

FY2019 First Quarter Consolidated Financial Results

May 10, 2019

Rakuten, Inc.





Consolidated Results

Q1/19 Results Highlights

- Consolidated revenue: +15.9% YoY
- Global GTV: +22.5% YoY
- Domestic E-Commerce GMS growth accelerated: +13.3% YoY
- Non-GAAP OI: +270.5% YoY
- FinTech: Revenue growth strong at +22.1% YoY, Non-GAAP OI +13.7% YoY (excluding Rakuten Securities)
- Awarded 5G spectrum, and ongoing network construction for 4G MNO service launch in October 2019
- Successful launch of new Rakuten Pay app

Q1/19 Consolidated Results Summary

(JPY bn)

	Q1/18	Q1/19	YoY
Revenue	241.9	280.3	+15.9%
Non-GAAP Operating Income	31.8	118.0	+270.5%
IFRS Operating Income	28.1	113.7	+304.5%

- Non-GAAP Operating Income and IFRS Operating Income at record highs

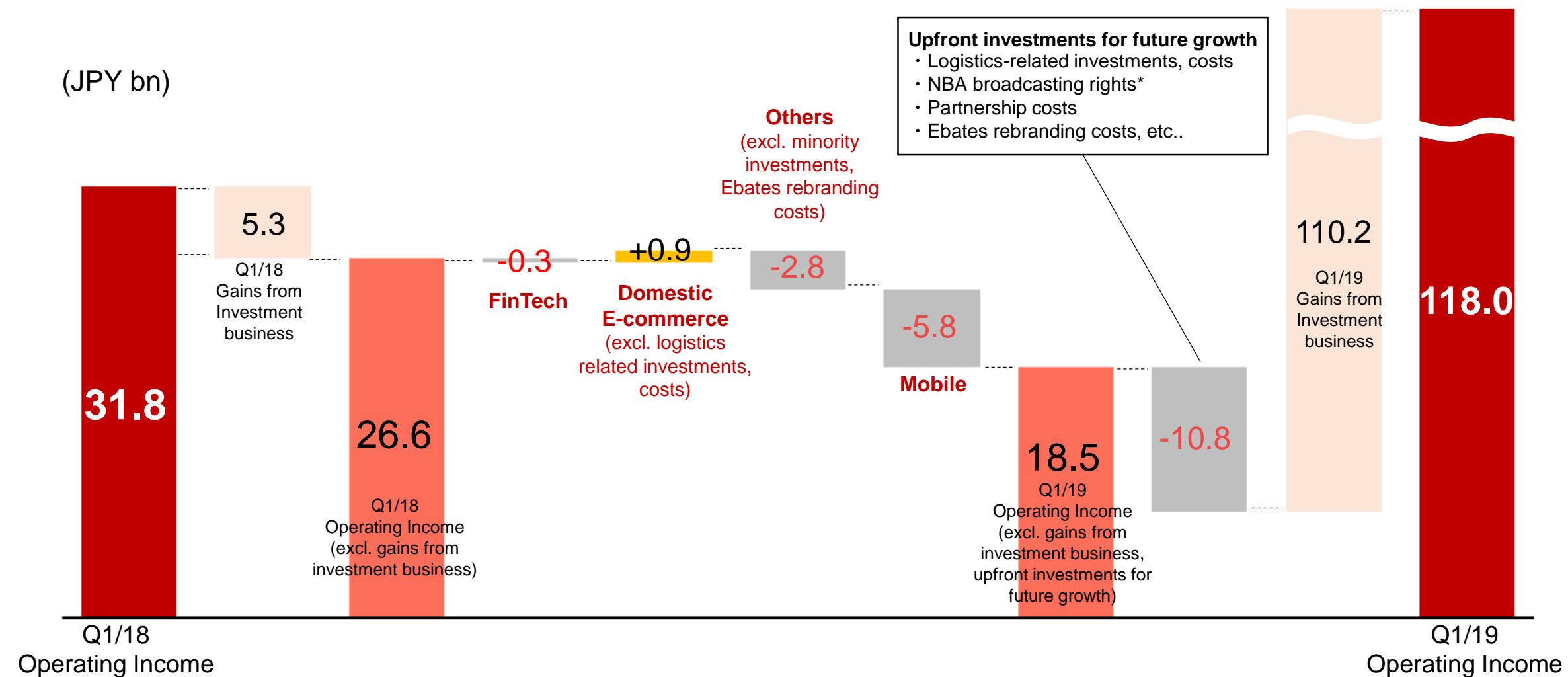
Q1/19 Revenue and Operating Income

(JPY bn)

		Q1/18	Q1/19	YoY
	Domestic E-Commerce			
	Revenue	94.6	108.5	+14.7%
	Operating Income	16.7	13.8	-17.5%
	Others			
	Revenue	54.7	61.4	+12.3%
	Operating Income	-1.3	97.7	+98.9
Internet Services Segment				
	Revenue	149.3	170.0	+13.8%
	Operating Income	15.5	111.5	+620.8%
FinTech Segment				
	Revenue	93.6	114.2	+22.1%
	Operating Income	20.4	20.1	-1.4%
Mobile Segment				
	Revenue	20.6	25.4	+23.2%
	Operating Income	-0.6	-6.4	-5.8
Adjustments				
	Revenue	-21.6	-29.3	-7.7
	Operating Income	-3.4	-7.2	-3.8
Consolidated				
	Revenue	241.9	280.3	+15.9%
	Non-GAAP Operating Income	31.8	118.0	+270.5%
	IFRS Operating Income	28.1	113.7	+304.5%

*Due to segment changes from Q1/19, Q1/18 values have been retroactively adjusted.

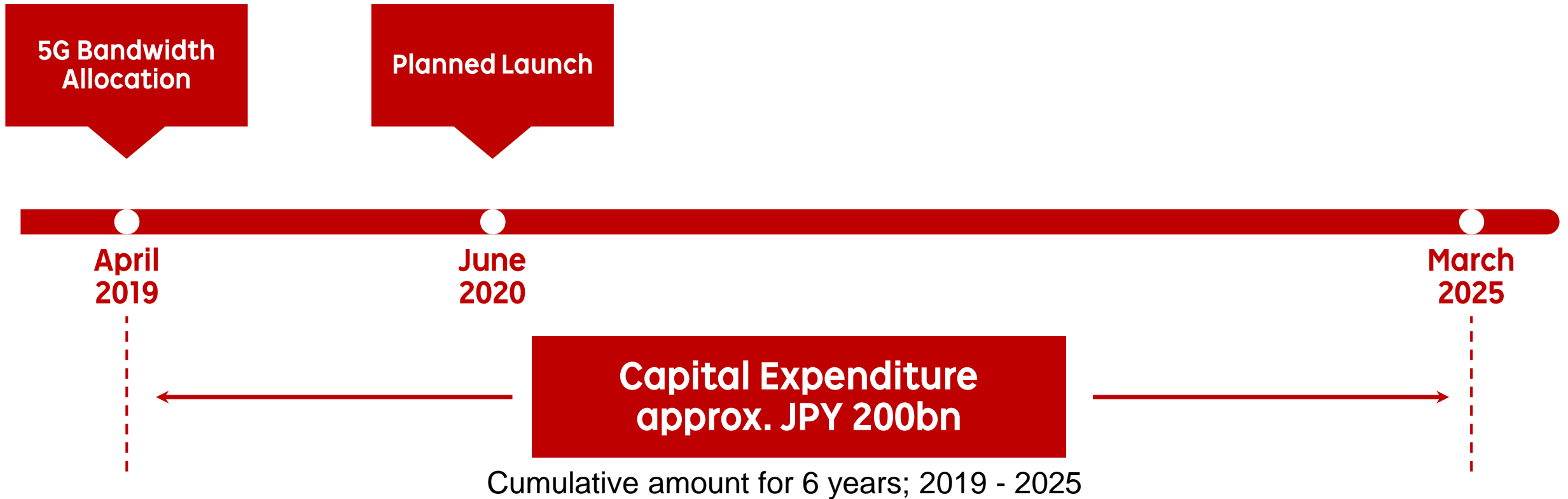
Q1/19 Non-GAAP Operating Income Breakdown



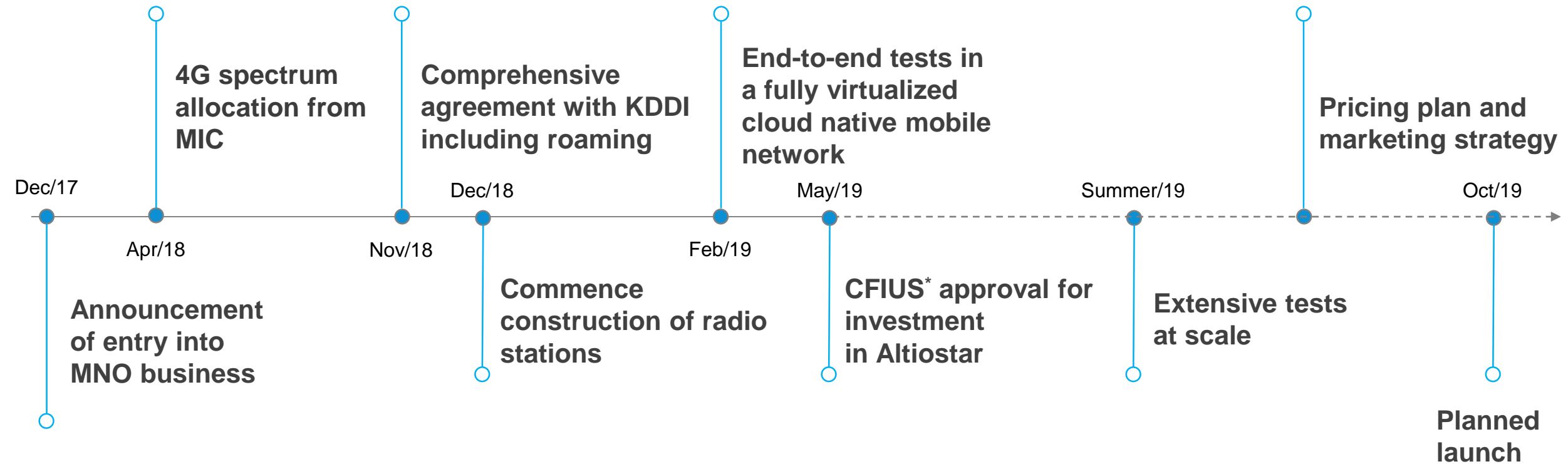
* NBA broadcasting rights are included in "Others"

5G Service Overview

- Awarded 100MHz in the 3.7GHz band and 400MHz in the 28GHz band
- Additional capital expenditure of approx. JPY 200bn, cumulative up to March, 2025



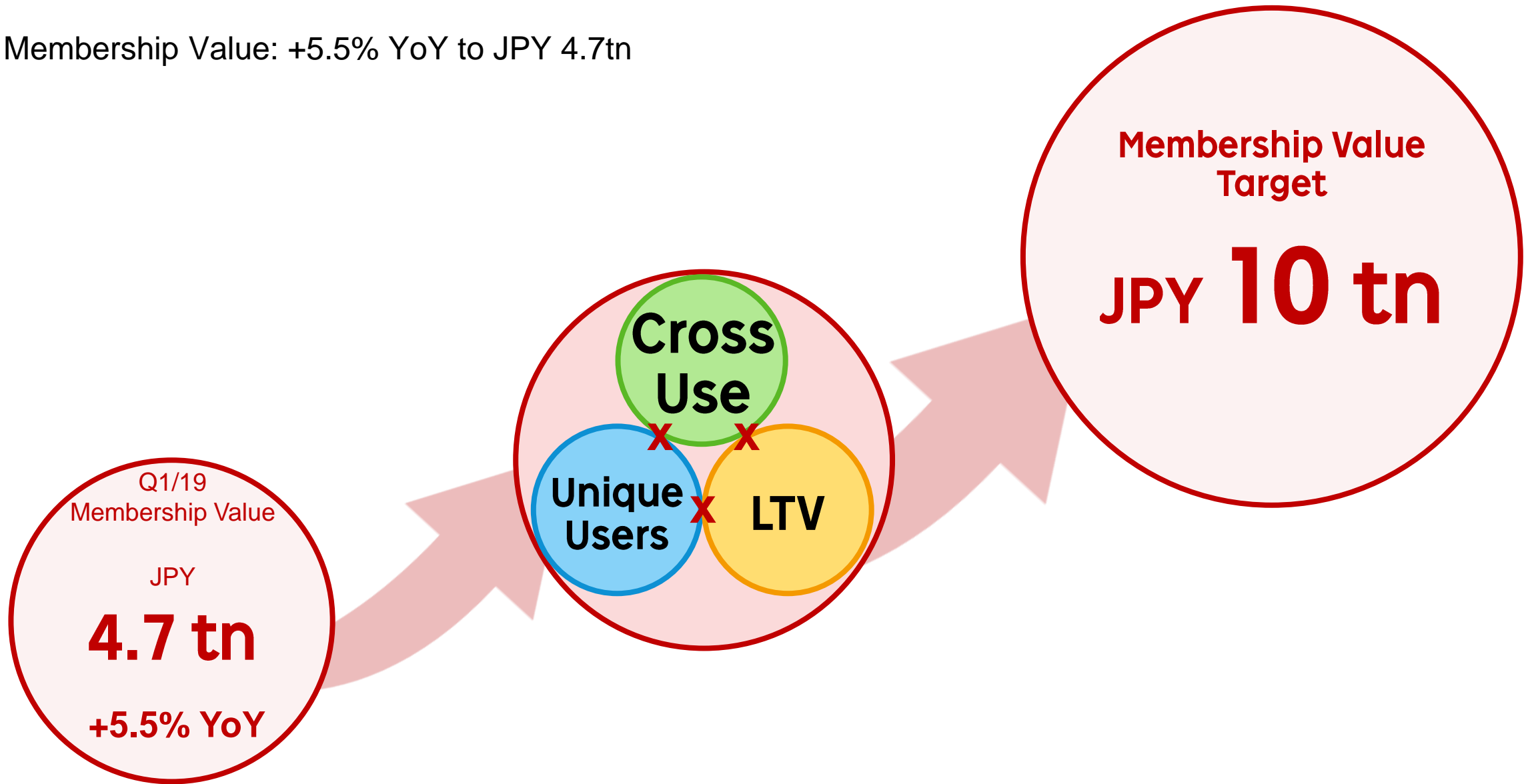
Roadmap for 4G MNO Service Launch



* CFIUS = Committee on Foreign Investment in the United States

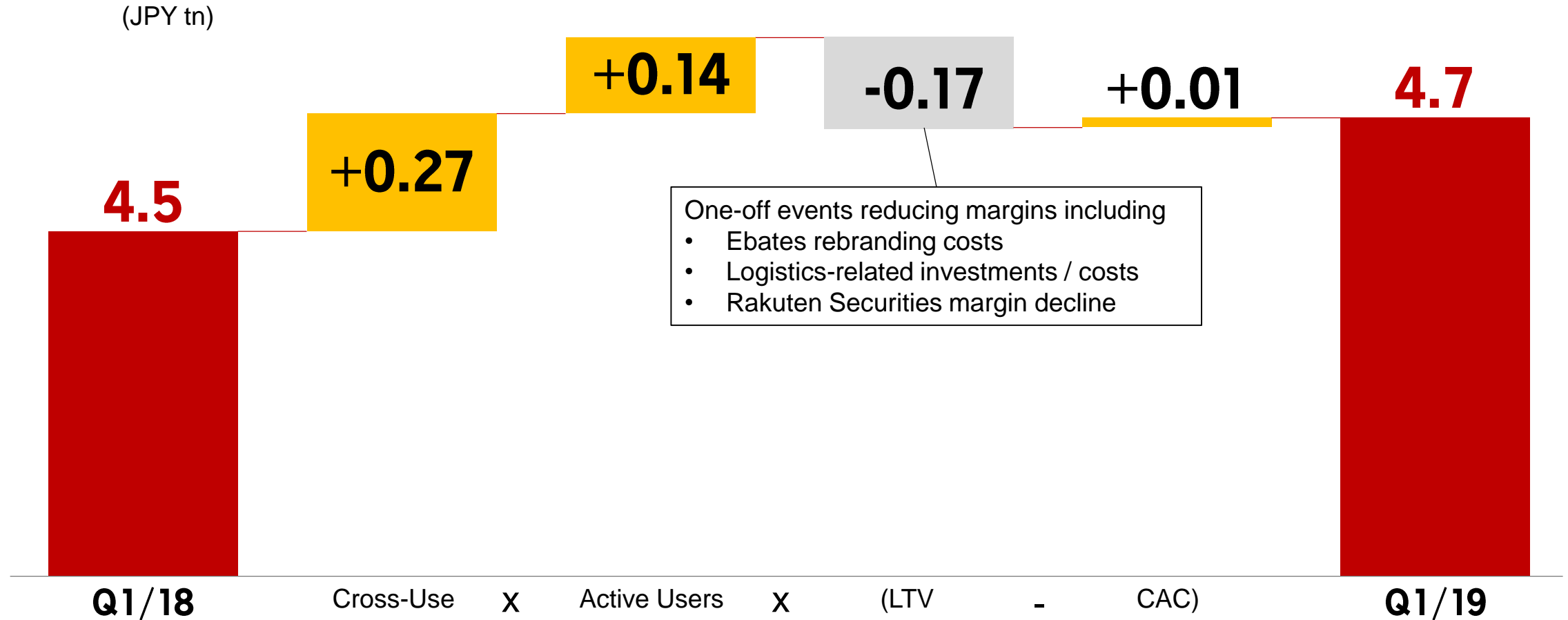
Massive Expansion of the Rakuten Ecosystem

