contact point for queries on how to log in to watch the live streaming and submitting questions in advance**

Live Streaming of the General Shareholders' Meeting and Shareholder Special Benefits Helpline  
(Telephone) +81 0120-635-203 9:00-17:00 (excluding Saturdays, Sundays, and national holidays)

### **Contact point for queries related to operation of website for exercising 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 Department  
(Telephone) +81 0120-782-031 9:00-17:00 (excluding Saturdays, Sundays, and national holidays)



## Reference Documents for the General Shareholders' Meeting

Matters To Be Resolved and Matters for reference

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

1. As a result of revisions to the Payment Services Act, "virtual currency" has been renamed "crypto-assets." This proposal seeks to amend Article 2, Paragraph 1, Item 16 of the Company's Articles of Incorporation accordingly.
2. With the enactment of the "Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts" (Act No. 70 of 2021), publicly listed companies may hold General Shareholders' Meetings with no specified location (so-called "virtual-only General Shareholders' Meetings"), provided that said meetings are confirmed by the Minister of Economy, Trade and Industry and the Minister of Justice. This proposal seeks to add Paragraph 2 to Article 12 of the Articles of Incorporation to enable the Company to hold virtual-only General Shareholders' Meetings. Virtual-only General Shareholders' Meetings would energize the meetings, make them more efficient, and facilitate their smooth operation by enabling many shareholders, including shareholders at remote locations, to attend them. They would also contribute to measures to prevent the spread of COVID-19. At the time of submitting this proposal, the Company received confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice necessary for holding virtual-only General Shareholders' Meetings.
3. The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will come into force on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for General Shareholders' Meetings, the Articles of Incorporation of the Company shall be amended as follows.
  - (1) The proposed Article 15, Paragraph 1 stipulates that the Company takes electronic provision measures for information contained in the Reference Documents for the General Shareholders' Meeting, etc.
  - (2) The purpose of the proposed Article 15, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
  - (3) The provisions related to the Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders Meeting (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
  - (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
<p>(Purpose)            Article 2 The purposes of the Company shall be to control and manage the business operations of companies or business entities in Japan and overseas that engage in the following businesses by acquiring or holding shares or equities of the said companies or business entities:</p> <p>1.-15. (Omission of the provisions)            16. Issue, sales and management of electronic value information such as electronic money and <u>virtual currencies</u>, and prepaid payment instruments, provision of electronic settlement, collection and payment agency services, fund transfer business and <u>virtual currency exchange business</u>.</p> <p>17.-34. (Omission of the provisions)</p> <p>(Convocation)            Article 12 The ordinary General Shareholders' Meeting of the Company shall be convened in March each year and the extraordinary General Shareholders' Meeting shall be convened whenever necessary.            (Newly Established)</p> <p><u>(Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders' Meeting)</u>            Article 15 <u>In convening a General Shareholders' Meeting of the Company, the information related to any matter is to be stated or indicated in the Reference Document for the General Shareholders' Meeting, Business Reports, Financial Statements and Consolidated Financial Statements may be deemed to have been provided to the shareholders by disclosing such information using the Internet in accordance with the applicable Ordinance of the Ministry of Justice.</u></p>	<p>(Purpose)            Article 2 The purposes of the Company shall be to control and manage the business operations of companies or business entities in Japan and overseas that engage in the following businesses by acquiring or holding shares or equities of the said companies or business entities:</p> <p>1.-15. (Unchanged)            16. Issue, sales and management of electronic value information such as electronic money and <u>crypto-assets</u>, and prepaid payment instruments, provision of electronic settlement, collection and payment agency services, fund transfer business and <u>crypto-asset exchange business</u>.</p> <p>17.-34. (Unchanged)</p> <p>(Convocation)            Article 12 (Unchanged)</p> <p><u>2. The General Shareholders' Meeting of the Company may be a General Shareholders' Meeting with no specified location.</u></p> <p>(Deleted)</p>

(Amendments are underlined)

Existing Articles of Incorporation	Proposed amendment
<p>(Newly Established)</p>	<p>(Measures for providing information in electronic format, etc.)            Article 15 <u>When the Company convenes a General Meeting of Shareholders, it shall take measures for providing information that constitutes the content of reference materials for the General Meeting of Shareholders, etc. in electronic format.</u>            2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>
<p><u>(Newly Established)</u></p>	<p>(Supplementary Provisions)            1. <u>The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders Meeting) of the Articles of Incorporation before amendment and the establishment of the Article 15 (Measures for Electronic Provision, etc.) after amendment shall come into effect on the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the "Effective Date").</u>            2. <u>Notwithstanding the provisions of the preceding paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders' Meeting) of the Articles of Incorporation before amendment shall remain in force with respect to a General Shareholders' Meeting to be held on a date within six months from the Effective Date.</u>            3. <u>These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the General Shareholders' Meeting set forth in the preceding paragraph, whichever is later.</u></p>

## **Proposal No. 2: Election of Nine Directors**

### **1. Reasons for the proposal**

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

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

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

(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 meeting, nine 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 three foreign nationals as Directors among its nine candidates for Directors, and one woman and two foreign nationals among its five 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. A person or entity whose major client is the Company or an executive thereof (\*1) or a major client (\*2) of the Company or an executive thereof
- b. A consultant, accountant or legal professional (or an affiliated person of the said party if it is a legal entity, partnership or other organization) who receives a large amount of monetary consideration or other property from the Company besides receiving compensation as Directors or Audit & Supervisory Board Members
- c. A party who effectively holds 10% or more of the Company's entire voting rights or an executive thereof
- d. A person or party who has recently fallen under any of a) through c) above (\*3)
- e. A close relative of a person who falls under the following criteria (excluding immaterial persons)
  - 1) A person who falls under any of a) through d) above
  - 2) An executive of a subsidiary of the Company
  - 3) A non-executive Director of a subsidiary of the Company (limited to the case where Outside Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)
  - 4) A person who has recently fallen under 2) or 3) above, or recently been an executive of the Company (including a non-executive Director 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 the selling, general, and administrative expenses.

\*3: Refers to cases which are considered effectively equivalent to the present condition, such as when a party or person falls under any of a) through c) at the time when 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 Directorships

The Director candidates 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	25 years	100% (15 out of 15 meetings)
2	Masayuki Hosaka Reappointment	Representative Director & Vice Chairman	8 years	100% (15 out of 15 meetings)
3	Charles B. Baxter Reappointment	Director	11 years	87% (13 out of 15 meetings)
4	Kentaro Hyakuno Reappointment	Director & Group Executive Vice President	1 year	100% (10 out of 10 meetings)
5	Ken Kutaragi Reappointment Outside Independent	Director	12 years	100% (15 out of 15 meetings)
6	Sarah J. M. Whitley Reappointment Outside Independent	Director	3 years	100% (15 out of 15 meetings)
7	Takashi Mitachi Reappointment Outside Independent	Director	6 years	100% (15 out of 15 meetings)
8	Jun Murai Reappointment Outside Independent	Director	10 years	93% (14 out of 15 meetings)
9	John V. Roos Reappointment Outside Independent	Director	1 year	100% (10 out of 10 meetings)

Reappointment Candidate for reappointed Director

Outside Candidate for Outside Director

Independent Independent Director based on the stipulations of the stock exchanges, etc.

(Note) The positions of the above candidates for Directors at the Company are as of the date of this General Shareholders' Meeting.

[Reference] Expertise and experience of Directors and Audit & Supervisory Board Members  
(skills matrix)

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

(Note) The above skills matrix is as of the conclusion of this General Shareholders' Meeting.

No.1	Name (Date of birth)	Hiroshi Mikitani (March 11, 1965) <b><u>Reappointment</u></b>	
<b>Responsibilities at the Company</b>		Representative Director, Chairman, President & CEO Group President of Group Company Division	
<b>Reasons for nominating the candidate</b>		Ever since founding the Company in February 1997, Mr. Mikitani has led the management of the Group as Representative Director for 25 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.	
<b>Career summary, positions and responsibilities</b>		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)
		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)
		Jul.	2017 Chairman & Representative Director of Rakuten Aspyrian Japan K.K. (currently Rakuten Medical K.K.) (current position)
		Jan.	2020 Representative Director, Chairman and CEO of Rakuten Mobile, Inc. (current position)
		Feb.	2020 Director of AST & Science, LLC (current position)
		Jul.	2021 Vice Chairman of the Board & CEO of Rakuten Medical, Inc. (current position)
<b>Significant office(s) concurrently held</b>		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 & Representative Director of Rakuten Medical K.K. Representative Director, Chairman and CEO of Rakuten Mobile, Inc. Director of AST & Science, LLC Vice Chairman of the Board & CEO of Rakuten Medical, Inc.	