- Membership Value: +5.5% YoY to JPY 4.7tn



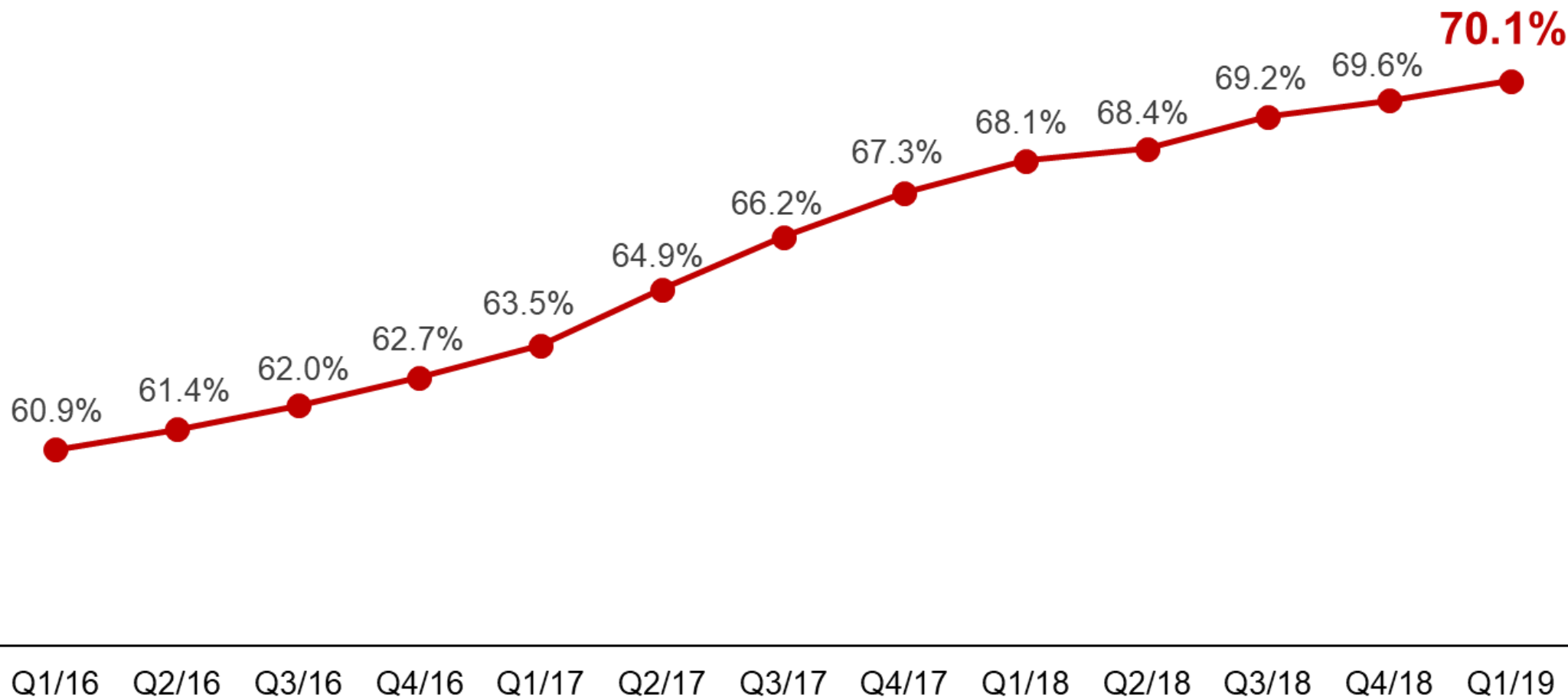
Rakuten Ecosystem Membership Value

- Acceleration cross-use has increased active users, driving up membership value to JPY 4.7tn



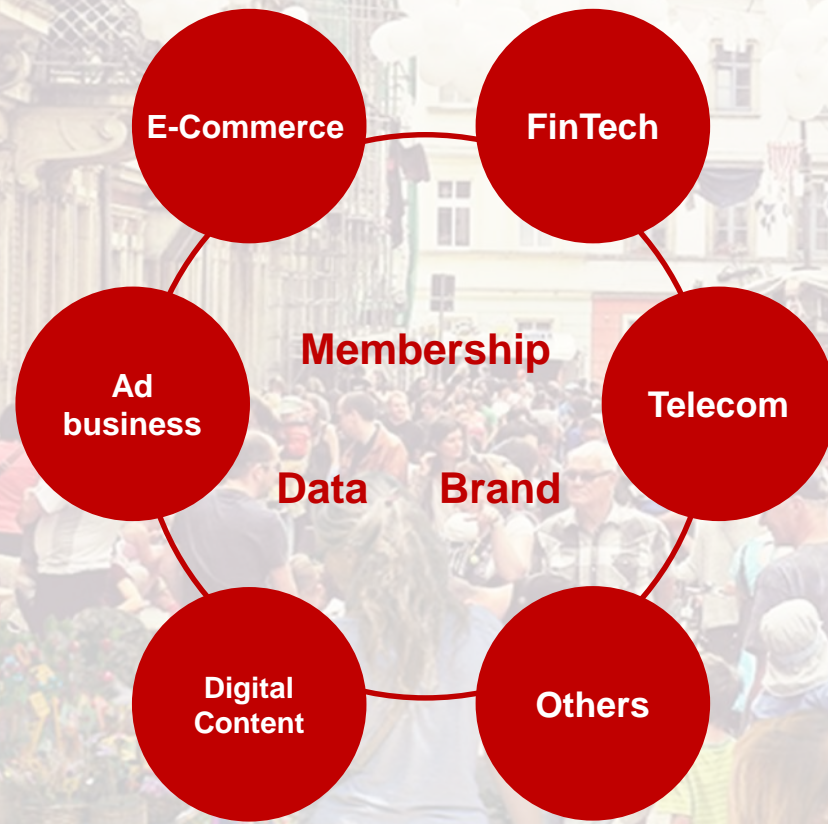
Expansion of Cross-Use Ratio*

- Successful SPU program enhancing cross-use, resulting in an increased number of active users, contributing to growth in membership value



*Number of Rakuten members who have utilized two or more Rakuten services during the past 12 months of the listed month (as of end Mar 2019)
(Applicable services limited to those which can earn Rakuten Super Points.)

Rakuten Ecosystem

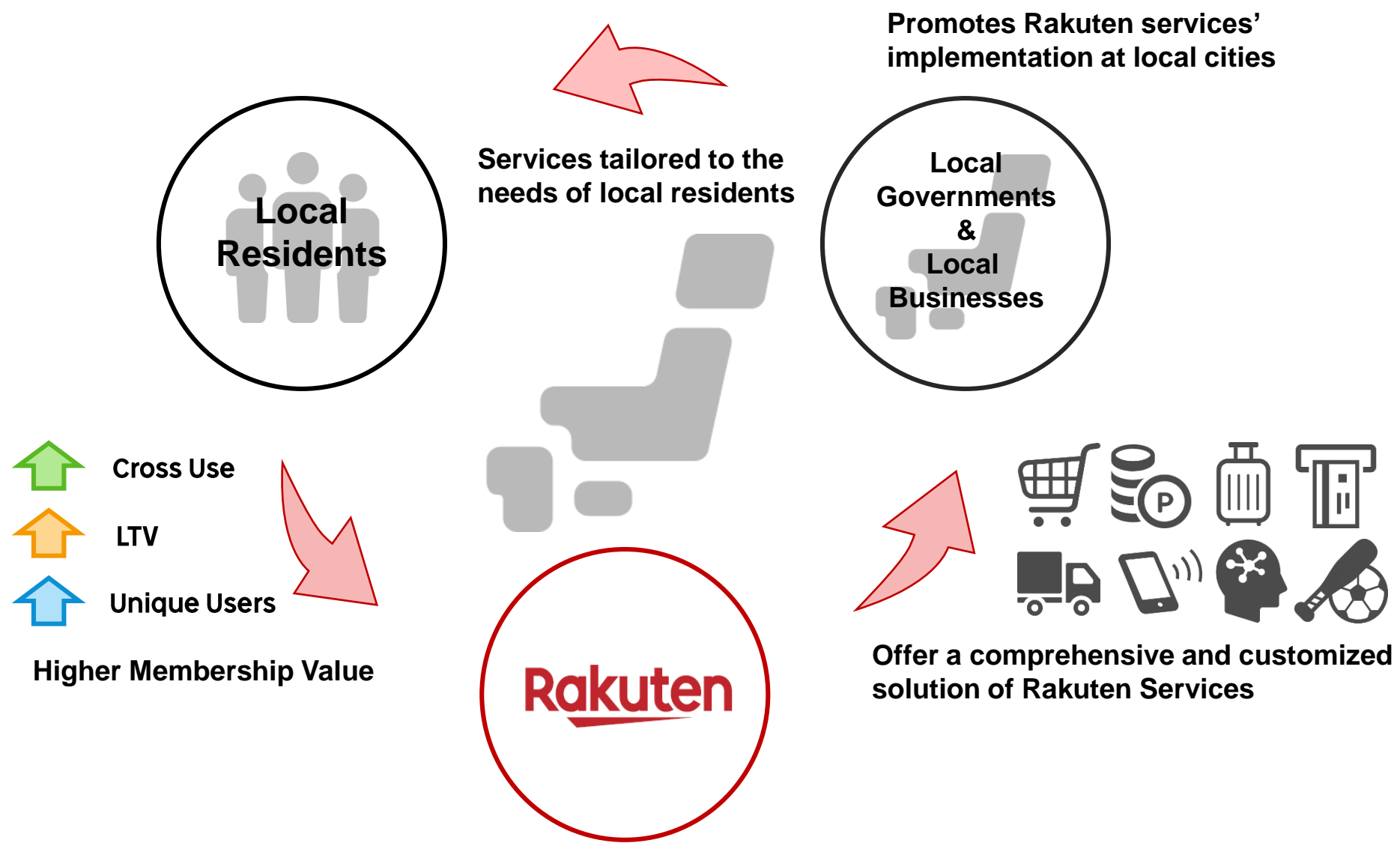


**Platform
(MNO and Logistics etc)**

Rakuten Philosophy

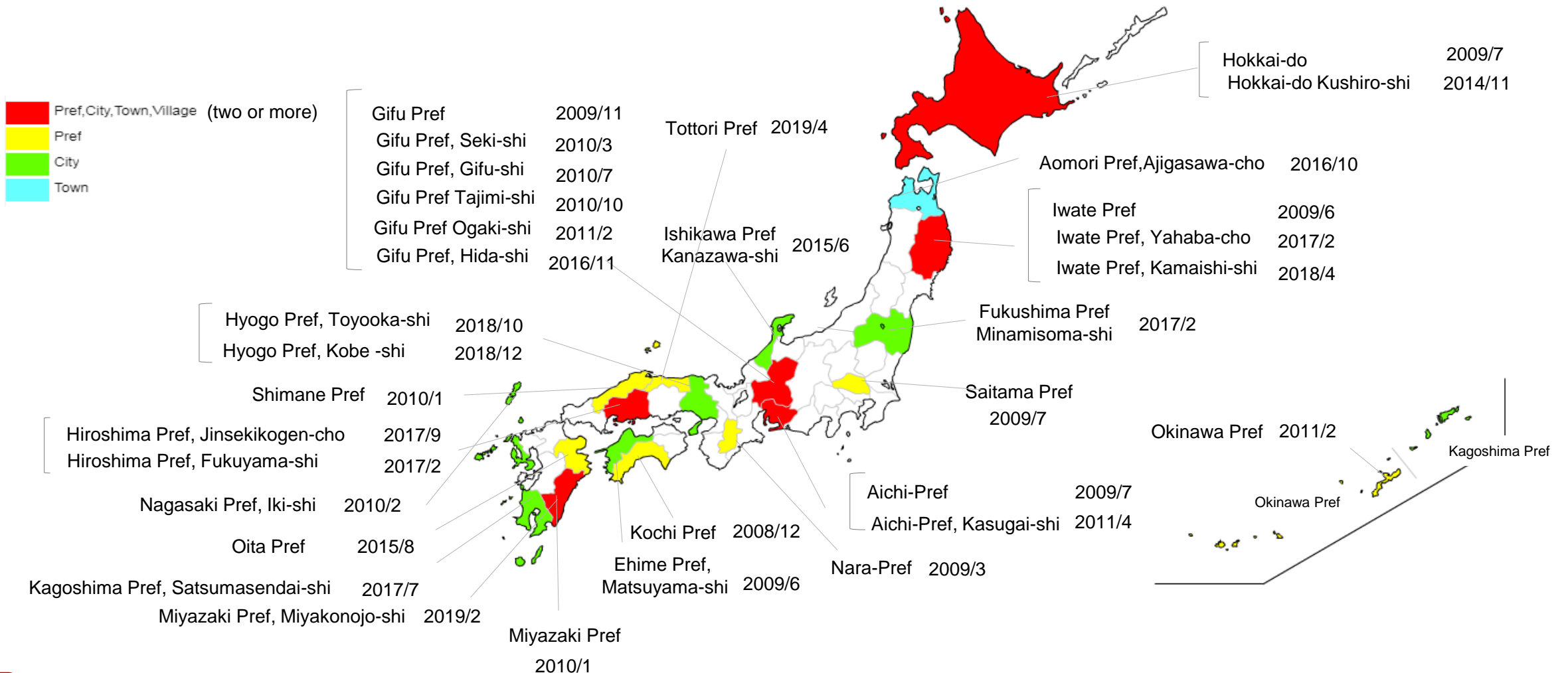
**Empowering Merchants,
People and Society
through Innovation and
Entrepreneurship**