<b>Number of shares of the Company held</b>	176,346,300 shares
<b>Attendance of the meetings of the Board of Directors</b>	100% (15 out of 15 meetings)

<b>No.2</b>	<b>Name (Date of birth)</b>	Masayuki Hosaka (July 31, 1954) <u>Reappointment</u>	
<b>Responsibilities at the Company</b>	Representative Director & Vice Chairman President of FinTech Group Company		
<b>Reasons for nominating the candidate</b>	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.		
<b>Career summary, positions and responsibilities</b>	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)
<b>Significant office(s) concurrently held</b>	President & Representative Director of Rakuten Card Co., Ltd.		
<b>Number of shares of the Company held</b>	113,000 shares		
<b>Attendance of the meetings of the Board of Directors</b>	100% (15 out of 15 meetings)		

<b>No.3</b>	<b>Name (Date of birth)</b>	Charles B. Baxter (April 19, 1965) <b><u>Reappointment</u></b>		
<b>Responsibilities at the Company</b>		— (Chairman & Director, Rakuten USA, Inc.)		
<b>Reasons for nominating the candidate</b>		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 & Director of Rakuten USA, Inc. since 2012.		
<b>Career summary, positions and responsibilities</b>		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
		Mar.	2011	Director of the Company (current position)
		Feb.	2012	Chairman & Director of Rakuten USA, Inc. (current position)
		Jan.	2015	Chairman of Reyns Holdco, Inc. (current position)
		Nov.	2021	Director of Wineshipping.com LLC (current position)
<b>Significant office(s) concurrently held</b>		—		
<b>Number of shares of the Company held</b>		0 shares		
<b>Attendance of the meetings of the Board of Directors</b>		87% (13 out of 15 meetings)		

No.4	Name (Date of birth)	Kentaro Hyakuno (June 6, 1967) <u>Reappointment</u>		
<b>Responsibilities at the Company</b>		Group Executive Vice President COO		
<b>Reasons for nominating the candidate</b>		After working for an automobile manufacturer, Mr. Hyakuno joined the Company in 2007 and contributed to the development and enhancement of the Group Company Division, which oversees the Company's international businesses, corporate strategies, human resources, and public relations on a Group-wide basis. In addition, he oversees the operation of the Operation Division as COO of the Company from 2016. His continued appointment is requested in anticipation of achieving further development of the Group.		
<b>Career summary, positions and responsibilities</b>		Jun.	1990	Joined Toyota Motor Corporation
		Feb.	2007	Executive Officer of the Company
		Nov.	2008	Director of Rakuten USA, Inc. (current position)
		Jul.	2009	Managing Executive Officer of the Company
		Mar.	2013	Director & Managing Executive Officer of the Company
		Apr.	2016	Managing Executive Officer & COO of the Company
		Apr.	2017	Executive Vice President & COO of the Company
		Apr.	2019	Director of Rakuten Mobile Inc.
		Apr.	2019	Director of Rakuten Card Co., Ltd. (current position)
		Apr.	2019	Director of Rakuten Payment, Inc. (current position)
		Jun.	2019	Director of Rakuten Socio Business, Inc. (current position)
		Sep.	2019	Director of Rakuten Medical, Inc. (current position)
		Jan.	2020	Director and EVP of Rakuten Mobile, Inc. (current position)
		Aug.	2020	Director of Rakuten Tokyu Planning Co., Ltd. (current position)
		Feb.	2021	Director of Rakuten Vissel Kobe, Inc. (current position)
		Feb.	2021	Director of Taiwan Rakuten Baseball, Inc. (current position)
Feb.	2021	Director of Taiwan Rakuten Sports Entertainment, Inc. (current position)		
Mar.	2021	Director of Rakuten Baseball, Inc. (current position)		
Mar.	2021	Director, Group Executive Vice President & COO of the Company (current position)		
Jul.	2021	Director of JP Rakuten Logistics, Inc. (current position)		

<b>Significant office(s) concurrently held</b>	Director of JP Rakuten Logistics, Inc.
<b>Number of shares of the Company held</b>	311,300 shares
<b>Attendance of the meetings of the Board of Directors</b>	100% (10 out of 10 meetings)

<b>No.5</b>	<b>Name (Date of birth)</b>	<b>Ken Kutaragi (August 2, 1950)</b> <b><u>Reappointment</u></b> <b><u>Candidate for Outside Director</u></b> <b><u>Candidate for Independent Director</u></b>		
<b>Reasons for nominating the candidate and overview of expected roles</b>		His continued appointment is requested in expectation 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 twelve years at the conclusion of this meeting. Although he has been in office for a long period of time, he is considered to be an irreplaceable talent to the Company in view of his tremendous contributions to the Company.		
<b>Career summary, positions and responsibilities</b>		Apr.	1975	Joined Sony Corporation (currently Sony Group 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 (currently Sony Group Corporation)
		Nov.	2003	Director, Executive Vice President & COO of Sony Corporation (currently Sony Group 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.
		Jun.	2007	Senior Technology Advisor of Sony Corporation (currently Sony Group 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)
		Aug.	2020	Representative Director & CEO of Ascent Robotics Inc. (current position)
<b>Significant office(s) concurrently held</b>		President, Representative Director & CEO of Cyber AI Entertainment Inc. Outside Director of GA technologies Co., Ltd Outside Director of SmartNews, Inc. Representative Director & CEO of Ascent Robotics Inc.		
<b>Number of shares of the Company held</b>		17,300 shares		
<b>Attendance of the meetings of the Board of Directors</b>		100% (15 out of 15 meetings)		

<b>No.6</b>	<b>Name (Date of birth)</b>	Sarah J. M. Whitley (August 6, 1958) <b><u>Reappointment</u></b> <b><u>Candidate for Outside Director</u></b> <b><u>Candidate for Independent Director</u></b>		
<b>Reasons for nominating the candidate and overview of expected roles</b>		Her appointment is requested in expectation 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 the 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 three years at the conclusion of this meeting.		
<b>Career summary, positions and responsibilities</b>		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)
		Dec.	2021	Trustee of The Abbotsford Trust (current position)
		Jan.	2022	Chair of Scottish Episcopal Church Pension Fund (current position)
<b>Significant office(s) concurrently held</b>		Trustee of Foundation Scotland Chair of Edinburgh International Festival Endowment Fund Trustee of The Royal Scottish Academy Foundation		
<b>Number of shares of the Company held</b>		0 shares		
<b>Attendance of the meetings of the Board of Directors</b>		100% (15 out of 15 meetings)		

No.7	Name (Date of birth)	Takashi Mitachi (January 21, 1957) <b><u>Reappointment</u></b> <b><u>Candidate for Outside Director</u></b> <b><u>Candidate for Independent Director</u></b>		
<b>Reasons for nominating the candidate and overview of expected roles</b>		His continued appointment is requested in expectation 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 six years at the conclusion of this meeting.		
<b>Career summary, positions and responsibilities</b>		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 & Partner of the Boston Consulting Group
		Jan.	2005	Japan Co-chair of the Boston Consulting Group
		May	2005	Managing Director & Senior Partner 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
		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.)
		Mar.	2017	Outside Director of Unicharm Corporation
		Jun.	2017	Board Member of Ohara Museum of Art (current position)
		Jun.	2017	Outside Director of Tokio Marine Holdings, Inc. (current position)
Oct.	2017	Senior Advisor of The Boston Consulting Group		
Mar.	2018	Chief Executive Director of Ronald McDonald House Charities Japan (current position)		
Apr.	2020	Distinguished Professor of Graduate School of Management of Kyoto University (current position)		
<b>Significant office(s) concurrently held</b>		Outside Director of DMG MORI CO., LTD. Board Member of Ohara Museum of Art Outside Director of Tokio Marine Holdings, Inc. Chief Executive Director of Ronald McDonald House Charities Japan Distinguished Professor of Graduate School of Management of Kyoto University		
<b>Number of shares of the Company held</b>		0 shares		
<b>Attendance of the meetings of the Board of Directors</b>		100% (15 out of 15 meetings)		



No.8	Name (Date of birth)	Jun Murai (March 29, 1955) <b><u>Reappointment</u></b> <b><u>Candidate for Outside Director</u></b> <b><u>Candidate for Independent Director</u></b>	
<b>Reasons for nominating the candidate and overview of expected roles</b>		His continued appointment is requested in expectation of his advice to 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 ten years at the conclusion of this meeting. While he has been in office for a long period of time, he has been dedicated to the spread of the internet since its early days and possesses profound knowledge. He provides the Company with IT and DX strategy support, and he is considered to be an irreplaceable talent to the Company.	
<b>Career summary, positions and responsibilities</b>		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
		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)
		Apr.	2020 Professor of Keio University (current position)
		Apr.	2020 Dean of the API Institute of Geo-economics Studies and API Senior Fellow of Asia Pacific Initiative (current position)
		Oct.	2020 Special Advisor to the Cabinet (current position)
		Sep.	2021 Advisor to the Digital Agency (current position)
<b>Significant office(s) concurrently held</b>		Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd. Professor of Keio University Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative Special Advisor to the Cabinet Advisor to the Digital Agency	
<b>Number of shares of the Company held</b>		5,500 shares	
<b>Attendance of the meetings of the Board of Directors</b>		93% (14 out of 15 meetings)	

<b>No.9</b>	<b>Name (Date of birth)</b>	John V. Roos (February 14, 1955) <b><u>Reappointment</u></b> <b><u>Candidate for Outside Director</u></b> <b><u>Candidate for Independent Director</u></b>		
<b>Reasons for nominating the candidate and overview of expected roles</b>		His appointment is requested in expectation of his advice to the management of the Company based on his extensive knowledge and experience including as CEO of a leading law firm that has strengths in the area of technology and U.S. Ambassador to Japan. He is an incumbent Outside Director of the Company and will have served for that position for one year at the conclusion of this meeting.		
<b>Career summary, positions and responsibilities</b>		Oct.	1980	Associate of O'Melveny & Myers LLP
		Feb.	1985	Associate of Wilson Sonsini Goodrich & Rosati
		Feb.	1988	Partner of Wilson Sonsini Goodrich & Rosati
		Feb.	2000	Managing Director of Professional Services of Wilson Sonsini Goodrich & Rosati
		Feb.	2005	CEO of Wilson Sonsini Goodrich & Rosati
		Aug.	2009	U.S. Ambassador to Japan
		Sep.	2013	Outside Director of Salesforce.com, Inc. (current position)
		Oct.	2013	CEO of The Roos Group, LLC (current position)
		Dec.	2013	Global Advisory Board Member of Mitsubishi UFJ Financial Group, Inc.
		Apr.	2014	Senior Advisor of Centerview Partners LLC (current position)
		Jun.	2014	Outside Director of Sony Corporation (currently Sony Group Corporation)
		May	2015	Co-Founding Partner of Geodesic Capital (current position)
		Dec.	2015	Advisor of Toyota Research Institute, Inc. (current position)
		Jul.	2016	Member of the Board of Directors of The Maureen and Mike Mansfield Foundation (current position)
Oct.	2018	Advisory Board Member of Stanford Center for Asian Health Research and Education (current position)		
Mar.	2021	Outside Director of the Company (current position)		
<b>Significant office(s) concurrently held</b>		Outside Director of Salesforce.com, Inc. CEO of The Roos Group, LLC Co-Founding Partner of Geodesic Capital		
<b>Number of shares of the Company held</b>		0 shares		
<b>Attendance of the meetings of the Board of Directors</b>		100% (10 out of 10 meetings)		

- (Notes)
1. 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 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also Chairman & Representative Director of Rakuten Medical K.K., which has a business relationship including provision of services with the Company. The ratio of transactions between Rakuten Medical K.K. and the Company in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  2. Ken Kutaragi is Outside Director of SmartNews, Inc., with which the Company has a business relationship including provision of services. The ratio of transactions between SmartNews, Inc. and the Company in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  3. Takashi Mitachi is Distinguished Professor of Graduate School of Management of Kyoto University, to which the Company pays participation fees for events held by the university. The ratio of fees in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  4. Jun Murai is Professor of Keio University; the university shares a role in operating an international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the 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 2021 was both less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. In addition, he is Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative, to which the Company pays participation fees for events held by the organization. The ratio of fees in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  5. Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai and John V. Roos are candidates for Outside Directors.
  6. The Company stipulates under its current Articles of Incorporation that it can conclude with 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, pursuant to the provisions of Article 427, Paragraph 1 of the Act. Accordingly, the Company has entered into the said liability limitation agreement with the six incumbent Directors of the Company, namely, Charles B. Baxter, Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai, and John V. Roos. The liability limitation agreement will be renewed with the six incumbent Directors subject to the approval of their reappointment.
  7. The Company has entered into an indemnity agreement with each Director, with the effect that the Company will indemnify each Director for the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the loss stipulated in Paragraph 1, Item 2 of the same article to the extent provided for by laws and regulations.
  8. The Company has entered into directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, designating all Directors as insureds, which will cover damage that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. However, there are exemptions, such as not being covered for any damage caused by intention or gross negligence. In the event that each candidate assumes the office of Director, he or she will become the insured under the relevant insurance contract and the relevant insurance contract will be renewed during the term of office.
  9. If the reappointment of Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai, and John V. Roos 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 One Audit & Supervisory Board Member**

The term of office of Audit & Supervisory Board Member Masahide Hiramoto will expire at the conclusion of the meeting. Accordingly, election of one Audit & Supervisory Board Member is proposed.

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

The candidate for Audit & Supervisory Board Member is as follows:

<b>Name (Date of birth)</b>	Satoshi Fujita (April 16, 1960) <b><u>New</u></b> <b><u>Candidate for Outside Audit &amp; Supervisory Board Member</u></b> <b><u>Candidate for Independent Audit &amp; Supervisory Board Member</u></b>		
<b>Reasons for nominating the candidate</b>	Appointment of Satoshi Fujita as Outside 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 primarily to finance and business management.		
<b>Career summary</b>	Apr.	1984	Joined Saitama Bank, Ltd. (currently Resona Bank, Limited)
	Jul.	2003	General Manager of Tarumi Branch of Resona Bank, Limited
	Jul.	2005	Group Leader at Product Planning Division of Resona Holdings, Inc.
	Mar.	2007	General Executive of Finance Division of Kenwood Corporation (currently JVCKENWOOD Corporation)
	Oct.	2008	General Manager in Charge of Finance, Financial Strategy Division of JVC KENWOOD Holdings, Inc. (currently JVCKENWOOD Corporation)
	Jun.	2009	General Executive of Financial Strategy Division of JVC KENWOOD Holdings, Inc.
	Jun.	2010	Senior Vice President & Executive Officer, General Executive of Financial Strategy Division of JVC KENWOOD Holdings, Inc.
	Jun.	2011	Executive Officer, Chief Financial Officer (CFO), General Executive of Financial Strategy Division of JVC KENWOOD Holdings, Inc.
	Jun.	2012	Director of the Board, Executive Officer, Chief Financial Officer (CFO), General Executive of Financial Strategy Division of JVCKENWOOD Corporation
	Jun.	2013	Senior Vice President & Executive Officer, General Executive of Financial Strategy Division, General Executive of Finance & Accounting Division of JVCKENWOOD Corporation
	Jun.	2015	Executive Officer, Chief Financial Officer (CFO) of JVCKENWOOD Corporation
	Jun.	2016	Senior Managing Executive Officer, Chief Financial Officer (CFO) of JVCKENWOOD Corporation
	Jun.	2017	Full-time Audit & Supervisory Board Member of JVCKENWOOD Corporation
<b>Significant office(s) concurrently held</b>	—		
<b>Number of shares of the Company held</b>	0 shares		
<b>Attendance of the meetings of the Board of Directors</b>	—		
<b>Attendance of the meetings of the Audit &amp; Supervisory Board</b>	—		

- (Notes)
1. No material interest exists between the Company and the candidate for Audit & Supervisory Board Member.
  2. Satoshi Fujita 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 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, pursuant to the provisions of Article 427, Paragraph 1 of the Act. If the appointment of candidate for Audit & Supervisory Member Satoshi Fujita is approved, the Company plans to conclude such liability limitation agreement with him, pursuant to the provisions of Article 427, Paragraph 1 of the Act and the Company's Articles of Incorporation.
  4. If the appointment of Satoshi Fujita is approved, the Company will enter into an indemnity agreement with him, with the effect that the Company will indemnify each Audit & Supervisory Board Member for the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the loss stipulated in Paragraph 1, Item 2 of the same article to the extent provided for by laws and regulations.
  5. The Company has entered into directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, designating all Audit & Supervisory Board Members as insureds, which will cover damage that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. However, there are exemptions, such as not being covered for any damage caused by intention or gross negligence. In the event that Satoshi Fujita assumes the office of Audit & Supervisory Board Member, he will become the insured under the relevant insurance contract and the relevant insurance contract will be renewed during the term of office.
  6. If the appointment of Satoshi Fujita is approved, he will be appointed to the position of Independent Audit & Supervisory Board Member specified by the regulations of Tokyo Stock Exchange, Inc.

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

This proposal requests the approval of grant of share options (hereinafter “Share Options”) as additional compensation for the Company’s Outside Directors 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 Share Options exercisable while holders of the Share Options remain Outside Directors of the Company. The details of these Share Options are as described below.

Given the approval of Proposal No. 2 as proposed, the Company shall have five Outside Directors.

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

[Reason]

Since the value of the Share Options is linked with the Company’s stock price, delivering Share Options to the Company’s Outside Directors who are expected to contribute to the enhancement of the medium- and long-term corporate and shareholder value of the Group as a whole, not only by supervising management but also by providing advice and other support related to management, 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, through the Board of Directors, has defined a policy for deciding on the content of remuneration for individual Directors. An overview of this policy is provided on pages 54 to 55 of the Business Report. The Company intends to implement stock option plans (Share Options exercisable while in service) for the Company’s Outside Directors in accordance with the above decision-making policy in expectation of effects to enhance corporate and shareholder value by granting Share Options. We understand that there is a negative connotation to the granting of stock options to Outside Directors since their role is to supervise company’s management. However, as stated above, we intend to grant them stock options with the expectation that advice from Outside Directors shall contribute for appropriate corporate governance through management supervision and enhancement of the Company’s corporate values in the long term.

[Basis for Calculation]

The amount of Share Options to be delivered as part of the remuneration for the Company’s Outside 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 Outside 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

Outside 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 100,000.

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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

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 1,000 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, 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 Holders 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 by or on the day immediately 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 by or on the day immediately 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) Grounds and terms of acquisition of share options
- a) If the General Shareholders' Meeting approves an absorption-type merger in which the Company is the absorbed company, an absorption-type company split agreement or incorporation-type company split plan in which the Company is the split company, or a share exchange agreement or share transfer plan under which the Company would become a wholly owned subsidiary, the Company may obtain new share options without contribution on the date separately specified by the Company's Board of Directors.
  - b) If the terms stipulated in (7) a) cease to apply to Holders of Share Options before they exercise said options, the Company may obtain the share options without contribution on the date separately specified by the Company's Board of Directors.
- (9) 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.
- (10) 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.

# Business Report

(From January 1, 2021, to December 31, 2021)

## Part 1 Present Situation of the Rakuten Group

### 1. Business Progress and Results

Revenue	Non-GAAP operating loss	IFRS operating loss	Net loss attributable to owners of the Company
¥1,681.8 billion	¥225.0 billion	¥194.7 billion	¥133.8 billion
(15.5% increase YoY)	(¥122.3 billion decrease YoY)	(¥100.9 billion decrease YoY)	(¥19.6 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.

The Rakuten Group discloses consolidated business results in terms of both its internal measures which management relies upon in 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 unusual items and other adjustments as prescribed by the Rakuten Group. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as share based compensation expenses and amortization of acquisition-related intangible assets.

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

#### ■ Business Results for the Fiscal Year Ended December 31, 2021 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2021, showed signs of recovery as the severe situation of the COVID-19 pandemic gradually eases. The Japanese economy is also expected to recover mainly due to the effects of various policy measures such as COVID-19 vaccine promotion, but going forward, it will be necessary to pay attention to the risk of economic downturn due to trends in infections, supply-side restrictions, and other factors. Under the situation in which people are forced to change their lifestyles due to the COVID-19 pandemic, IT companies provide Internet services, online financial services, and information and communication services that enable people to purchase products and enjoy services while reducing contact with others, and the social role expected of IT companies is further increasing.