Regional Strategy to Maximize Membership Value



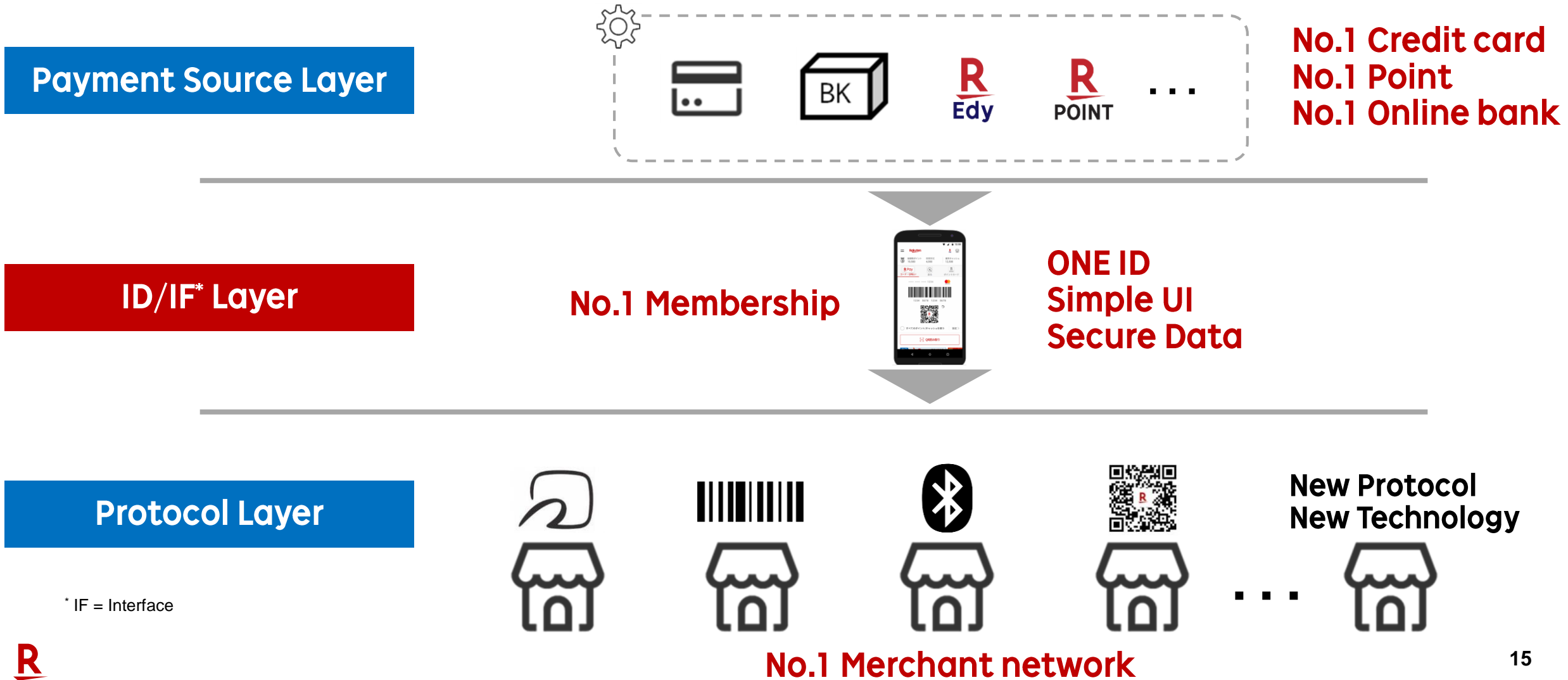
Expanded Partnership Agreements with Local Governments

- Comprehensive partnership agreements with 32 local governments, including 12 prefectures, 17 cities, and 3 towns.



Payment Strategy

- Protect the ID/IF Layer, while expanding the Payment Source Layer and Protocol Layer
- Leverage strength in IDs x Points x Locations



Successful Launch of Fully Cashless Smart Stadiums

- Support of multiple protocols led to the successful launch of fully cashless smart stadiums



2019 SEASON
ノエビアスタジアム神戸



Food & Drink Purchases

+50.2% YoY*

Noevir Stadium Kobe



楽天生命パーク宮城



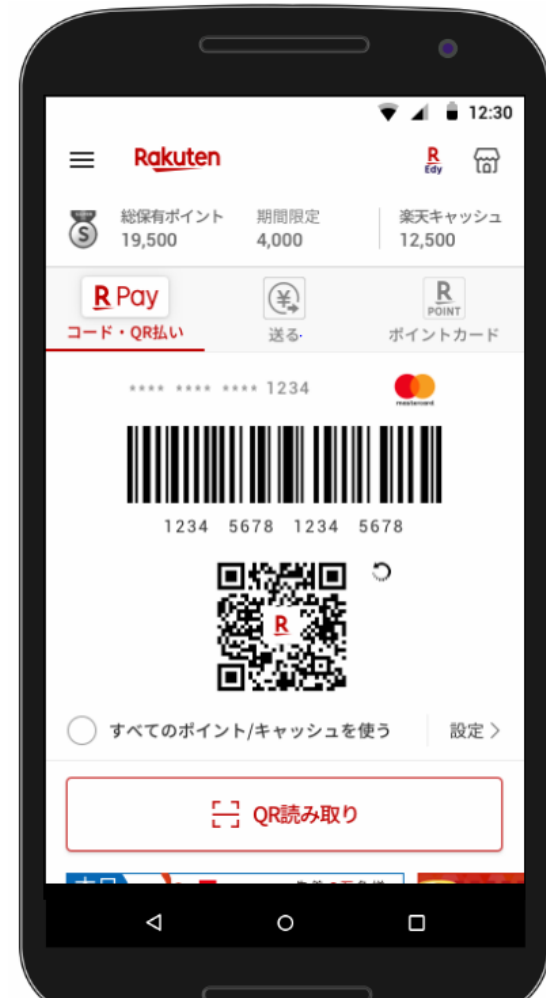
Food & Drink Purchases

+26.7% YoY*

Rakuten Seimei Park Miyagi

* Cashless event days in 2019 vs same game days in 2018

Successful Launch of New Rakuten Pay App



Number of downloads

+575%
YoY*

* Number of downloads YoY, in the 2 weeks after launch (March 18 – 31, 2019)

Point Partner Accelerating Growth with Addition of New Partners

Q1/19 GTV

+66.6%
YoY

April/19 GTV

+98.3%
YoY

Alpen
Group



ZÉNSHO



Summer/19

November/19

July/19

April/19

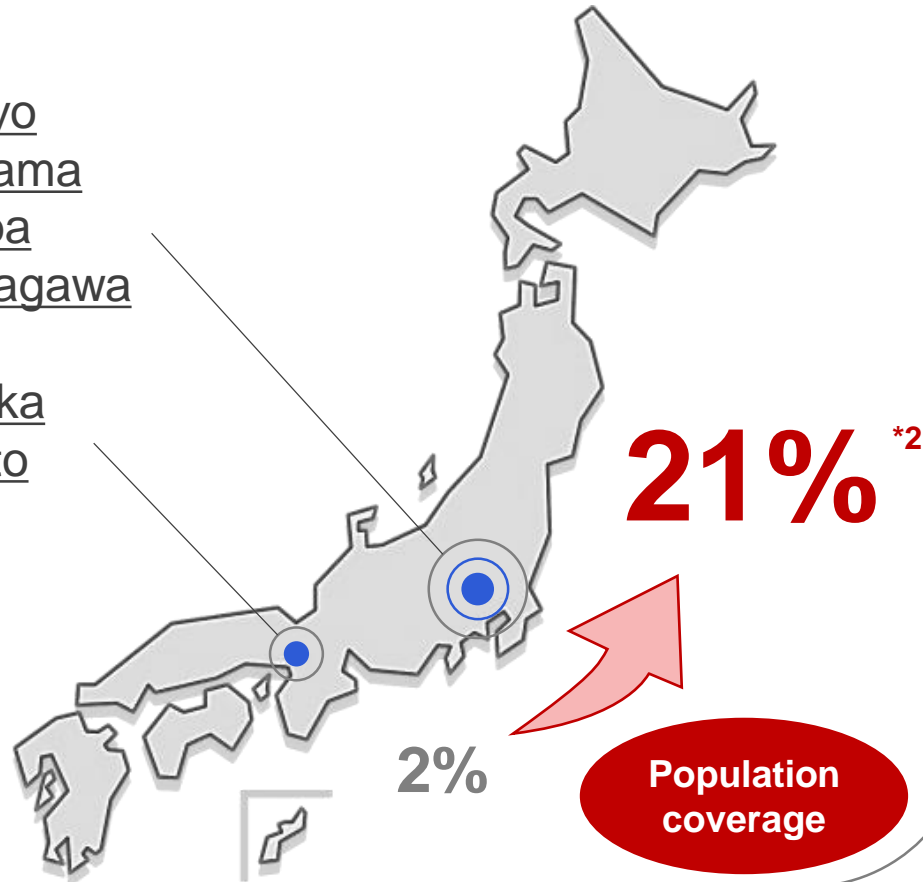


Rakuten ONE Delivery Expansion

Rakuten EXPRESS Area / Coverage Expansion^{*1}

Tokyo
Saitama
Chiba
Kanagawa

Osaka
Kyoto



Logistics Business Alliances

■ Rakuten Super Logistics for Wowma!

毎日がワウ!になる
Wowma!
Wowma! Merchants

Rakuten
Rakuten Ichiba Merchants



Rakuten SUPER LOGISTICS

■ Mutual use of logistics network



^{*1} 23 wards of Tokyo and 25 cities in metropolitan Tokyo, 6 wards of Saitama City and 6 other cities in Saitama Prefecture, 6 cities in Chiba Prefecture, Kawasaki City and Yokohama City in Kanagawa Prefecture, the 24 wards of Osaka City and other 6 cities in Osaka Prefecture, and 6 cities in Kyoto Prefecture.

^{*2} November 2017 to March 2019



FinTech Segment

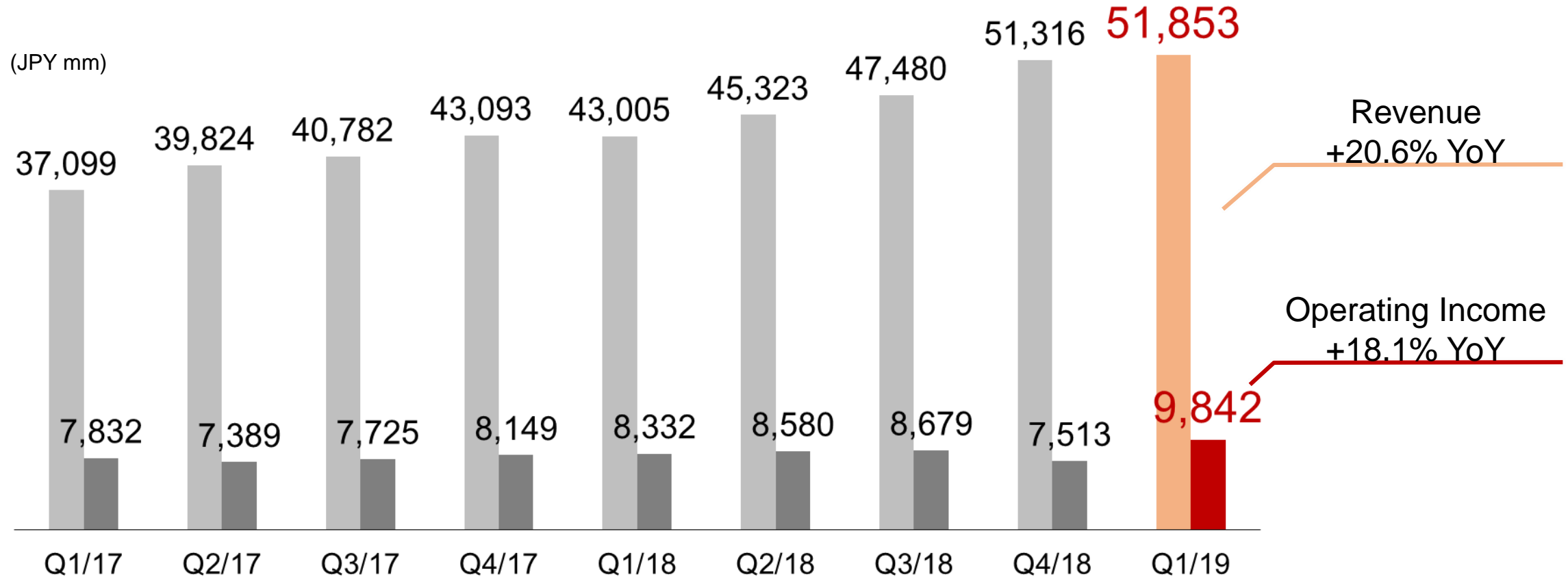
Q1/19 FinTech Results Summary

(JPY bn)

	Revenue	YoY	Operating Income	YoY
Card	51.9	+20.6%	9.8	+18.1%
Bank	21.6	+9.7%	6.6	+11.6%
Payment	6.4	+19.6%	-1.2	-1.08
Life Insurance	7.7	-7.7%	1.0	+108.6%
General Insurance	8.7	-	0.2	-
Others	3.4	+83.5%	0.1	+0.03
FinTech Total excl. Securities	99.7	+27.3%	16.6	+13.7%
Securities	14.5	-4.8%	3.5	-39.6%
FinTech Total	114.2	+22.1%	20.1	-1.4%

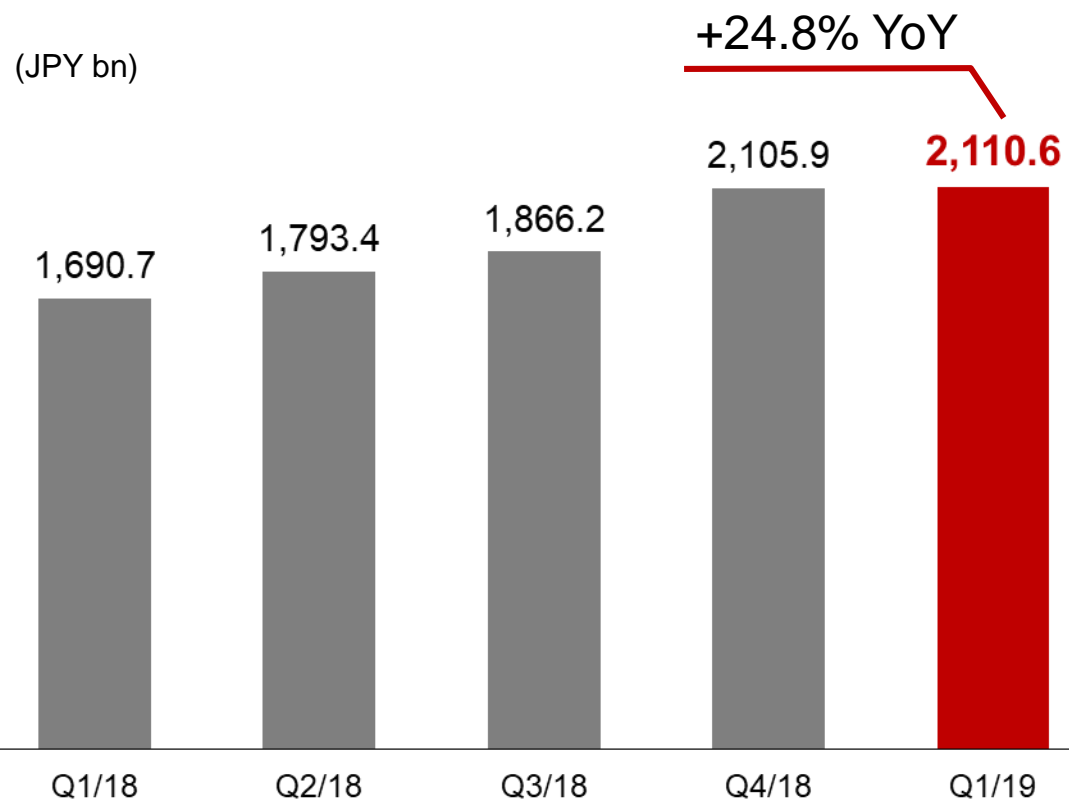
Rakuten Card Results

- Operating Income +18.1% YoY from growth in shopping transactions and revolving balances