Under such an environment, the Rakuten Group worked to expand the Rakuten Ecosystem, which consists of more than 70 diverse services in Japan and overseas, while working to diversify business risks from the impact of infectious diseases by continuing to develop and operate businesses that bring together membership, data, and branding, along with services that proactively leverage AI.

In the Internet Services segment, factors including measures to improve customer convenience, such as the introduction of a common free shipping threshold for participating merchants on internet shopping mall “Rakuten Ichiba,” successfully led to the retention of customers against the backdrop of stay-at-home consumption amid the COVID-19 pandemic. This contributed to growth in transaction volume in domestic e-commerce services, and gross merchandise sales in domestic e-commerce services surpassed ¥5 trillion in the fiscal year ended December 31, 2021. In the FinTech segment, services including credit card related, banking, and securities saw increases in revenue and profit with the continuous growth in the customer base in each service, and the shopping transaction value with Rakuten Card surpassed ¥14 trillion for the fiscal year ended December 31, 2021. In the Mobile segment, in addition to efforts to improve network quality by focusing on the development of the Rakuten Group’s own base stations ahead of schedule, steady progress was made in acquiring customers even after the expiration of campaigns offering one year of free telecommunication charges.

As a result, the Rakuten Group recorded revenue of ¥1,681,757 million, up 15.5% year-on-year for the fiscal year ended December 31, 2021, but due to ongoing prior investments in the Mobile segment, such as the installment of its own base stations, it recorded a Non-GAAP operating loss of ¥224,999 million, compared to a Non-GAAP operating loss of ¥102,667 million in the previous fiscal year.

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

For the fiscal year ended December 31, 2021, amortization of intangible assets of ¥9,321 million and share based compensation expenses of ¥10,059 million were excluded from Non-GAAP operating income. One-off items listed for the fiscal year ended December 31, 2020, include a gain on sale of all shares in OverDrive Holdings, Inc. of ¥40,926 million, losses on investments in the filmmaking business of ¥3,277 million, and impairment of property, plant and equipment etc. due to the closure of certain U.S. based business. One-off items listed for the fiscal year ended December 31, 2021, include a gain on step acquisitions of ¥59,496 million as a result of making AltioStar Networks, Inc. a wholly-owned subsidiary of the Company and expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use.

#### ■ Operating Results for the Fiscal Year Ended December 31, 2021 (IFRS basis)

For the fiscal year ended December 31, 2021, the Rakuten Group recorded revenue of ¥1,681,757 million, up 15.5% year-on-year, and an IFRS operating loss of ¥194,726 million, compared with an IFRS operating loss of ¥93,849 million in the fiscal year ended December 31, 2020, and net loss attributable to owners of the Company of ¥133,828 million, compared with net loss of ¥114,199 million in the fiscal year ended December 31, 2020.

(Millions of Yen)

	Fiscal year ended December 31, 2020 (24th)	Fiscal year ended December 31, 2021 (25th)	Amount Change YoY	% Change YoY
Revenue	1,455,538	1,681,757	226,219	15.5%
Non-GAAP operating loss	(102,667)	(224,999)	(122,332)	—
Amortization of intangible assets	(9,502)	(9,321)	181	—
Share based compensation expenses	(10,612)	(10,059)	553	—
Nonrecurring items	28,932	49,653	20,721	71.6%
IFRS operating loss	(93,849)	(194,726)	(100,877)	—
Net loss attributable to owners of the Company	(114,199)	(133,828)	(19,629)	—

### ■ Segment Information

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

From the second quarter ended June 30, 2021, the Rakuten Group has reviewed its business management system with the aim of improving the profitability of the Rakuten Ecosystem in North America. Accordingly, some businesses and subsidiaries providing digital content sites in North America and those engaged in messaging services have been transferred to other segments. The main change was made to Rakuten Kobo Inc. and Viber Media S.a.r.l. etc. included in the Mobile segment, which were transferred to the Internet Services segment. In line with these changes, segment information for the fiscal year ended December 31, 2020, has been restated.

## Internet Services Segment

Sales composition ratio (excluding adjustments): 54.2%

(Billions of Yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Segment Revenue	874.8	1,003.4
Segment Profit	40.4	107.5

Main businesses: Domestic e-commerce (Rakuten Ichiba, Rakuten Travel, etc.), overseas e-commerce (Rakuten Rewards (Ebates), Rakuten France, etc.), investment (Rakuten Capital), Advertising (Rakuten Advertising, etc.), professional sports (Rakuten Eagles, Vissel Kobe, etc.)

This fiscal year, in domestic e-commerce services, the mainstay of Internet services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenue by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, promotion of the introduction of a common free shipping (shipping included) threshold and further opening up the Rakuten Ecosystem. Services such as the Internet shopping mall "Rakuten Ichiba" and "Rakuten 24," which sells medical supplies and daily necessities, etc. by online shopping, have continued to see further growth in transaction volume even compared with the previous fiscal year when the Rakuten Group benefited from the effects of the COVID-19 pandemic which gave a boost to the businesses. This was because these measures successfully led to the retention of customers who began using the services against the backdrop of increased demand for online shopping following the growth in "stay-at-home consumption." In the online travel booking service, Rakuten Travel, despite a decrease in transaction volume due to the impact of the continued temporary suspension of the "Go To Travel" program caused by the re-emergence of COVID-19, the gross merchandise sales in domestic e-commerce services exceeded ¥5 trillion in the fiscal year ended December 31, 2021. In other Internet services including overseas Internet services, continuous measures to improve cost efficiency and recovery of consumer behavior helped improve the performance of businesses that have been affected by the pandemic. In addition, the Rakuten Group recorded ¥27,827 million in valuation gains on securities related to investments in FinTech-related companies in the investment business. The Company has completed the succession of all but part of the rights and obligations in connection with its logistics business to JP Rakuten Logistics, Inc., a joint venture with Japan Post Co., Ltd., which became an associate of the Company accounted for using the equity method in the third quarter ended September 30, 2021. Accordingly, part of income (losses) of the logistics business, which was recorded in the Internet Services segment until the second quarter ended June 30, 2021, is recorded in share of income (losses) of investments in associates and joint ventures from the third quarter ended September 30, 2021.

As a result, revenue for the Internet Services segment rose to ¥1,003,382 million, a 14.7% year-on-year increase, while segment profit stood at ¥107,548 million, a 166.2% year-on-year increase.

## FinTech Segment

Sales composition ratio (excluding adjustments): 33.5%

(Billions of Yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Segment Revenue	576.2	619.0
Segment Profit	81.3	89.1

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

This fiscal year, in credit card related services, the marketing of the second Rakuten Card has been successful and Rakuten Card's membership base continued to expand, and the number of cards issued surpassed 25 million in December 2021. While consumption remains constrained in lodging and dining services, shopping transaction value surpassed ¥14 trillion for the fiscal year ended December 31, 2021, with the growth in transaction volume mainly in online shopping. In banking services, new acquisitions of bank accounts continued to increase, with the number of savings accounts surpassing 12 million in January 2022, and the increase in income from service transactions, etc., contributed to the increase in revenue and profit. Similarly, in securities services as well, openings of accounts continued to accelerate, and the total number of cash management accounts exceeded 7 million in December 2021. Domestic and overseas shares trading commissions also rose, resulting in an increase in commission earnings, which mainly led to higher revenue and profit.

As a result, the FinTech segment recorded ¥619,048 million in revenue, a 7.4% year-on-year increase, while segment profit stood at ¥89,120 million, a 9.6% year-on-year increase.

## Mobile Segment

Sales composition ratio (excluding adjustments): 12.3%

(Billions of Yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Segment Revenue	172.5	227.5
Segment Profit	(227.3)	(421.2)

Main businesses: Communication services (Rakuten Mobile, etc.), power supply services (Rakuten Energy), telephone services (Rakuten Communications)

In the Mobile segment, in addition to efforts to improve network quality by focusing on the development of the Rakuten Group's own base stations ahead of schedule, steady progress was made in acquiring new customers even after the expiration of campaigns offering one year of free telecommunication charges. In addition to an increase in the number of users who have started to pay telecommunication charges along with the expiration of this campaign, growth in device sales also contributed to increased revenue. On the other hand, network-related expenses including depreciation increased.

As a result, revenue for the Mobile segment rose to ¥227,511 million, a 31.9% year-on-year increase, but segment losses reached ¥421,172 million, compared to a loss of ¥227,258 million in the fiscal year ended December 31, 2020, as prior investments continued mainly for the installment of the Rakuten Group's own base stations in the mobile business.

## 2. Operating Results and Financial Status

Classification		22nd (From January 1, 2018 to December 31, 2018)	23rd (From January 1, 2019 to December 31, 2019)	24th (From January 1, 2020 to December 31, 2020)	25th (From January 1, 2021 to December 31, 2021)
Revenue	(Millions of Yen)	1,101,480	1,263,932	1,455,538	1,681,757
Operating income (loss)	(Millions of Yen)	170,425	72,745	(93,849)	(194,726)
Non-GAAP operating income (loss)	(Millions of Yen)	161,130	95,129	(102,667)	(224,999)
Income (Loss) before income tax	(Millions of Yen)	165,423	(44,558)	(151,016)	(212,630)
Net income (loss)	(Millions of Yen)	141,889	(33,068)	(115,838)	(135,826)
Comprehensive income	(Millions of Yen)	124,452	(42,818)	(132,401)	(73,041)
Basic earnings (losses) per share	(Yen)	105.43	(23.55)	(84.00)	(87.62)
Diluted earnings (losses) per share	(Yen)	104.38	(23.55)	(84.00)	(87.62)
Total assets	(Millions of Yen)	7,345,002	9,165,697	12,524,438	16,831,221
Total equity attributable to owners of the Company	(Millions of Yen)	774,473	735,672	608,738	1,093,719
Equity per share attributable to owners of the Company	(Yen)	572.83	542.43	446.78	691.47
Cash flows from operating activities	(Millions of Yen)	145,615	318,320	1,041,391	582,707
Cash flows used in investing activities	(Millions of Yen)	(67,569)	(286,290)	(303,347)	(611,830)
Cash flows from financing activities	(Millions of Yen)	208,418	458,340	808,108	1,402,265
ROE	(%)	19.5	(4.2)	(17.0)	(15.7)
Dividend per share	(Yen)	4.5	4.5	4.5	4.5

(Note) 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.



### 3. State of Capital Investments

The total amount of capital investment for the fiscal year was ¥610,918 million, primarily due to the increase in capital investment executed by Rakuten Mobile, Inc. and the increase in right-of-use assets for the purpose of constructing new base stations and network equipment related to 4G and 5G.

### 4. State of Capital Procurements

Major capital procurements conducted by Rakuten Group are as follows.

In March 2021, the Company raised ¥242,347 million by issuing new shares through third-party allotment and by disposing of treasury stocks. In addition, the Company raised USD 1,750 million and EUR 1,000 million in April 2021 by issuing U.S. dollar and Euro-denominated undated subordinated bonds. The Company also raised ¥300,000 million in December 2021 by issuing yen-denominated unsecured bonds. Rakuten Card Co., Ltd. raised ¥60,000 million in December 2021 by issuing yen-denominated unsecured bonds.

### 5. Business Re-organization

- (1) On July 1, 2021, the Company conducted a simplified absorption-type split, passing on its rights and obligations held in the logistics business (excluding a part of it) to JP Rakuten Logistics, LLC (currently JP Rakuten Logistics, Inc.), a wholly owned subsidiary of the Company, and the Company and Japan Post Co., Ltd. made investments in JP Rakuten Logistics, LLC (shareholding ratio: Japan Post Co., Ltd.: 50.1%, Rakuten Group, Inc.: 49.9%). Accordingly, JP Rakuten Logistics, LLC became an associate of the Company accounted for using the equity method in the third quarter ended September 30, 2021.
- (2) On August 4, 2021, the Company acquired additional shares of Altiostar Networks, Inc., an associate of the Group accounted for using the equity method, through Rakuten USA, Inc., a wholly owned subsidiary of the Company. Accordingly, Altiostar Networks, Inc. became a consolidated subsidiary of the Group in the third quarter ended September 30, 2021.

For details, please refer to “Notes to Consolidated Financial Statements, 10. Other Notes (Notes regarding Business Combinations, etc.)”

### 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 value of the entire Group. 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 aiming for further growth in gross merchandise sales and revenues through various initiatives, including cultivation of loyal customers, acquisition of new customers, promotion of cross-use of services, promotion of the introduction of a common free shipping threshold, further opening up the Rakuten Ecosystem in order to grow the e-commerce

platform, and creating new markets using data and AI.

We are pursuing even greater growth of FinTech services in such areas as credit cards, banking, securities, insurance, and electronic 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 Japanese government is promoting cashless payments. 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, electronic 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 are constructing the world's first (Note) end-to-end fully virtualized cloud-native mobile network. Going forward, we will further expand our communication base stations across 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 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. "Rakuten Symphony," which brings together products and services related to the cloud-native Open RAN infrastructure and aims to supply highly cost-efficient communication cloud platforms, will diligently engage in development work as it seeks to expand globally, targeting communications providers, companies, and government organizations around the world.

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," utilizing the advertising business that leverages Group synergies, 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. 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.

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

## (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 is a company with an Audit & Supervisory Board, in which highly

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

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

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

## **7. Major Businesses**

As a Global Innovation Company engaged in the three main businesses of Internet Services, FinTech, and Mobile, 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, digital content sites in North America, and provision of messaging services, 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, prepaid money and intermediation of crypto assets (virtual currency).

The "Mobile" Segment engages in businesses for the provision of communication services and technologies, operation of power supply services, along with businesses running digital content sites in regions other than North America.

## 8. Information on Principal Parent Companies 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
Rakuten Mobile, Inc.	¥100 million	100.00%	Voice communication and data transmission services, and sales of mobile devices
Rakuten Bank, Ltd.	¥25,954 million	100.00% (100.00%)	Internet banking service
Ebates Inc.	0.1 U.S. dollar	100.00% (100.00%)	Online cash-back service
Rakuten Securities, Inc.	¥17,496 million	100.00% (100.00%)	Online securities trading services
Rakuten General Insurance Co., Ltd.	¥10,153 million	100.00% (100.00%)	General insurance business
Rakuten Life Insurance Co., Ltd.	¥7,500 million	100.00% (100.00%)	Life insurance business
Rakuten Payment, Inc.	¥100 million	100.00%	Electronic payment services
Rakuten Energy, Inc.	¥31 million	100.00%	Operation of retail electricity business and other energy-related businesses
Rakuten Kobo Inc.	901 million Canadian dollars	100.00% (100.00%)	E-book services
Viber Media S.a.r.l.	20 thousand U.S. dollars	100.00%	Mobile messaging and VoIP services
RAKUTEN MARKETING LLC	1 U.S. dollar	100.00% (100.00%)	Performance marketing 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. The following measures have been taken to procure funds through securitization of telecommunication fee receivables held by Rakuten Mobile, Inc. All shares of Rakuten Mobile, Inc. are entrusted by the Company to Rakuten Trust Co., Ltd. This is a mechanism designed to protect investors in the securitization of Rakuten Mobile, Inc.'s telecommunication fee receivables. Under this mechanism, if conditions are met such as the Company's credit rating falling below a certain level, the authority to give instructions regarding the exercise of voting rights will be transferred to an independent third party, RMTrust Co., Ltd., and Rakuten Mobile, Inc. will be able to avoid any impact from the Company whose creditworthiness has diminished. Because the Company currently holds beneficiary right including the authority to give instructions for all voting rights, it is included in the percentage of voting rights held.

## 9. Principal Offices

### (1) The Company

<b>Name</b>	<b>Location</b>	<b>Name</b>	<b>Location</b>
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

<b>Name</b>	<b>Location</b>
Rakuten Card Co., Ltd.	Minato-ku, Tokyo
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo
Rakuten Bank, Ltd.	Minato-ku, Tokyo
Ebates Inc.	U.S.
Rakuten Securities, Inc.	Minato-ku, Tokyo
Rakuten General Insurance Co., Ltd.	Shinjuku-ku, Tokyo
Rakuten Life Insurance Co., Ltd.	Shinjuku-ku, Tokyo
Rakuten Payment, Inc.	Minato-ku, Tokyo
Rakuten Energy, Inc.	Setagaya-ku, Tokyo
Rakuten Kobo Inc.	Canada
Viber Media S.a.r.l.	Luxembourg
RAKUTEN MARKETING LLC	U.S.

## 10. Employees

<b>Classification</b>	<b>Number of employees</b>	<b>Year-on-year change</b>
Total	28,261	Increased by 4,420

(Note) The number of employees does not include temporary staff, part-time employees and Directors who concurrently serve as employees.

<b>Name of business segment</b>	<b>Number of employees</b>
Internet Services	10,029
FinTech	5,299
Mobile	8,025
Company-wide (common)	4,908
Total	28,261

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

## 11. Principal Borrowings

(Millions of Yen)

<b>Creditor</b>	<b>Outstanding balance</b>
Mizuho Bank, Ltd.	239,814
Sumitomo Mitsui Banking Corporation	84,301
Sumitomo Mitsui Trust Bank, Limited	77,360

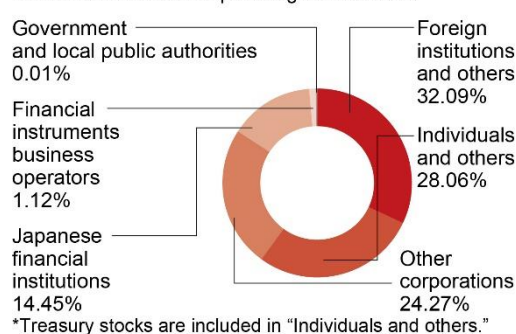
## Part 2 Matters Pertaining to Shares of the Company

### 1. Total Number of Shares Issued:

1,581,735,100 shares  
(Including 234 shares of treasury stocks)

### 2. Number of Shareholders: 291,663

Distribution of ownership among shareholders



### 3. Major Shareholders (Top 10)

Name	Number of shares held (shares)	Percentage of shares held (%)
Crimson Group, LLC.	226,419,000	14.31
Hiroshi Mikitani	176,346,300	11.15
The Master Trust Bank of Japan, Ltd. (Trust account)	153,413,300	9.70
Haruko Mikitani	132,625,000	8.38
JAPAN POST HOLDINGS Co., Ltd.	131,004,000	8.28
MSIP CLIENT SECURITIES	59,150,011	3.74
Custody Bank of Japan, Ltd. (Trust account)	46,916,256	2.97
GOLDMAN SACHS INTERNATIONAL	25,345,900	1.60
THE BANK OF NEW YORK MELLON 140051	23,855,600	1.51
MLI FOR CLIENT GENERAL OMNI NON-COLLATERAL NON-TREATY-PB	18,286,942	1.16

(Note) Percentage of shares held is calculated excluding treasury stocks (234 shares).

### 4. Other Important Matters Involving Shares

Not applicable.