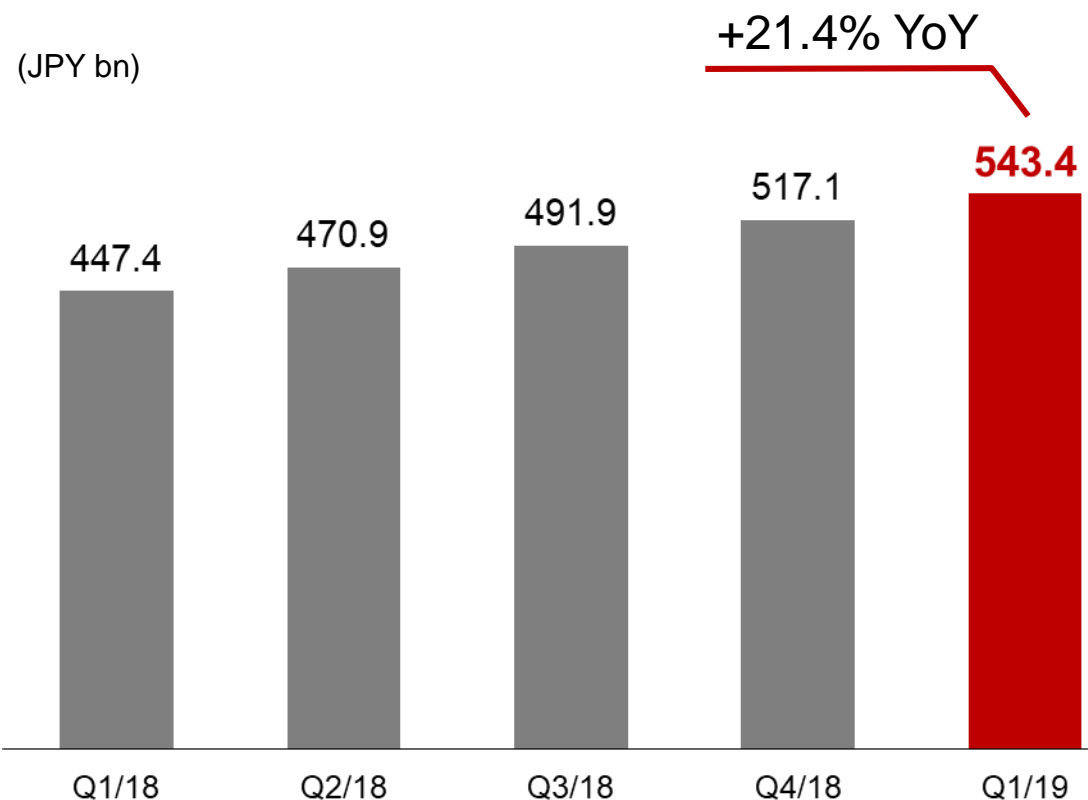


Rakuten Card KPIs*(1)

Card Shopping Transaction Value

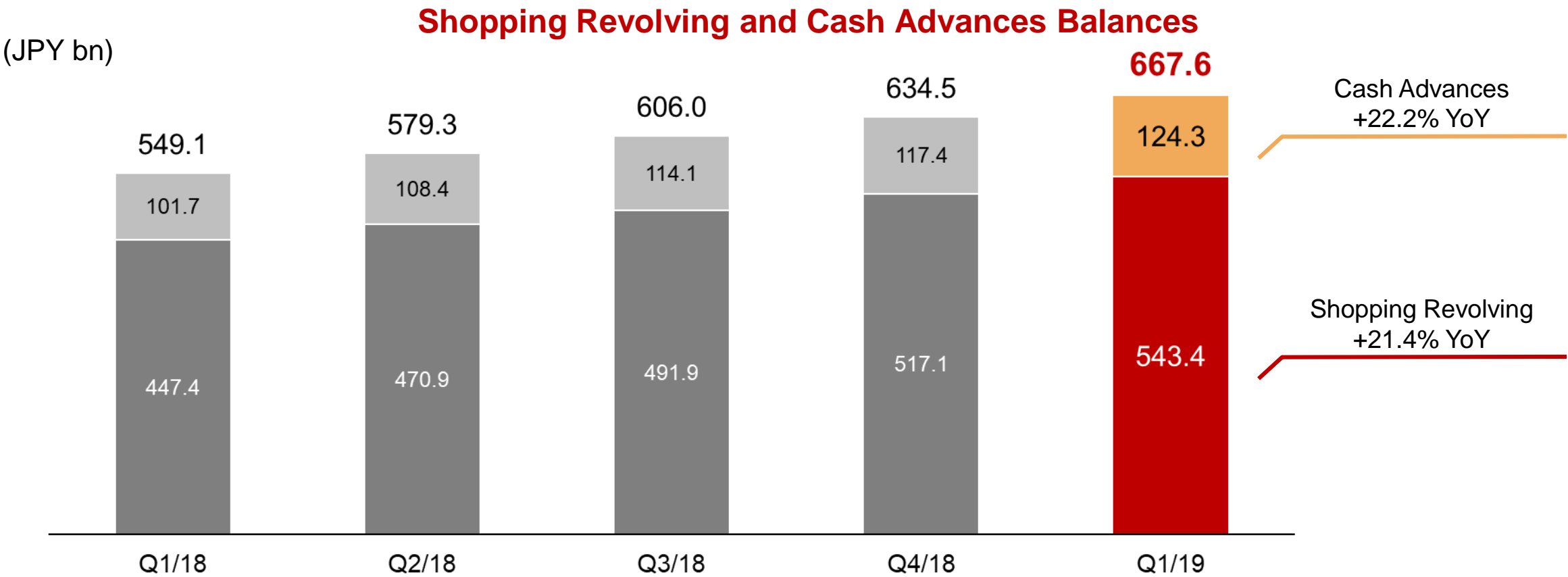


Shopping Revolving Balance



* Calculated on a managerial accounting basis, using different definitions from data in the Appendix.
Detailed credit card data is shown in the Appendix. Revolving balance is calculated on a principal basis.

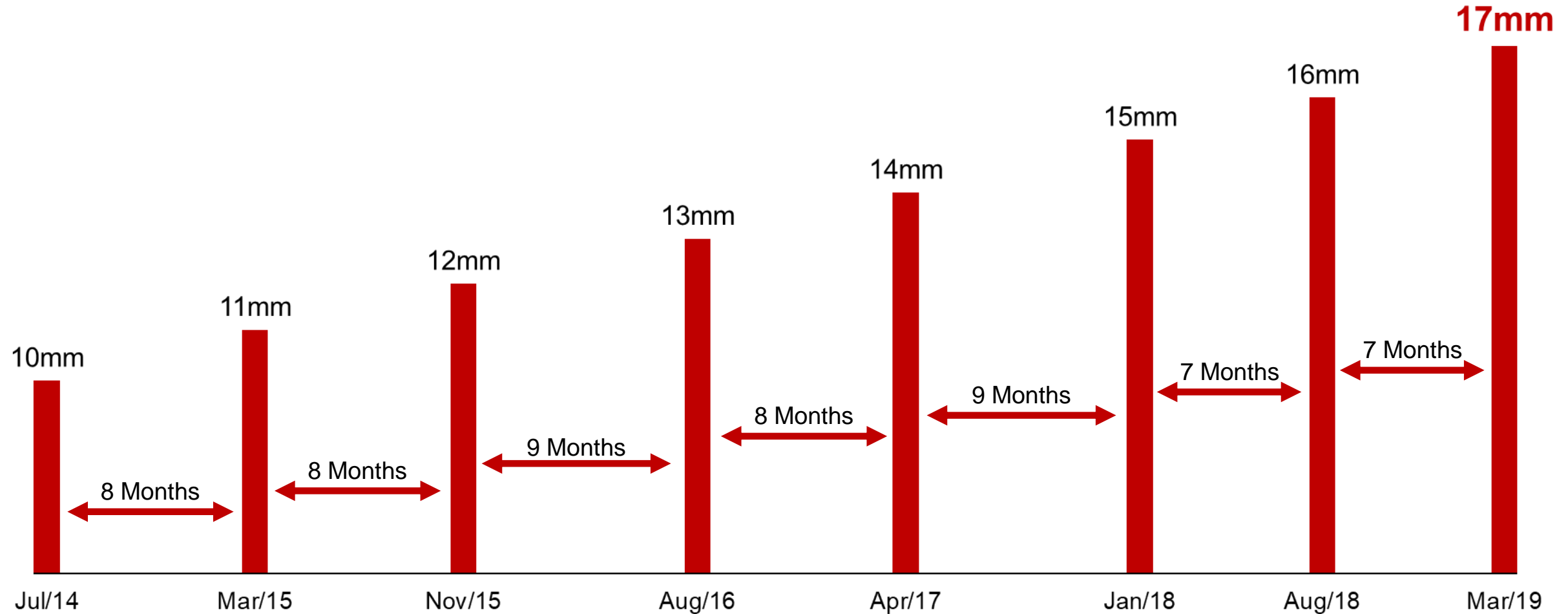
Rakuten Card KPIs*(2)



* Calculated on a managerial accounting basis, using different definitions from data in the Appendix.
Detailed credit card data is shown in the Appendix. Revolving balance is calculated on a principal basis

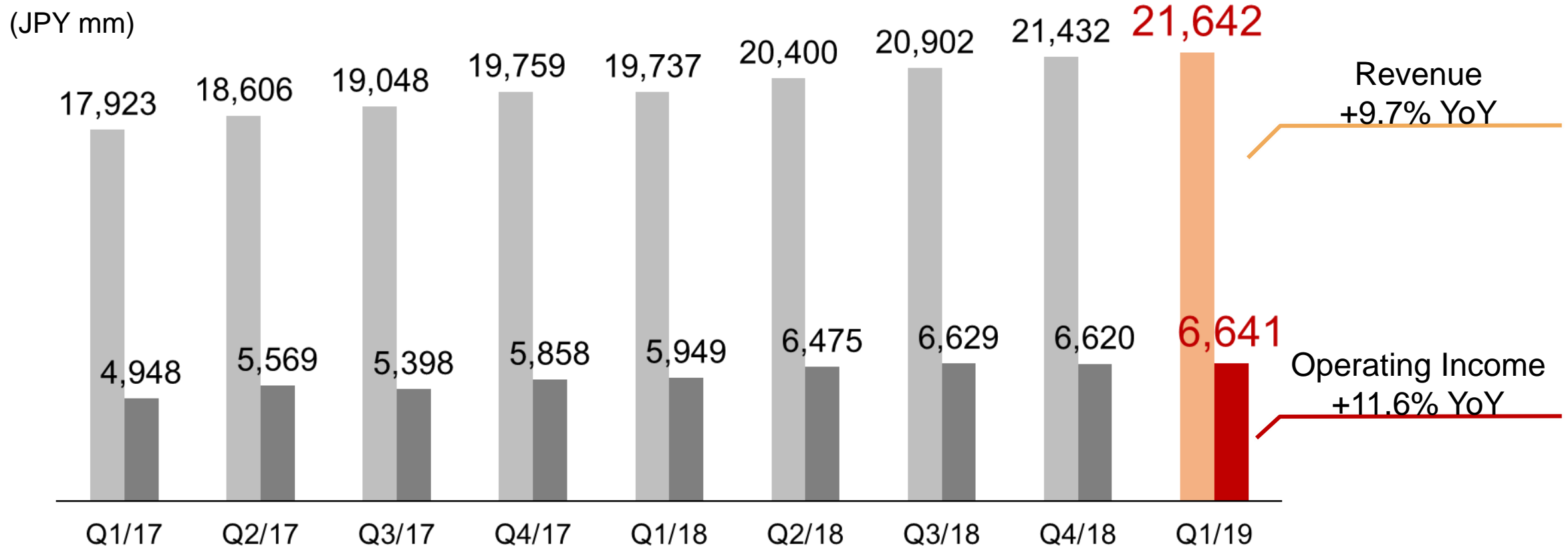
Rakuten Card Number of Cardholders surpassed 17mm

- Number of cardholders surpassed 17mm in March 2019, and continues to grow at a record pace



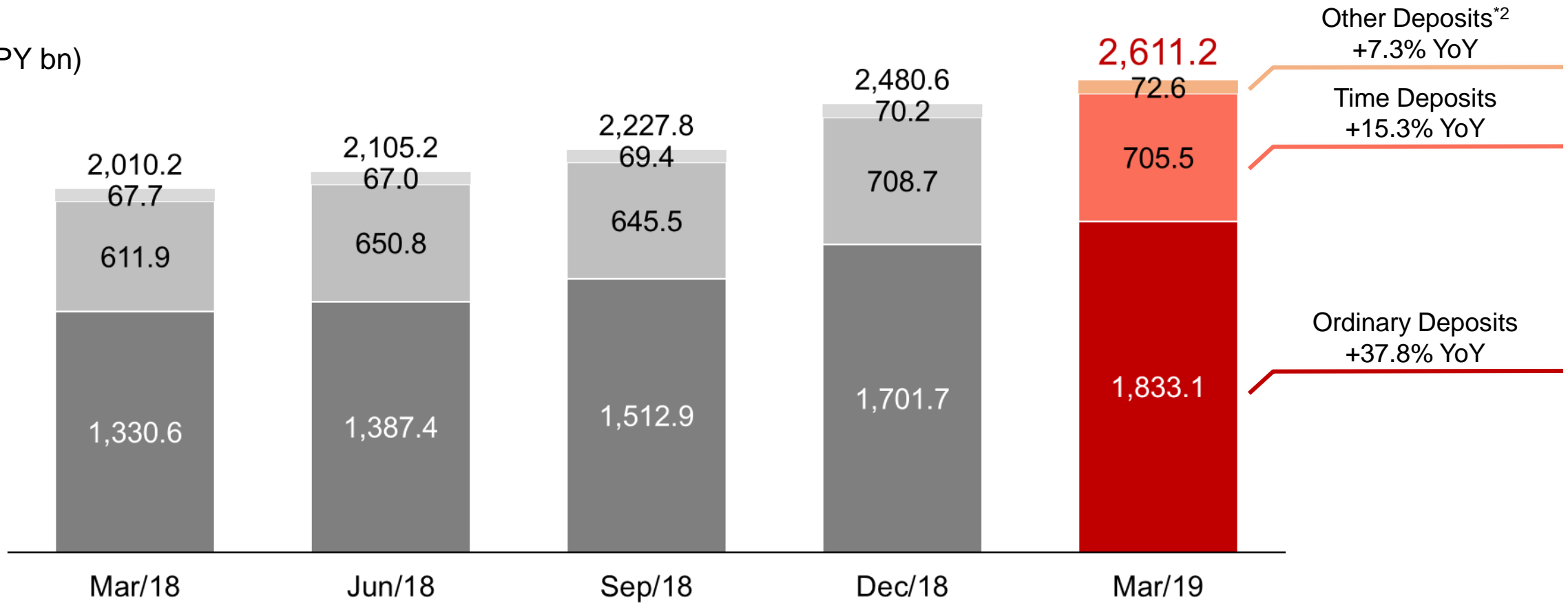
Rakuten Bank Results

■ Operating Income +11.6% YoY due to increase in loan receivables



Rakuten Bank: Deposits*¹

(JPY bn)

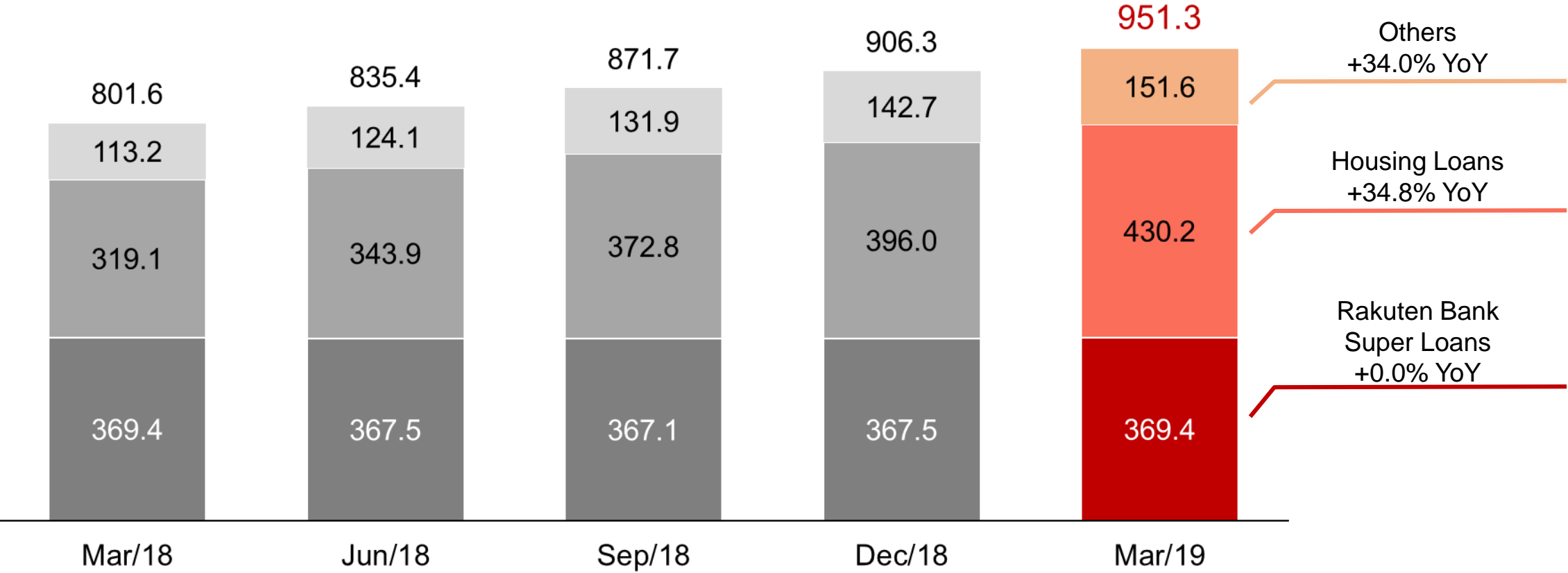


*¹ Based on IFRS which includes derivatives in structured term deposits.

*² Other deposits include deposits in foreign currencies and others.

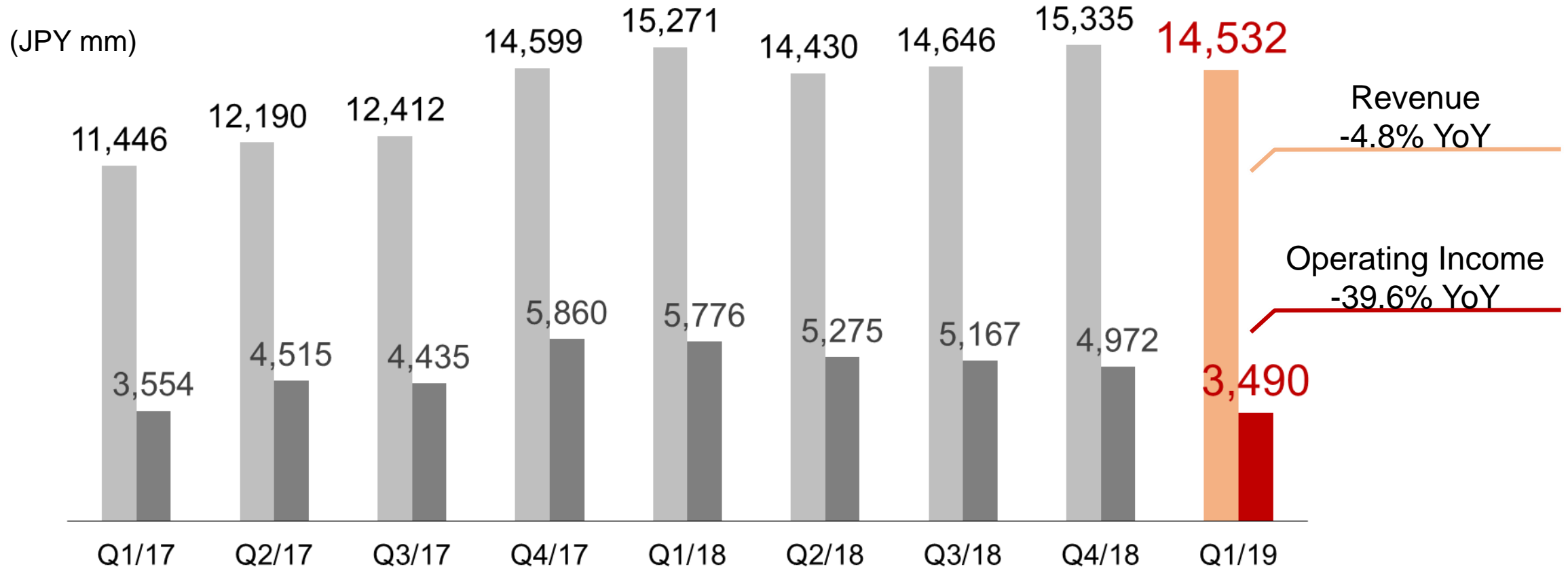
Rakuten Bank: Loan Receivables Balance

(JPY bn)



Rakuten Securities Results

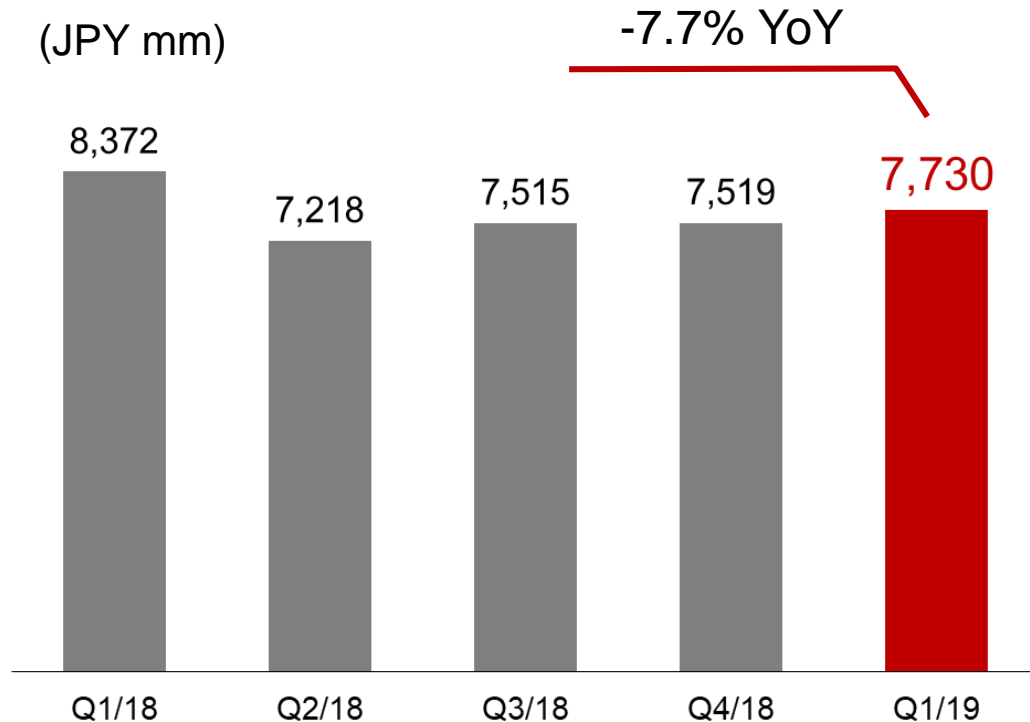
■ Operating Income -39.6% YoY due to weaker domestic stock market



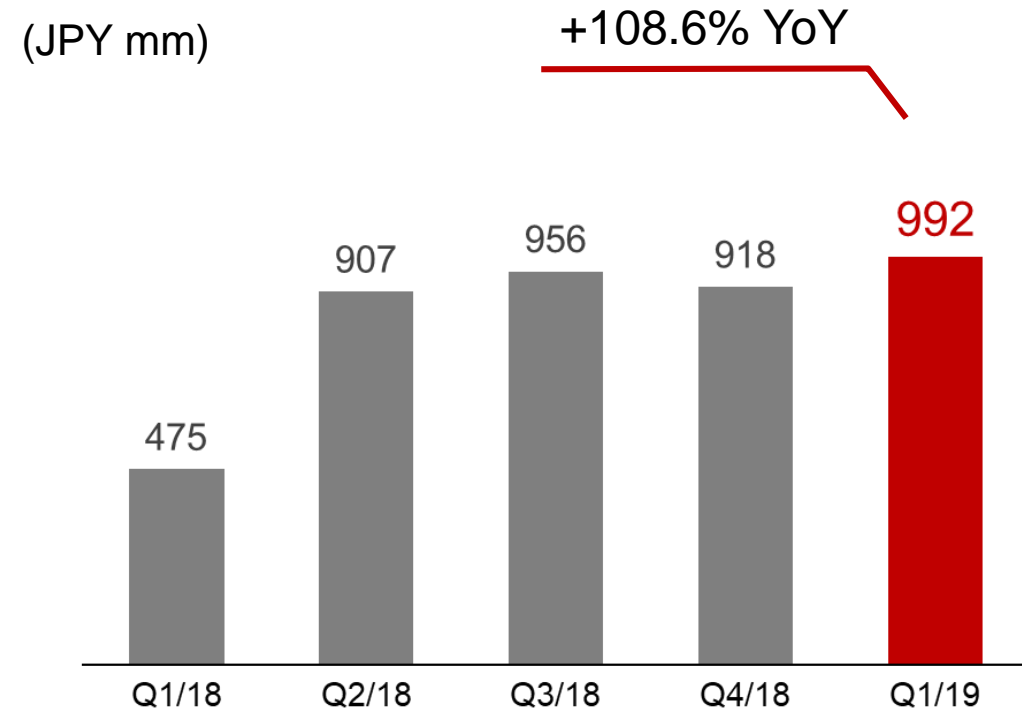
Rakuten Life Insurance Results

- Termination of low margin reinsurance policies caused a decline in revenue, however insurance premiums continue to show strong growth, resulting in OI +108.6% YoY

Revenue



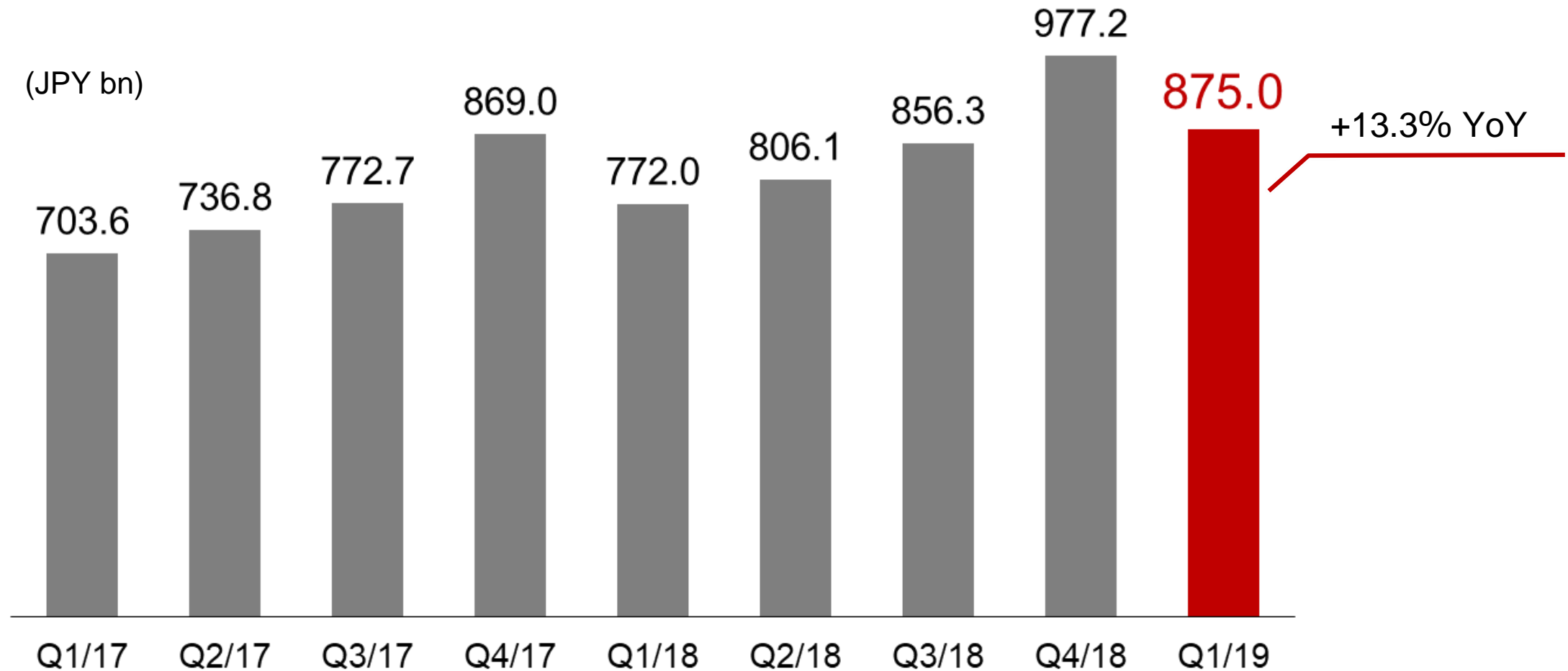
Operating Income





Internet Services Segment

Domestic E-Commerce GMS*1*2*3



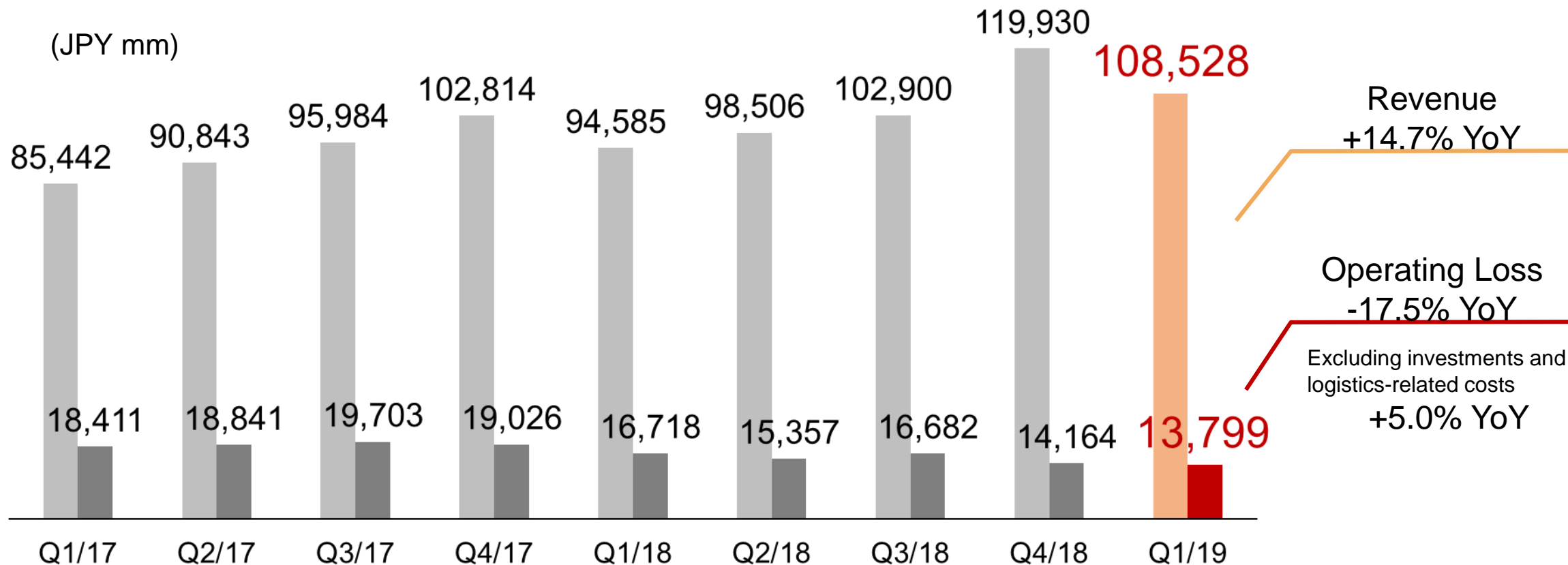
*1 Domestic E-Commerce GMS includes consumption tax. Consumption tax not included in GMS for businesses not required to pay consumption tax.