## Part 3 Matters Pertaining to Officers of the Company

### 1. Names of Directors and Audit & Supervisory Board Members

(As of December 31, 2021)

Title	Name	Responsibility within the Company and significant concurrent positions
Representative Director, Chairman, President & CEO	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. Vice Chairman of the Board & CEO of Rakuten Medical, Inc. Representative Director, Chairman and CEO of Rakuten Mobile, Inc. Chairman & Representative Director of Rakuten Medical Japan K.K. Director of AST & Science, LLC
Representative Director & Vice Chairman	Masayuki Hosaka	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 & Group Executive Vice President	Kentaro Hyakuno	Group Executive Vice President COO Director of JP Rakuten Logistics, 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. Representative Director & CEO of Ascent Robotics Inc.
Director <u>Outside</u> <u>Independent</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	Distinguished Professor of Graduate School of Management of Kyoto University Outside Director of DMG MORI CO., LTD. Board Member of Ohara Museum of Art Outside Director of Tokio Marine Holdings, Inc. Chief Executive Director of Ronald McDonald House Charities Japan
Director <u>Outside</u> <u>Independent</u>	Jun Murai	Professor of Keio University Outside Director of BroadBand Tower, Inc. Outside Director of LAC Co., Ltd. Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative Special Advisor to the Cabinet Advisor to the Digital Agency
Director <u>Outside</u> <u>Independent</u>	John V. Roos	Outside Director of Salesforce.com, Inc. CEO of The Roos Group, LLC Co-Founding Partner of Geodesic Capital



<b>Title</b>	<b>Name</b>	<b>Responsibility within the Company and significant concurrent positions</b>
Audit & Supervisory Board Member (Full-time)	Yoshiaki Nishikawa	—
Audit & Supervisory Board Member <b>Outside</b> <b>Independent</b>	Takeo Hirata	Professor of Waseda University Graduate School of Sport Sciences Dean of Waseda University Research Institute for Strategy of Natural Resources Chairman of Japan Society of Sports Industry
Audit & Supervisory Board Member (Full-time) <b>Outside</b> <b>Independent</b>	Masahide Hiramoto	—
Audit & Supervisory Board Member <b>Outside</b> <b>Independent</b>	Katsuyuki Yamaguchi	Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. Director (External/Member of the Audit and Supervisory Committee) of BrainPad Inc. Outside Audit & Supervisory Board Member of HAKUHODO DY HOLDINGS INCORPORATED Managing Partner of Nishimura & Asahi NY LLP

- (Notes) 1. Rakuten Medical Japan K.K. changed its company name to Rakuten Medical K.K. on January 1, 2022.
2. Kentaro Hyakuno and John V. Roos were newly elected as and assumed the office of Director at the 24th Annual General Shareholders' Meeting held on March 30, 2021.
  3. Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai and John V. Roos are Outside Directors.
  4. Takeo Hirata, Masahide Hiramoto and Katsuyuki Yamaguchi are Outside Audit & Supervisory Board Members.
  5. Director Ken Kutaragi is Outside Director of SmartNews, Inc., with which the Company has a business relationship including provision of services. The ratio of transactions between SmartNews, Inc. and the Company in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  6. Director Takashi Mitachi is Distinguished Professor of Graduate School of Management of Kyoto University, to which the Company pays participation fees for events held by the university. The ratio of such payments in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  7. Director Jun Murai is Professor of Keio University; the university shares a role in operating an international standardization body to which the Company pays membership fees. The ratio of fees in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the 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 2021 was both less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. In addition, he is Dean of the API Institute of Geoeconomic Studies and API Senior Fellow of Asia Pacific Initiative, to which the Company pays participation fees for events held by the organization. The ratio of fees in fiscal 2021 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.
  8. Audit & Supervisory Board Member Takeo Hirata is Chairman of Japan Society of Sports Industry, to which the Company pays membership fees. The ratio of the amount of fees in fiscal 2021 was less than 1% of the combined total amount of cost of sales and the selling, general, and administrative expenses at the Company for the year.
  9. Audit & Supervisory Board Member Katsuyuki Yamaguchi is Managing Partner of Nishimura & Asahi NY LLP and Director (External/Member of the Audit and Supervisory Committee) of BrainPad Inc., each of 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 BrainPad Inc. and the Company in fiscal 2021 was both less than 1% of the combined total amount of cost of sales and the selling, general, and administrative expenses of the Company for the year.

10. The Company has appointed Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai, John V. Roos, Takeo Hirata, Masahide Hiramoto and Katsuyuki Yamaguchi as Independent Directors stipulated by Tokyo Stock Exchange, Inc. and reported the appointments to the Tokyo Stock Exchange.

## **2. Summary of the Liability Limitation Agreement**

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

## **3. Summary of the Indemnity Agreement**

The Company has entered into indemnity agreements provided for in Article 430-2, Paragraph 1 of the Companies Act with its thirteen officers, namely, Directors Hiroshi Mikitani, Masayuki Hosaka, Charles B. Baxter, Kentaro Hyakuno, Ken Kutaragi, Sarah J. M. Whitley, Takashi Mitachi, Jun Murai and John V. Roos, and Audit & Supervisory Board Members Yoshiaki Nishikawa, Takeo Hirata, Masahide Hiramoto and Katsuyuki Yamaguchi, to indemnify them for the expense stipulated in Paragraph 1, Item 1 and the loss stipulated in Paragraph 1, Item 2 of the same article to the extent provided for by laws and regulations. However, in order to ensure that the appropriateness of the execution of duties by officers is not impaired by the said indemnity agreements, losses incurred due to malicious intent or gross negligence of officers are not subject to indemnification.

## **4. Summary of the Directors and Officers Liability Insurance Contract**

The Company has entered into a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of the insured under the contract is the Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its subsidiaries. The contract will cover legal damages and litigation expenses to be borne by the insured in the event that a claim for damages is made due to an act (or omission) committed by the insured in his or her capacity as officer, etc. of the Company. The Company bears the entire premium for the contract. However, in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, there are certain exemptions; for example, damages that the insured has caused intentionally or with gross negligence will not be covered.

## 5. Compensation of Directors and Audit & Supervisory Board Members

(1) Total Amount of Compensation for Directors and Audit & Supervisory Board Members for the Fiscal Year

Classification	Total amount of compensation (Millions of Yen)	Total amount of compensation by type (Millions of Yen)			Number of recipients
		Base compensation	Stock options	Bonuses	
Directors (excluding Outside Directors)	524	203	237	84	4
Outside Directors	82	81	1	-	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	17	17	0	-	1
Outside Audit & Supervisory Board Members	51	51	0	-	3
<b>Total</b>	<b>674</b>	<b>352</b>	<b>238</b>	<b>84</b>	<b>13</b>

(Notes) 1. The total amount of compensation for Directors shall not exceed the maximum amount (¥1,400 million per year, including ¥200 million for Outside Directors) resolved at the 18th Annual General Shareholders' Meeting held on March 27, 2015. The number of Directors at the conclusion of this Annual General Shareholders' Meeting was 16, including five Outside Directors.

2. The total amount of compensation for Audit & Supervisory Board Members shall not exceed the maximum amount (¥120 million per year) resolved at the 10th Annual General Shareholders' Meeting held on March 29, 2007. The number of Audit & Supervisory Board Members at the conclusion of this Annual General Shareholders' Meeting was four.

3. The Company resolved at the 23rd Annual General Shareholders' Meeting held on March 27, 2020, to grant share options as stock options exercisable while in service (maximum 10,000 units per fiscal year) and share options as retirement compensation stock options (maximum 10,000 units per fiscal year) as respectively detailed below to Directors (excluding Outside Directors), separately from the compensation described in Notes 1. and 2. The number of Directors (excluding Outside Directors) at the conclusion of this Annual General Shareholders' Meeting was three. The Company has granted 0 units of share options as stock options exercisable while in service and 1,936 units of share options as retirement compensation stock options to Directors (excluding Outside Directors) in the fiscal year. The details of each share options are as follows.

I. Share options 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

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.

II. Share options 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.

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

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 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.

4. With regard to stock options, the amount recorded as expenses during the fiscal year for share options granted as stock options is provided. The amount includes expenses for the share options granted in fiscal years before the fiscal year under review in accordance with the resolution made at the following general shareholders' meetings, in addition to those for the share options granted during the fiscal year under review. Share options were not granted to Outside Directors and Audit & Supervisory Board Members in the fiscal year under review. However, part of the amount of expenses for the share options granted to them in previous fiscal years is recorded in the fiscal year under review.

- The 20th Annual General Shareholders' Meeting held on March 30, 2017 (Recipients: Directors /Outside Directors/Audit & Supervisory Board Members)
- The 21st Annual General Shareholders' Meeting held on March 29, 2018 (Recipients: Directors (excluding Outside Directors))
- The 22nd Annual General Shareholders' Meeting held on March 28, 2019 (Recipients: Directors (excluding Outside Directors))
- The 23rd Annual General Shareholders' Meeting held on March 27, 2020 (Recipients: Directors (excluding Outside Directors))

5. Decisions on specific details of compensation of individual Directors for the fiscal year under review has been delegated to Representative Director, Chairman, President & CEO Mr. Hiroshi Mikitani, and he has decided on the compensation within the limit of compensation resolved at the general shareholders' meeting, in accordance with the compensation policy described in (2) below. The policy and the decision-making process of compensation of the Company's Directors are explained to Independent Outside Directors at the meetings of the Board of Directors and appropriate advice has been obtained. The decision-making authority was delegated to Mr. Hiroshi Mikitani because he has been familiar with the Company's business since its establishment, and the individual is considered to be in the most appropriate position to see the Company's business performance as a whole from a higher perspective and evaluate the businesses each Director is in charge of.

(2) Policies on Determining the Amount of Directors' Compensation and the Calculation Method (Compensation Policy)

1) Basic Policies

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

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

## 2) Compensation Structure

The compensation of executive Directors comprises the followings:

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

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

If Proposal No. 4 is approved at this General Shareholders' Meeting, the Company plans to revise this Compensation Policy and pay non-cash based compensation to Outside Directors as well as incentives for them to contribute to the enhancement of the medium- and long-term corporate and shareholder value of the Group as a whole, by supervising management and providing advice and other support related to management.

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

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

(Note) Consolidated operating income (loss) for the fiscal year ended December 31, 2021, is shown in "Present Situation of the Rakuten Group" (pages 35-36).

## 4) Compensation Determination Process

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

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

## 6. 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 and Overview of Duties that were Carried Out with Respect to Expected Roles
Outside Directors	Ken Kutaragi	15 out of the 15 meetings (100%)	—	He offered advice and recommendations for ensuring the validity and appropriateness of decision-making by the Board of Directors based on his expertise in the entertainment business and technologies along with his extensive experience in corporate management.
	Sarah J. M. Whitley	15 out of the 15 meetings (100%)	—	She offered advice and recommendations for ensuring the validity and appropriateness of decision-making by the Board of Directors based on her extensive knowledge and experience as an investor.
	Takashi Mitachi	15 out of the 15 meetings (100%)	—	He offered advice and recommendations for ensuring the validity and appropriateness of decision-making by the Board of Directors based on his expert knowledge and experience as a management consultant.
	Jun Murai	14 out of the 15 meetings (93%)	—	He offered advice and recommendations for ensuring the validity and appropriateness of decision-making by the Board of Directors based on his knowledge and experience as an academic expert in internet technology.
	John V. Roos	10 out of the 10 meetings (100%)	—	He offered advice and recommendations for ensuring the validity and appropriateness of decision-making by the Board of Directors based on his extensive knowledge and experience including as CEO of a leading law firm that has strengths primarily in the area of technology and U.S. Ambassador to Japan.
Classification	Name	Attendance of the meetings of the Board of Directors	Attendance of the meetings of the Audit & Supervisory Board	Major Activities
Outside Audit & Supervisory Board Members	Takeo Hirata	15 out of the 15 meetings (100%)	7 out of the 7 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his wide-ranging expert knowledge and experience related to sports and education.
	Masahide Hiramoto	15 out of the 15 meetings (100%)	7 out of the 7 meetings (100%)	He made necessary statements (questions, opinions, etc.) based on his extensive knowledge and experience related primarily to finance and business management.
	Katsuyuki Yamaguchi	14 out of the 15 meetings (93%)	7 out of the 7 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) John V. Roos's record indicates his attendance at the meetings of the Board of Directors after assuming the office of Director on March 30, 2021.

## Part 4 Status of the Accounting Auditor

### 1. Name of the Accounting Auditor

ERNST & YOUNG SHINNIHONLLC

### 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             | ¥199 million |
| (2) Total amount of cash and other financial benefits payable to the Accounting Auditor by the Company and its subsidiaries | ¥717 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 consultation work and the work of preparing a comfort letter related to issuance of corporate bonds at the Company and its consolidated subsidiary, which are tasks other than the work set forth in Article 2, Paragraph 1 of the Certified Public Accountants Law, and paid compensation for the works.

### 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 5 The Company's Structure and Policy

### Policy Relating to 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 14, 2022.

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

	<b>22nd</b> (From January 1, 2018 to December 31, 2018)	<b>23rd</b> (From January 1, 2019 to December 31, 2019)	<b>24th</b> (From January 1, 2020 to December 31, 2020)	<b>25th</b> (From January 1, 2021 to December 31, 2021)
<b>Dividend per share (yen)</b>	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 Statements of Financial Position**

(As of December 31, 2021)

(Millions of Yen)

<b>Assets</b>		<b>Liabilities</b>	
Items	Amounts	Items	Amounts
Cash and cash equivalents	4,410,301	Accounts payable - trade	392,455
Accounts receivable - trade	307,821	Deposits for banking business	6,848,370
Financial assets for securities business	3,088,544	Financial liabilities for securities business	3,032,996
Loans for credit card business	2,388,448	Derivative liabilities	24,825
Investment securities for banking business	459,104	Bonds and borrowings	3,402,912
Loans for banking business	2,528,795	Other financial liabilities	1,415,368
Investment securities for insurance business	290,455	Income taxes payable	13,499
Derivative assets	45,056	Provisions	198,263
Investment securities	281,179	Insurance business policy reserves	247,911
Other financial assets	642,650	Employee retirement benefit liabilities	29,752
Investments in associates and joint ventures	68,991	Deferred tax liabilities	2,488
Property, plant and equipment	975,362	Other liabilities	105,092
Intangible assets	858,997	<b>Total liabilities</b>	<b>15,713,931</b>
Deferred tax assets	225,100	<b>Equity</b>	
Other assets	260,418	Equity attributable to owners of the Company	1,093,719
		Common stock	289,674
		Capital surplus	311,970
		Other equity instruments	317,316
		Retained earnings	142,671
		Treasury stock	(0)
		Other components of equity	32,088
		Non-controlling interests	23,571
		<b>Total equity</b>	<b>1,117,290</b>
<b>Total assets</b>	<b>16,831,221</b>	<b>Total liabilities and equity</b>	<b>16,831,221</b>

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

## Consolidated Statements of Income

( Year ended  
December 31, 2021 )

(Millions of Yen)

Items	Amounts
Continuing operations	
Revenue	1,681,757
Operating expenses	1,966,419
Other income	108,037
Other expenses	18,101
Operating loss	(194,726)
Financial income	18,904
Financial expenses	38,642
Share of income of investments in associates and joint ventures	1,834
Loss before income tax	(212,630)
Income tax expense	(76,804)
Net loss	(135,826)
Net loss attributable to:	
Owners of the Company	(133,828)
Non-controlling interests	(1,998)
Net loss	(135,826)

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

## **Balance Sheet (J-GAAP)**

(As of December 31, 2021)

(Millions of Yen)

<b>Asset</b>		<b>Liabilities</b>	
Items	Amounts	Items	Amounts
Current assets	1,504,880	Current liability	1,047,936
Cash and deposits	304,406	Accounts payable-trade	35,081
Accounts receivable-trade	188,129	Commercial papers	114,000
Merchandise	14,673	Short-term loans payable	31,666
Supplies	380	Current portion of bonds	40,000
Prepaid expenses	9,596	Accounts payable-other	423,392
Accounts receivable-other	404,421	Accrued expenses	23,746
Income taxes receivable	5,391	Income taxes payable	3,006
Short-term loans receivable from subsidiaries and affiliates	452,714	Advance received	4,662
Other	125,627	Deposits received	177,084
Allowance for doubtful accounts	(460)	Provision for point card certificates	183,822
Noncurrent assets	1,653,425	Provision for bonuses	5,560
Property, plant and equipment	39,422	Suspense receipt	2,849
Buildings	14,446	Other	3,063
Machinery, equipment and vehicles	248	Noncurrent liabilities	1,307,176
Tools, furniture and fixture	12,225	Bonds	1,044,815
Land	428	Long-term loans payable	224,167
Construction in progress	4,893	Provision for retirement benefits	14,884
Other	7,179	Asset retirement obligations	7,216
Intangible assets	88,897	Other	16,091
Goodwill	7,197		
Patent right	612	Total liabilities	2,355,112
Trademark	386		
Software	56,987	Net assets	
Software in progress	9,550	Shareholders' equity	835,899
Other	14,164	Common stock	289,673
Investments and other assets	1,525,105	Capital surplus	257,575
Investment securities	173,974	Legal capital surplus	257,210
Stocks of subsidiaries and affiliates	1,176,505	Other capital surplus	365
Investments in capital of subsidiaries and affiliates	10,402	Retained earnings	288,649
Long-term loans receivable from subsidiaries and affiliates	7,152	Other retained earnings	288,649
Claims provable in bankruptcy, claims provable in rehabilitation, and other	4,850	Retained earnings brought forward	288,649
Long-term prepaid expenses	853	Treasury stock	(0)
Lease and guarantee deposits	9,982	Valuation and translation adjustments	(61,340)
Deferred tax assets	121,040	Unrealized gains or losses on available-for-sale securities	(61,340)
Other	26,296	Share options	28,634
Allowance for doubtful accounts	(5,952)		
		Total net assets	803,192
Total assets	3,158,305	Total liabilities and net assets	3,158,305

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

## **Income Statement (J-GAAP)**

( Year ended  
December 31, 2021 )

(Millions of Yen)

Items	Amounts	
Net sales		783,268
Cost of sales		297,476
Gross profit		485,792
Selling, general and administrative expenses		478,185
Operating profit		7,607
Non-operating income		
Interest income	3,108	
Dividends income	51,987	
Other	1,406	56,501
Non-operating expenses		
Interest expenses	20,548	
Foreign exchange loss	8,729	
Commission fee	8,530	
Other	3,637	41,445
Ordinary profit		22,662
Extraordinary gain		
Gain on extinguishment of tie-in shares	96	
Gain on sales of non-current assets	6	
Gain on sales of investment securities	171	
Gain on liquidation of subsidiaries and affiliates	8,560	
Gain on exchange from dividend in kind	27,559	
Other	961	37,356
Extraordinary loss		
Loss on disposal of properties	735	
Loss on renunciation of claims of subsidiaries and affiliates	6,646	
Impairment loss	436	
Loss on valuation of stocks of subsidiaries and affiliates	1,407	
Loss on valuation of investments in capital	348	
Loss on redemption of bonds	3,765	
Other	295	13,636
Income before income taxes		46,382
Income taxes-current	6,059	
Income taxes-deferred	(12,416)	(6,357)
Net profit		52,739