GMS comprises Ichiba, Travel GTV on checkout basis, Books, Golf, Ticket, Brand Avenue, Dream businesses, Rakoo, Beauty, Mart, Delivery, Rakuten Direct, Car Life, Coupon, Rakuma, Rakuten Delivery Premium, Rebates, Raxy, Rakuten Seiyu Netsuper, etc.

*2 Definition of GMS for first party businesses was revised mainly upon the merger between Soukai Drug and Kenko.com. This resulted in retroactive adjustments to Domestic E-Commerce GMS in Q3/17

*3 Eliminated internal transactions in some businesses from Q1/19. This has resulted in retroactive adjustments.

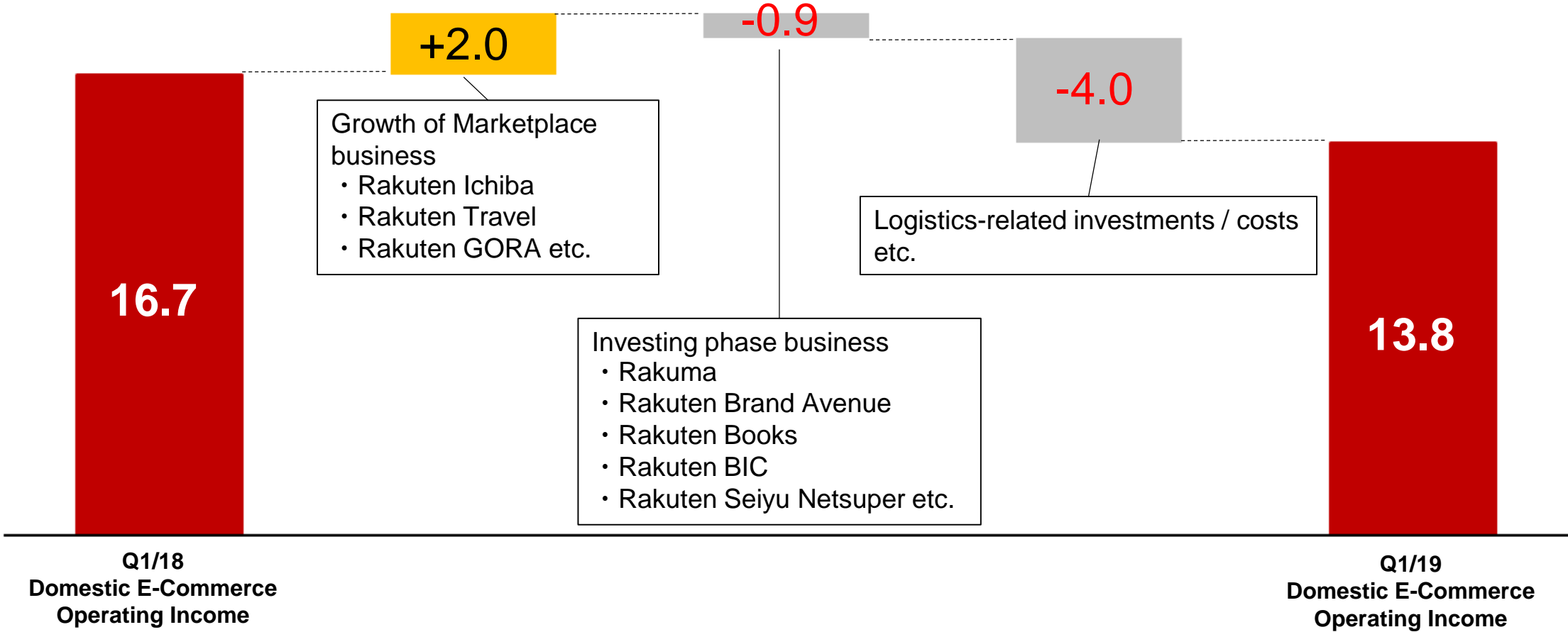
Domestic E-Commerce Results*



* Domestic E-Commerce = Ichiba, Travel, Books, Golf, Ticket, Brand Avenue, Dream businesses, Rakoo, Beauty, Mart, Delivery, Rakuten Direct, Logistics Car Life, Coupon, Rakuma, Rakuten Delivery Premium, etc.

Q1/19 Domestic E-Commerce Operating Income Breakdown

(JPY bn)

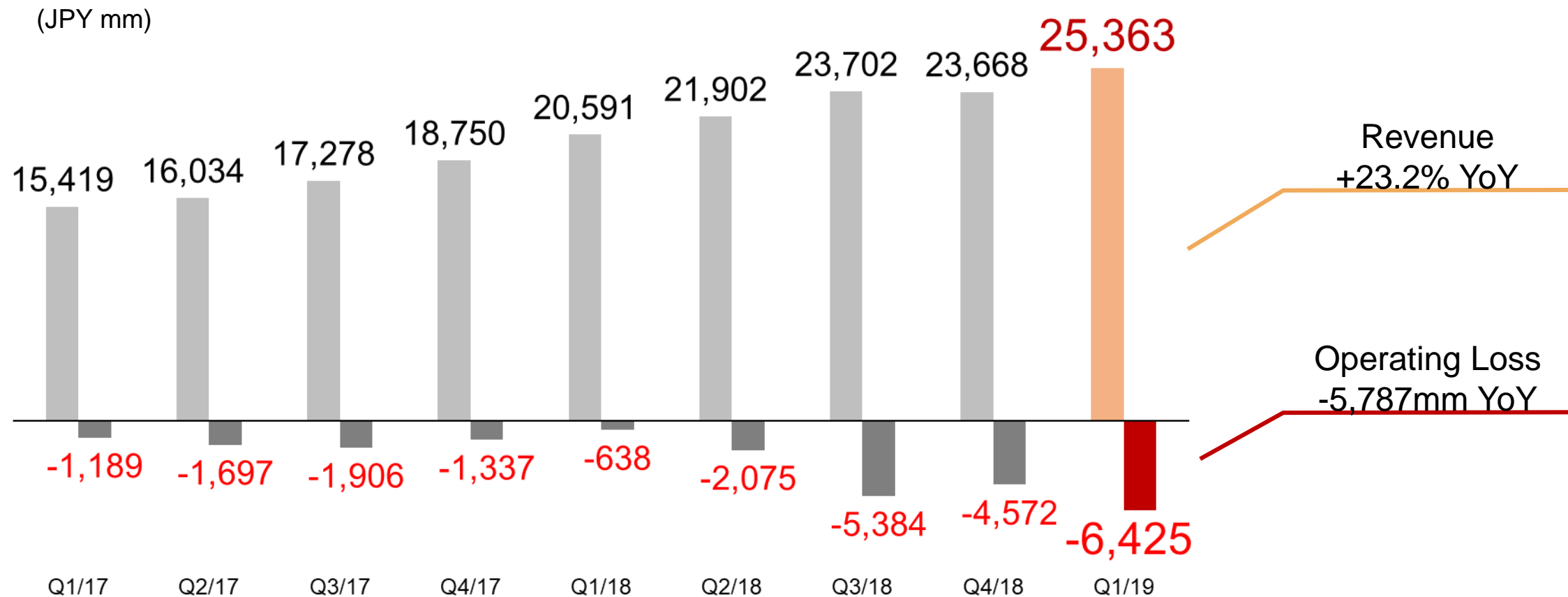




Mobile Segment

Mobile* Results

- Expanding investment in mobile shop network for MNO launch in Oct 2019

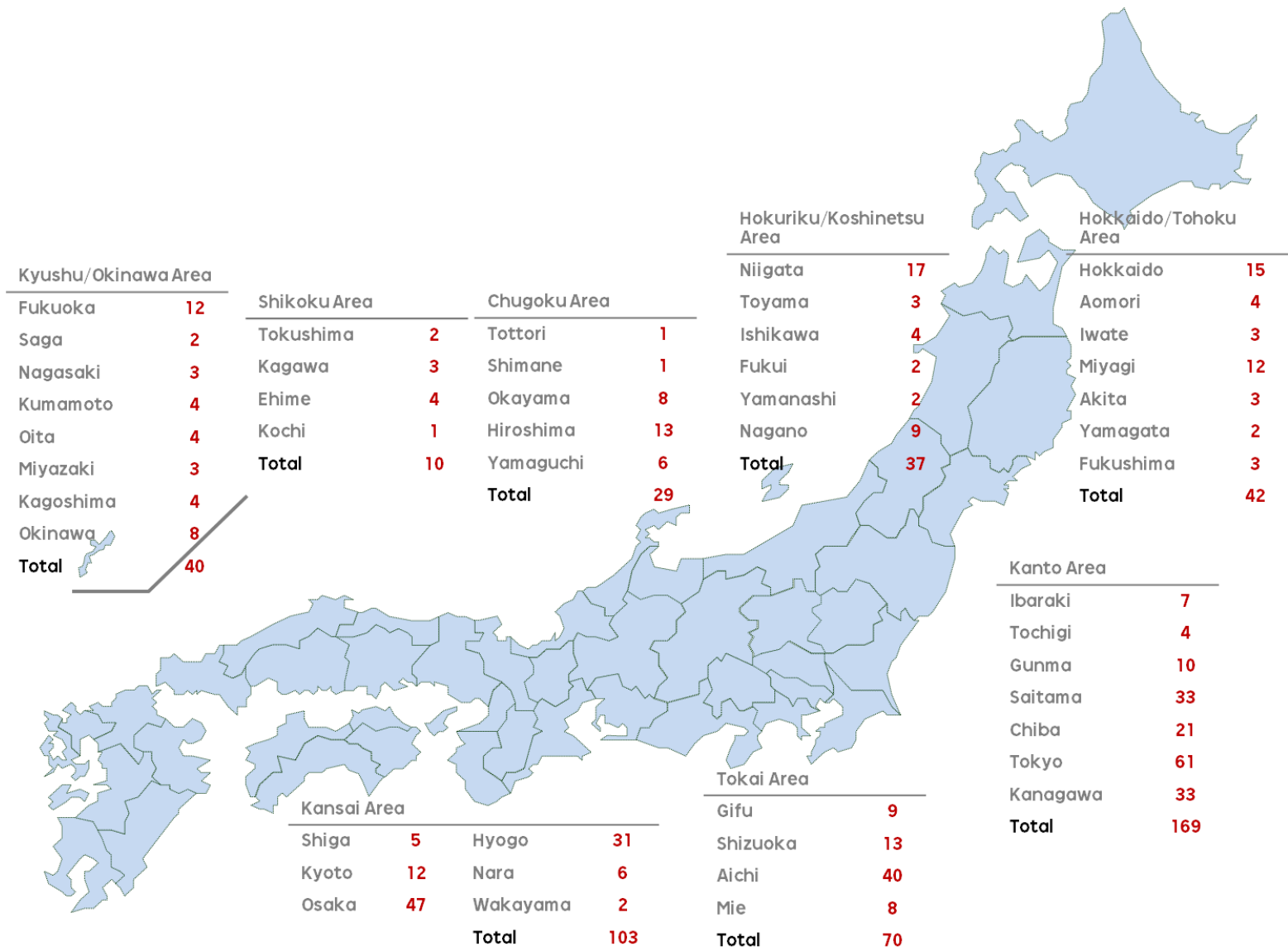


* Mobile segment includes Rakuten Communications, MNO business, MVNE & O businesses, Rakuten Viber, and Energy businesses.

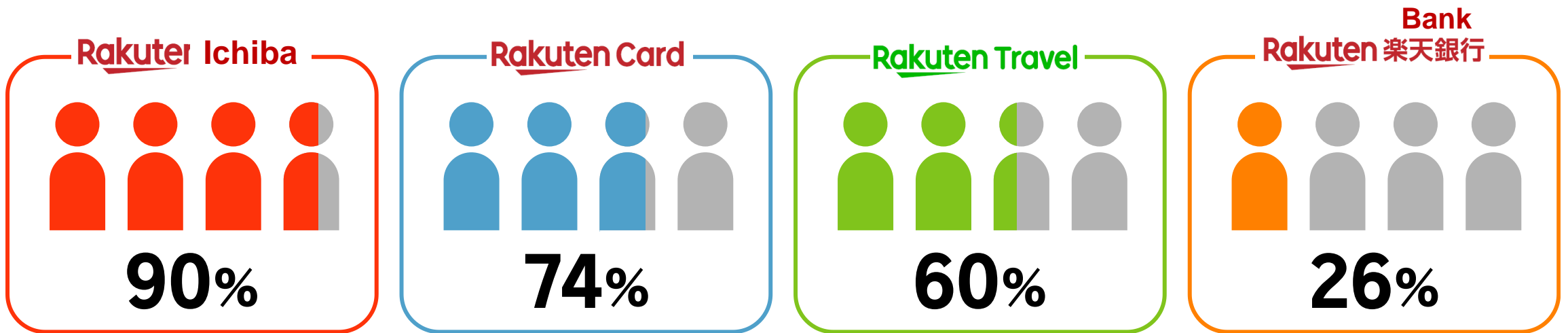
Rakuten Mobile Shop Network

No. of shops
(May 2019)