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

## 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)	1,429	Common stock 142,900	Free of charge	0.01	From March 30, 2016 to March 28, 2022
The 22nd Share Options (February 20, 2014)	1,432	Common stock 143,200	Free of charge	0.01	From March 29, 2017 to March 27, 2023
The 36th Share Options (February 20, 2015)	3,580	Common stock 358,000	Free of charge	0.01	From March 29, 2018 to March 27, 2024
The 45th Share Options (January 23, 2016)	9	Common stock 900	Free of charge	0.01	From March 28, 2019 to March 26, 2025
The 46th Share Options (February 18, 2016)	3,750	Common stock 375,000	Free of charge	0.01	From March 1, 2017 to February 27, 2026
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)	14,572	Common stock 1,457,200	Free of charge	0.01	From August 1, 2017 to August 1, 2026
The 51st Share Options (August 4, 2016)	18	Common stock 1,800	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 54th Share Options (January 21, 2017)	19	Common stock 1,900	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 57th Share Options (February 20, 2017)	54	Common stock 5,400	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 58th Share Options (February 20, 2017)	36	Common stock 3,600	Free of charge	0.01	From March 31, 2020 to March 29, 2026
The 59th Share Options (February 20, 2017)	7,325	Common stock 732,500	Free of charge	0.01	From March 1, 2018 to March 1, 2027
The 61st Share Options (July 28, 2017)	9	Common stock 900	Free of charge	0.01	From March 31, 2021 to March 29, 2027



<b>Name (Date of resolution)</b>	<b>Number of Share Options</b>	<b>Class and number of shares to be issued</b>	<b>Issue price</b>	<b>Exercise Price (per share) (yen)</b>	<b>Exercise period</b>
The 66th Share Options (January 18, 2018)	11	Common stock 1,100	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 69th Share Options (February 19, 2018)	42	Common stock 4,200	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 70th Share Options (February 19, 2018)	84	Common stock 8,400	Free of charge	0.01	From March 31, 2021 to March 29, 2027
The 71st Share Options (February 19, 2018)	11,594	Common stock 1,159,400	Free of charge	0.01	From March 1, 2019 to March 1, 2028
The 72nd Share Options (April 27, 2018)	21,397	Common stock 2,139,700	Free of charge	0.01	From May 1, 2019 to May 1, 2028
The 81st Share Options (April 26, 2019)	11,572	Common stock 1,157,200	Free of charge	0.01	From November 1, 2019 to May 1, 2059
The 87th Share Options (February 28, 2020)	9,709	Common stock 970,900	Free of charge	0.01	From March 1, 2020 to March 1, 2060
The 89th Share Options (April 16, 2020)	1,731	Common stock 173,100	Free of charge	0.01	From May 1, 2020 to May 1, 2060
The 95th Share Options (February 12, 2021)	8,251	Common stock 825,100	Free of charge	0.01	From March 1, 2021 to March 1, 2061
The 97th Share Options (April 15, 2021)	2,363	Common stock 236,300	Free of charge	0.01	From May 1, 2021 to May 1, 2061

- (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, 45th, 48th, 51st, 54th, 57th, 58th, 61st, 66th, 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.

- 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 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.
  - 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 46th, 50th, 59th, 71st and 72nd Share Options are as follows:

- a) 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.
- 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) Share Options may be exercised by the Holders 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

5. Conditions for exercise of the 81st, 87th, 89th, 95th and 97th 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

<b>Classification</b>	<b>Name</b>	<b>Number of Share Options</b>	<b>Number of owners</b>
<b>Directors</b>	The 17th Share Options	60	1
	The 22nd Share Options	39	1
	The 36th Share Options	78	1
	The 46th Share Options	199	2
	The 50th Share Options	114	1
	The 59th Share Options	1,393	4
	The 71st Share Options	2,788	4
	The 72nd Share Options	1,993	2
	The 81st Share Options	1,779	3
	The 87th Share Options	726	1
<b>Outside Directors</b>	The 89th Share Options	1,373	2
	The 95th Share Options	604	1
<b>Audit &amp; Supervisory Board Members</b>	The 97th Share Options	1,332	3
	The 57th Share Options	36	2
	The 70th Share Options	63	3
	The 45th Share Options	1	1
	The 48th Share Options	15	1
	The 51st Share Options	7	1
	The 54th Share Options	9	1
	The 58th Share Options	18	1
The 61st Share Options	7	1	
The 66th Share Options	9	1	
	The 69th Share Options	21	1

(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 93rd Share Options (January 14, 2021)	39,652	Common stock 3,965,200	Free of charge	0.01	From February 1, 2022 to February 1, 2031
The 94th Share Options (February 12, 2021)	3,850	Common stock 385,000	Free of charge	0.01	From March 1, 2022 to March 1, 2031
The 95th Share Options (February 12, 2021)	7,647	Common stock 764,700	Free of charge	0.01	From March 1, 2021 to March 1, 2061
The 96th Share Options (April 15, 2021)	69,432	Common stock 6,943,200	Free of charge	0.01	From May 1, 2022 to May 1, 2031
The 97th Share Options (April 15, 2021)	1,031	Common stock 103,100	Free of charge	0.01	From May 1, 2021 to May 1, 2061
The 98th Share Options (July 15, 2021)	33,054	Common stock 3,305,400	Free of charge	0.01	From August 1, 2022 to August 1, 2031
The 99th Share Options (September 29, 2021)	18,408	Common stock 1,840,800	Free of charge	0.01	From November 1, 2022 to November 1, 2031
The 100th Share Options (September 29, 2021)	3,480	Common stock 348,000	Free of charge	0.01	From November 1, 2022 to November 1, 2031

(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 93rd, 94th, 96th, 98th, 99th and 100th 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.
- 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 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
3. Conditions for exercise of the 95th and 97th 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; 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) 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

<b>Classification</b>	<b>Name</b>	<b>Number of Share Options</b>	<b>Number of shares</b>	<b>Number of owners</b>
<b>Employees of the Company (Excluding Officers)</b>	The 93rd Share Options	19,960	1,996,000	7,410
	The 94th Share Options	1,198	119,800	38
	The 95th Share Options	7,647	764,700	53
	The 96th Share Options	121	12,100	31
	The 97th Share Options	1,031	103,100	46
	The 98th Share Options	16,756	1,675,600	7,673
	The 99th Share Options	128	12,800	128
<b>Officers and Employees of the Subsidiaries (Excluding Officers and Employees of the Company)</b>	The 93rd Share Options	19,692	1,969,200	5,404
	The 94th Share Options	2,652	265,200	64
	The 96th Share Options	69,311	6,931,100	2,380
	The 98th Share Options	16,298	1,629,800	5,325
	The 99th Share Options	18,280	1,828,000	581
	The 100th Share Options	3,480	348,000	65

## **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 Group, Inc. has stipulated the "Rakuten Group Code of Ethics" and Rakuten Group, 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 and President); 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 Group, 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 Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall also thoroughly supervise and audit the execution of duties by Directors and employees. 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 executives and employees of Rakuten Group. Rakuten Group shall appropriately administer a system for internal reporting 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 Group, 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 relevant to this matter.

#### **(3) System for Risk Management**

Under Rakuten Group, Inc.'s internal Company System structure, Company Presidents will be responsible for appropriately dealing with, in accordance with Rakuten Group Regulations, risks that arise during the course of individual 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 Group, Inc. Investment Committee and approved by the Rakuten Group, Inc. Board of Directors if exceeding a certain amount.

The Internal Audit Department of Rakuten Group, Inc. will, from an independent standpoint, carry out audits of Rakuten Group, Inc. and Group Companies' status of compliance with laws and related Rakuten Group Regulations, and regularly report to the Rakuten Group, 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 "the 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 Engage Only in Appropriate Business Practices**

In order to realize unified Group management, Rakuten Group, Inc. stipulates 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 Group, 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 organizational unit-in-charge of internal audit of each subsidiary and by conducting internal audits on Rakuten Group as a whole.

#### **(7) Requests from Audit & Supervisory Board Member 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 Audit & Supervisory Board, and the Audit & Supervisory Board Members may give orders to employees belonging to the Audit & Supervisory Board Members Office as the need arises. 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 Member requests it. Rakuten Group, 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 Group, Inc. receives a request for prepayment of expenses or repayment from Audit & Supervisory Board Members, it shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Audit & Supervisory Board Member's 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 on 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 maintains and strengthens a system for compliance across the Group. Under this system, the Company held four meetings of the Group Risk and Compliance Committee comprising the Function CCO, Company Compliance Officers, etc., from January to December 2021. At these meetings, reports were made, and discussions were held on promotion of effective compliance at the Group level, sharing of best practices, and proposals of compliance management strategies.
- ii) In May 2006, the Rakuten Group Code of Ethics was established, and employee training has been 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, compliance and business ethics training for new recruits, education on business ethics and key internal rules for employees, and compliance pledges by employees of all Group Companies to comply with and adhere to internal regulations.
- iii) The Company has stipulated Rakuten Group's internal whistleblower system in the Rakuten Group Guidelines, and the system is operating in Japan and overseas Group Companies. The status of whistleblower reports at the Company's internal whistleblowing contact point has been reported to the Board of Directors and Audit & Supervisory Board Members.

**(2) System for risk management**

- i) Rakuten Group has formulated the Group Regulations on Risk Management, etc., and developed risk management systems by establishing a cycle of appropriate

risk identification, development, and implementation of risk mitigation measures, and monitoring of the results (the so-called “PDCA cycle”). The status of response to particularly major risks is reported to the management at Board of Directors meetings or at other relevant bodies for consultation. The status of measures against Group-wide risks is reported to and discussed at the Group Risk and Compliance Committee that is held four times a year. Furthermore, regarding information management, which is one of the major risks, a system has been established in accordance with the requirements of the Information Security Management Systems (ISMS).

We will remain committed to enhancing risk management systems, which contribute to management decision-making and business operation, while carrying on our current activities.

- ii) A meeting of the Investment Committee, which consists of members including Outside Directors and external experts, is held on a monthly basis, in principle, at the Company in order to examine new investment proposals within Rakuten Group. Additionally, proposals involving major investments exceeding certain thresholds are approved and resolved at the Board of Directors of Rakuten Group, 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, as necessary.

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 Tokyo Stock Exchange, Inc., and 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.