500



Rakuten Mobile Users' Cross-Use of other Rakuten Services*



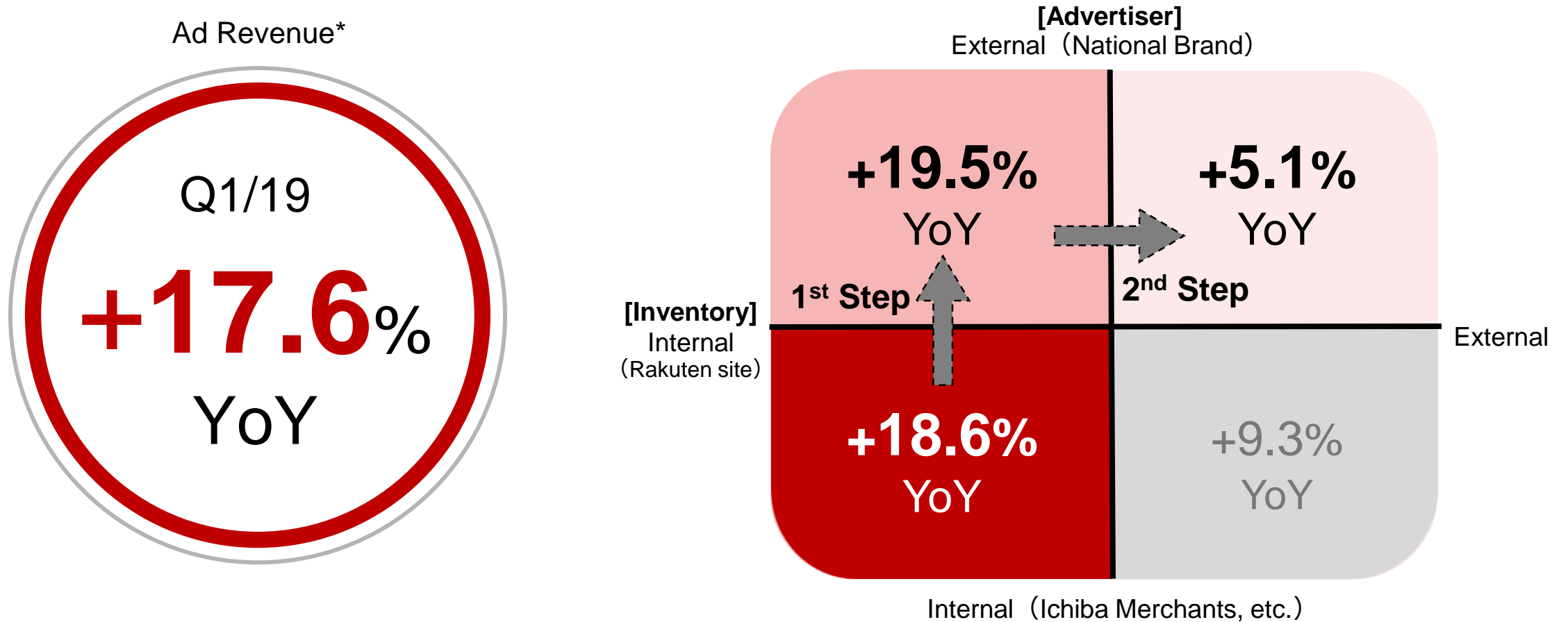
* Utilization rate of each Rakuten service by Rakuten Mobile users as of March 2019



Ad Business

Ad Business: Growth Analysis

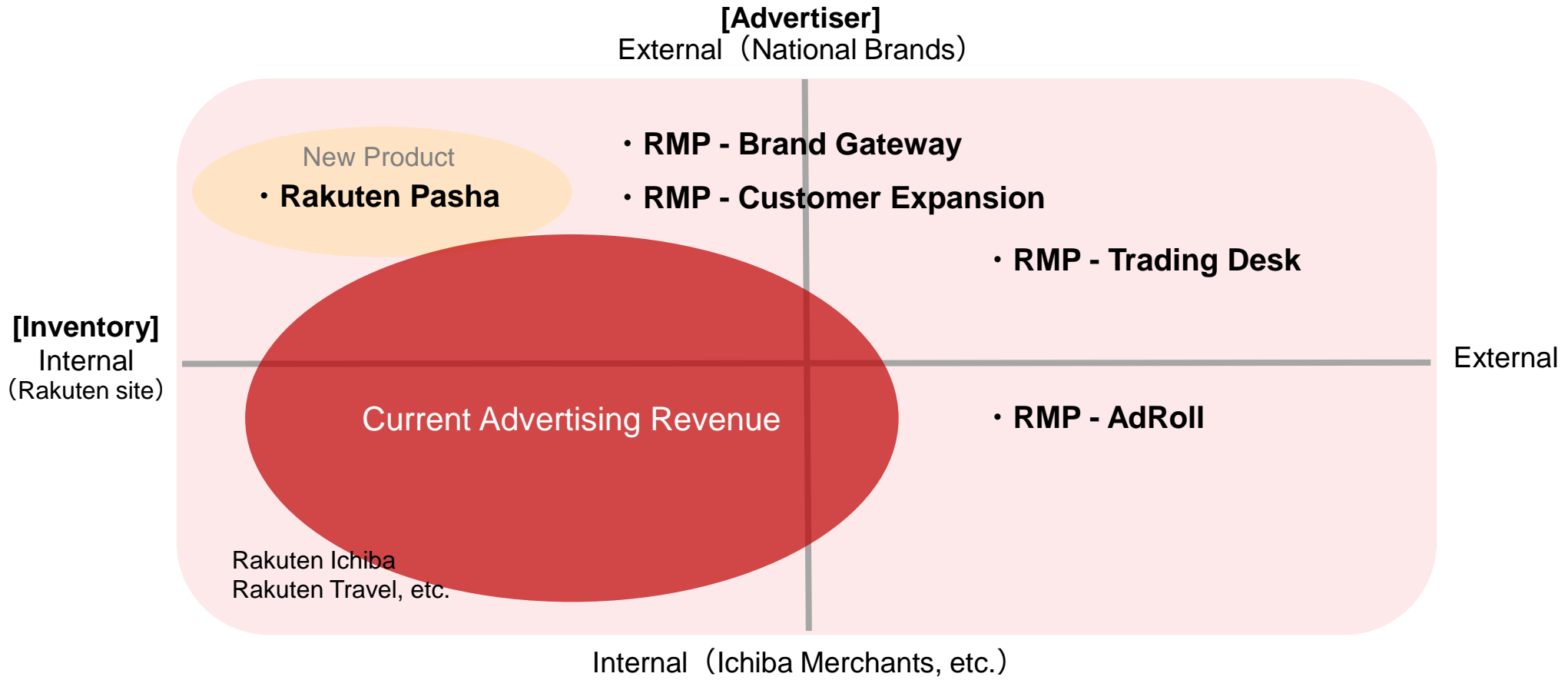
- External advertiser sales driven by strong results from internal assets (inventory, data, etc.)
- Steady growth in external advertiser sales driven by utilization of ad inventories and data .
Firstly from approaching external advertisers, and secondly from utilizing external ad inventories



* Revenue includes internal transactions.

Growth Strategy: Targeting JPY200bn* Revenue in 2021

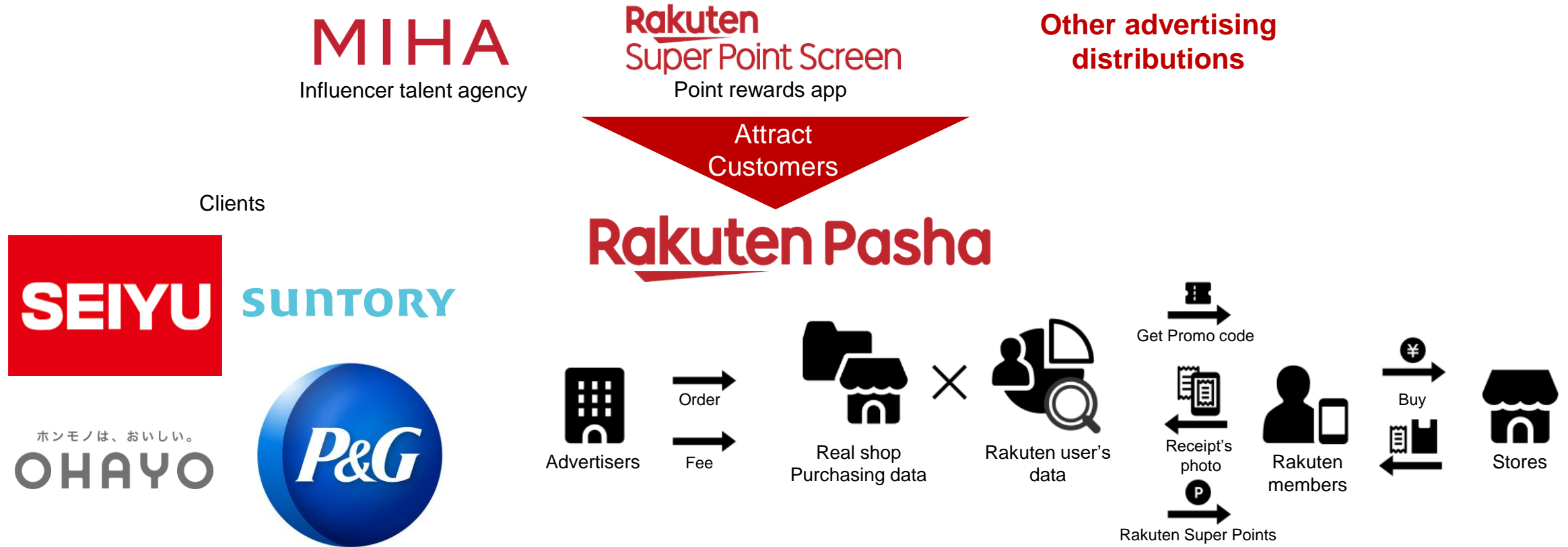
- Aiming for higher growth through internal inventory revenue from Ichiba, Travel, etc., and extension of business with external advertisers.



* Revenue includes internal transactions.

Ad Business Strategy: O2O Marketing

- Strengthen O2O marketing to provide high-efficiency advertising
- Launched Rakuten Pasha, a “pay-for-success” type advertising platform on February 4, 2019, where advertisers give Rakuten points to users who buy products at retail stores, attracting customers effectively by utilizing advertising distributions of Rakuten services.



Realize high-quality user analytics based on Rakuten IDs and O2O point marketing

Rakuten



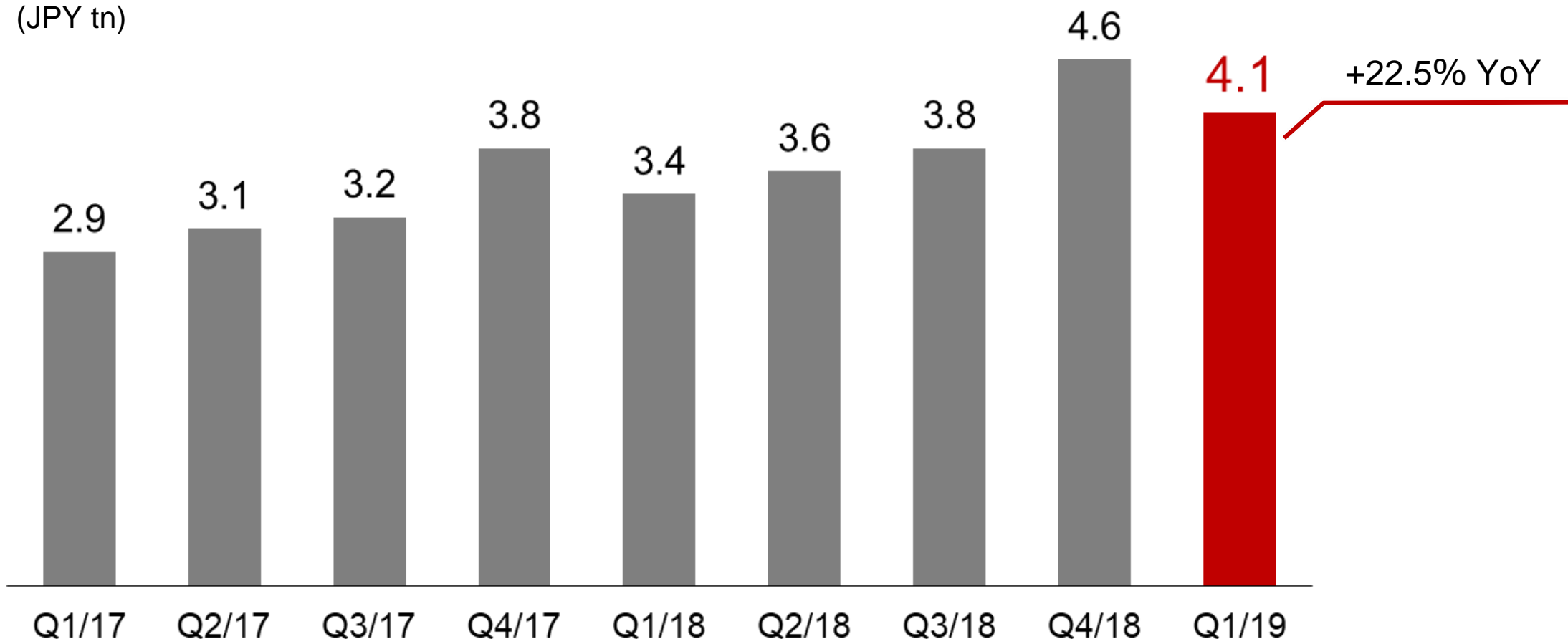
Other Information



Consolidated Results

Total Global GTV^{*1*2}

(JPY tn)



^{*1} Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card GTV + Edy GTV + Rakuten Pay GTV+ Rakuten Point Card GTV + Overseas E-Commerce GMS + Ebates GMS + Digital Contents GTV + Rakuten Marketing GTV

^{*2} Includes intercompany transactions for settlement and affiliate services

Rakuten Group: Balance Sheets (As of March 31, 2019)

(JPY bn)

Cash and cash equivalents 1,080.3	Bonds and borrowings 1,405.7
Financial assets for securities biz 1,873.1	Financial liabilities for securities biz 1,751.3
Investment securities and loans for banking biz 1,132.0	Deposits for banking biz 2,481.3
Loans for credit card biz 1,461.7	
Other assets 2,254.2	Other liabilities 1,286.7
	Total net assets 876.4

Total Assets 7,801.3

**Rakuten Group
(Consolidated)**

Cash and cash equivalents 128.8	Bonds and borrowings 521.9
Other assets 1,784.2	subordinated bonds 182.0
	Total net assets 647.6

Total Assets 1,913.0

Rakuten, Inc.

Cash and cash equivalents 791.5	Bonds and borrowings 194.2
Investment securities and loans for banking biz 2,128.9	Deposits for banking biz 2,612.3
Other assets 82.1	
	Total net assets 127.8

Total Assets 3,002.4

Rakuten Bank, Ltd.

Cash and cash equivalents 57.4	Bonds and borrowings 1,290.1
Loans for credit card biz 1,452.1	
Other assets 225.3	
	Total net assets 125.8

Total Assets 1,734.8

**Rakuten Card
Co., Ltd.**

Cash and cash equivalents 72.9	Bonds and borrowings 150.0
Financial assets for securities biz 1,866.8	Financial liabilities for securities biz 1,745.3
Other assets 66.9	
	Total net assets 98.9

Total Assets 2,006.6

**Rakuten
Securities, Inc.**

Cash and cash equivalents 5.5	Other liabilities 33.3
Other assets 55.2	Total net assets 27.4

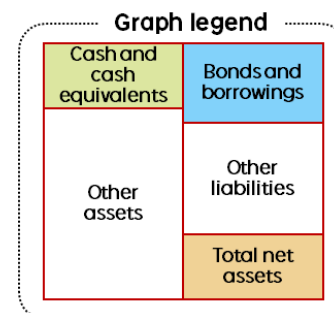
Total Assets 60.7

**Rakuten
Life Insurance Co., Ltd.**

Cash and cash equivalents 24.3	Other liabilities 333.5
Other assets 364.1	Total net assets 54.9

Total Assets 388.4

**Rakuten
General Insurance
Co., Ltd.**



*1 Rakuten, Inc., Rakuten Bank, Ltd., Rakuten Card Co., Ltd., Rakuten Securities, Inc., Rakuten Life Insurance Co., Ltd., and Rakuten General Insurance Co., Ltd. are based on IFRS non-consolidated balance sheets.

*2 Bonds and borrowings = Corporate bonds + CP + Borrowings

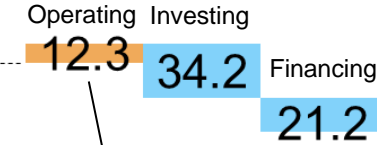
Cash Flow Breakdown: Jan-Mar, 2019

(JPY bn)

Balance of cash
Dec 31, 2018

990.2

Non-Financial Businesses

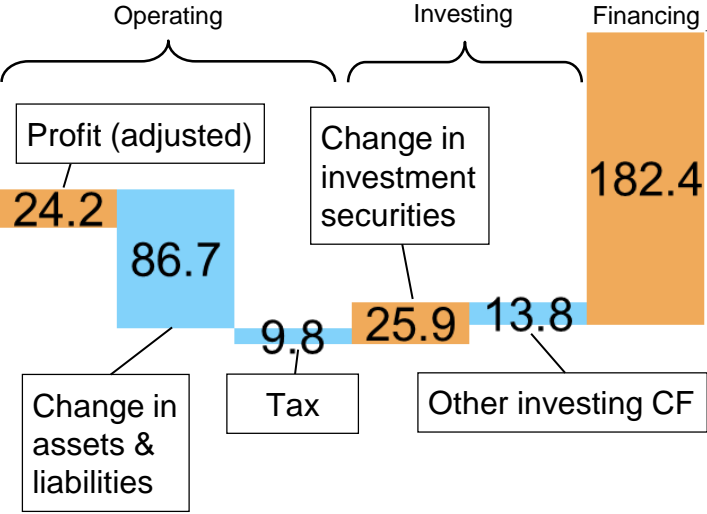


Operating CF
(Excl. Tax)

Increase in cash and
cash equivalents

-43.1

Financial Businesses



Increase in cash and
cash equivalents

+122.2

M&A,
Investments Common



Increase in cash and
cash equivalents

+10.9

Balance of cash
Mar 31, 2019

1080.3

* "M&A and investments" includes "Increase and Decrease in restricted deposits", "Purchase of investment securities" "Acquisition of investments in associates and joint ventures" and "Proceeds from sales and redemption of investment securities" of Non-Financial activities in addition to "Acquisition of subsidiaries"



FinTech Segment

Rakuten Card: Allowance for Doubtful Accounts (Q1/18- including IFRS9 impact)

(JPY mm)

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	YoY
Expenses related to doubtful accounts	7,983	8,078	9,515	10,403	9,192	15.1%
Ratio of expenses related to doubtful accounts ^{*1}	1.99%	1.98%	2.27%	2.31%	1.94%	—

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	YoY
Rakuten Card	1,217,549	1,263,110	1,317,899	1,502,530	1,502,864	23.4%
Stage 1 (Normal)	1,148,457	1,196,212	1,248,131	1,433,457	1,430,687	24.6%
Stage 2 (1-2 months delinquent)	11,541	8,876	10,040	8,862	10,705	-7.2%
Stage 3 (3 months-and-over-delinquent/Restructured Loans)	57,551	58,023	59,727	60,211	61,472	6.8%
Rakuten Bank Super Loans	388,818	387,696	387,662	387,863	390,177	0.3%
Stage 1 (Normal/Credit guarantees ^{*2})	352,702	350,442	349,683	350,184	351,810	-0.3%
Stage 2 (30 days-and-over-delinquent/Credit guarantees ^{*2})	161	175	195	143	165	2.3%
Stage 3 (Foreclosed credit guarantees)	35,954	37,079	37,784	37,536	38,202	6.3%
Others	1,563	1,504	1,472	1,430	1,378	-11.8%
Total balance of loan receivables	1,607,929	1,652,310	1,707,032	1,891,823	1,894,419	17.8%
Allowance for doubtful accounts^{*3}	86,560	86,412	88,519	88,741	90,291	4.3%
Write-off for bad debt^{*4}	8,395	8,222	7,366	10,183	7,645	-8.9%

^{*1} Ratio of expenses related to doubtful accounts
= (Expenses related to doubtful accounts) / (average of total balance of loan receivables at beginning and end of the period) × 4

^{*2} Balance of Rakuten Bank Super Loans guaranteed by Rakuten Card

^{*3} Including allowance for credit guarantees from Q1/18

^{*4} Write-off for bad debt includes loss on transfer of loan receivables

Rakuten Insurance Group Strategy

- Online application for Bicycle Insurance (2018/10/22～)



- **Expansion of Pet Insurance**

(Surpassed JPY100mm in March 2019
New Business ANP)

- Super Simple Insurance
- Extended warranty for home appliances
- Group insurance for merchants

- Online application for Household Insurance (2019/2/1～)
- **Online application for Golfer's Insurance** (2019/3/12～)
- **Online application for Travel Insurance** (2019/3/27～)



- Complementary Insurance
- Casualty Insurance to Members

- Fire insurance for homeowners

- Online application for Fire Insurance (2018/12/12～)
- Cross-sales within Rakuten Insurance Holdings (e.g. Pet Insurance)



Internet Services Segment

An example of comprehensive partnership agreements with local governments

- Offer customized and comprehensive Rakuten services to each local city

Example of Yahaba-city, Iwate

Rakuten Ichiba



Rakuten Ichiba



Rakuten レシピ Recipe



Rakuten Travel



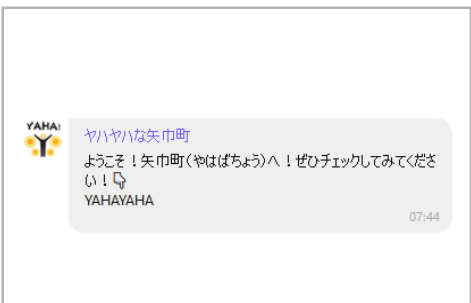
Rakuten OverDrive



RAKUTEN EAGLES



Rakuten Viber



Rakuten University



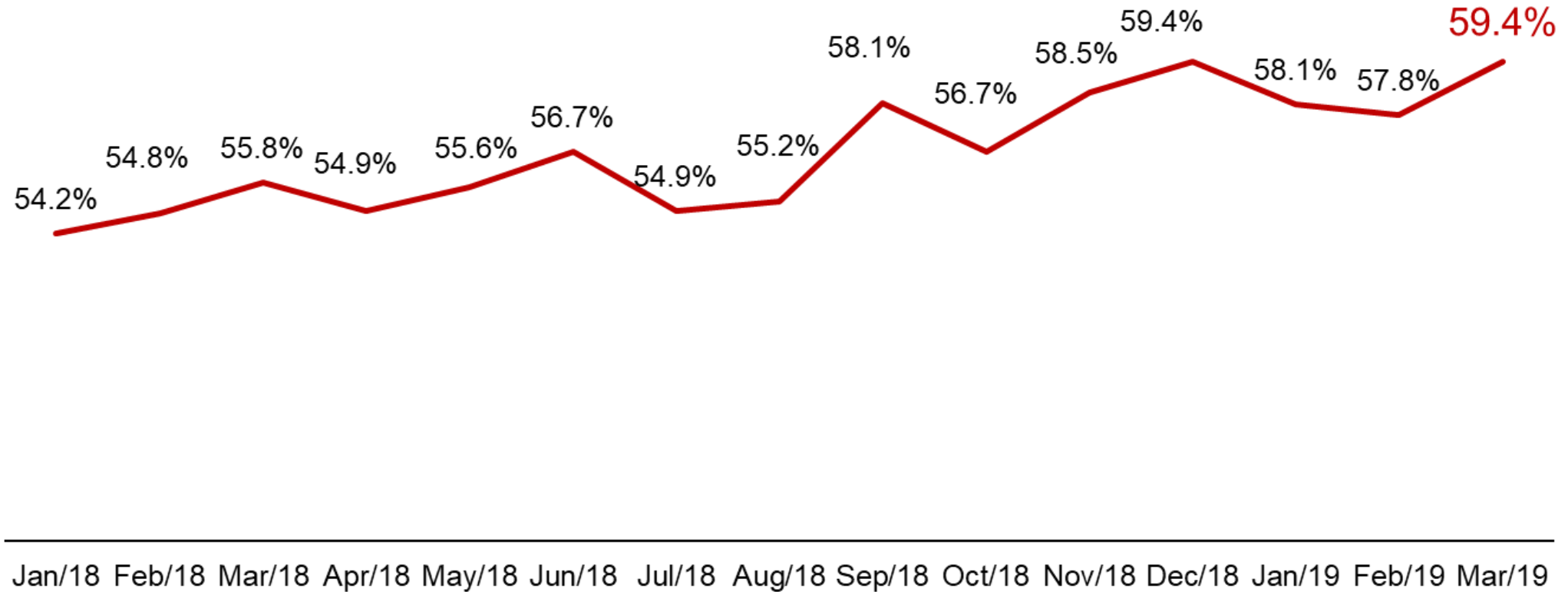
Q1/19 Rakuten Ichiba Mobile GMS Ratio*

73.1%
Up 6.6 Points YoY

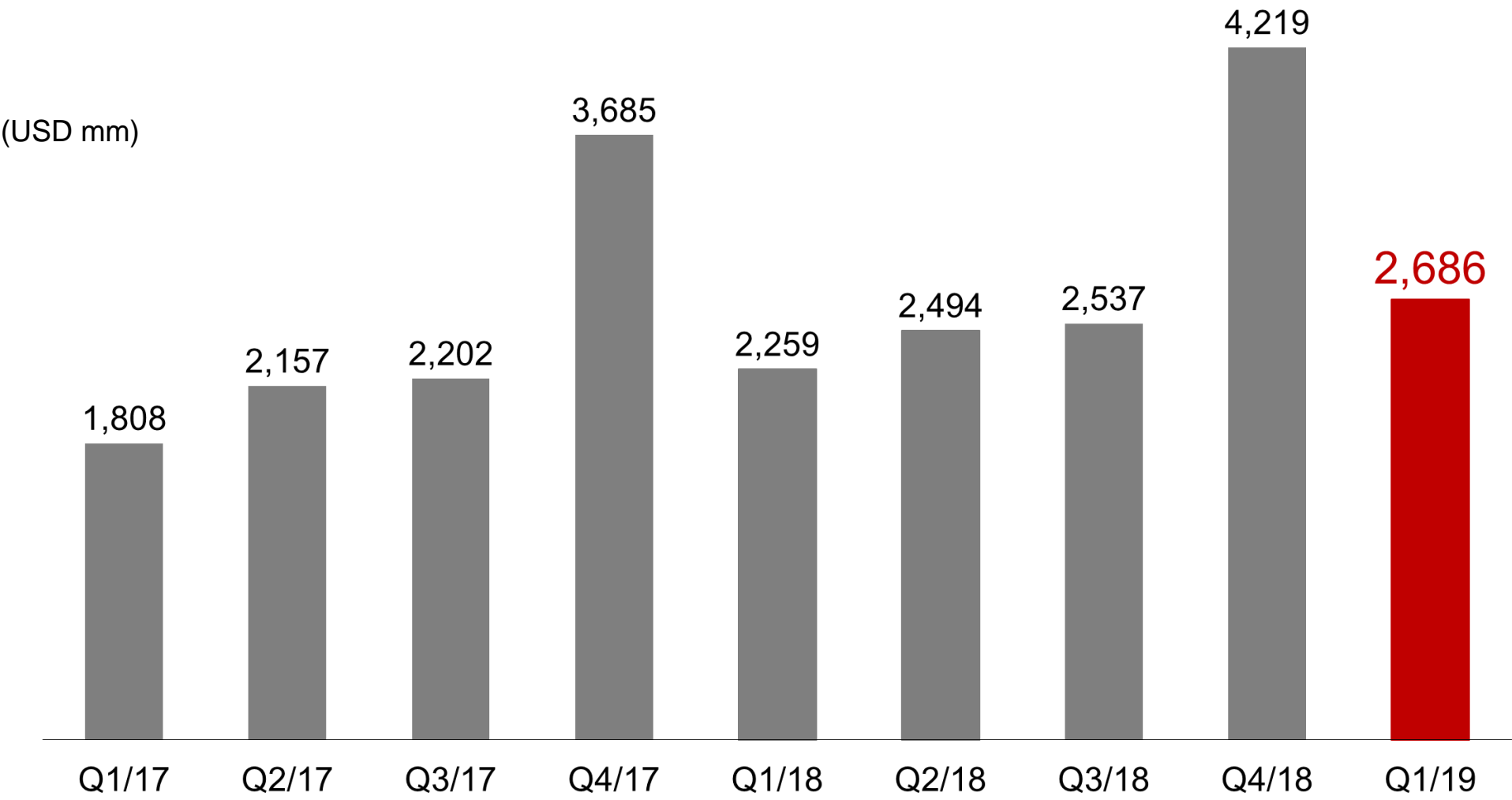
* Mobile GMS Ratio = Ichiba mobile GMS / Total Ichiba GMS (includes feature phones, smartphones, and tablets)

Rakuten Card Share of Rakuten Ichiba GMS

- Share of Rakuten Card payment in Ichiba GMS is consistently growing

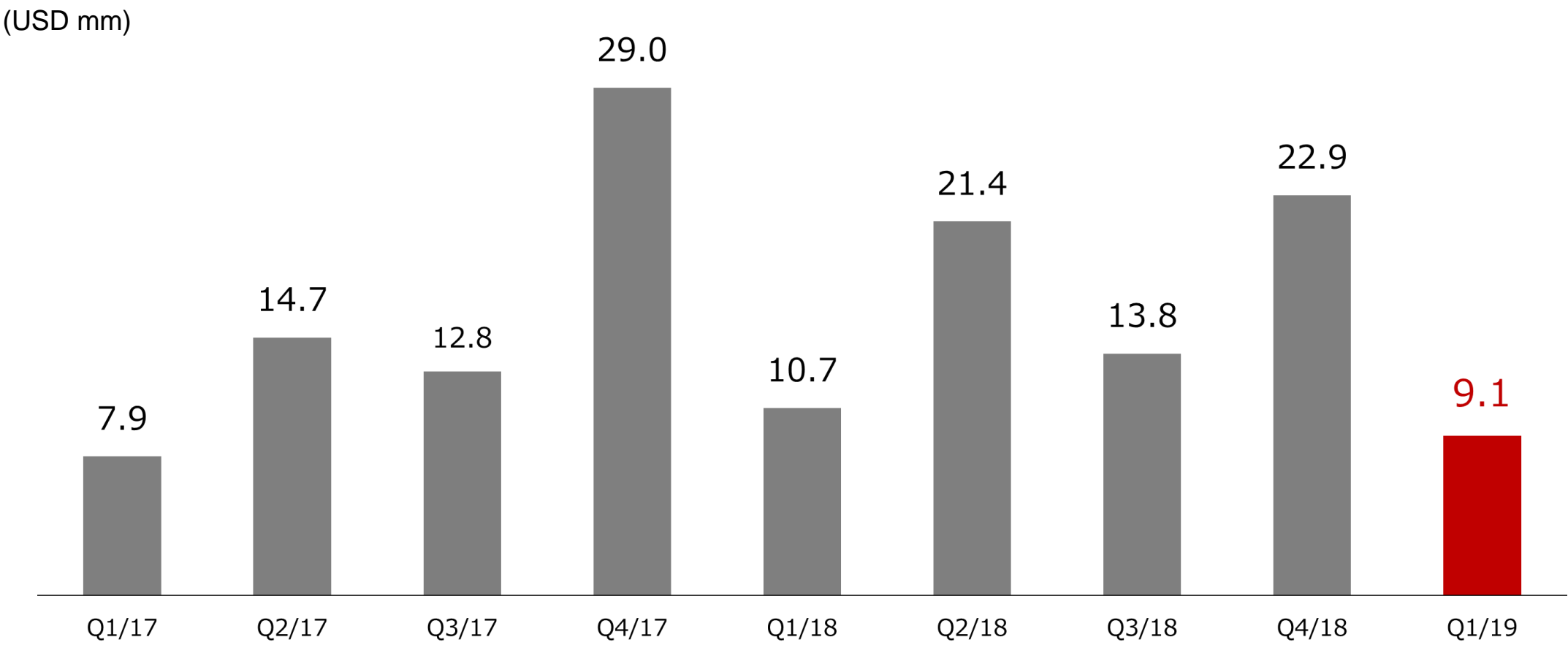


Ebates GMS*



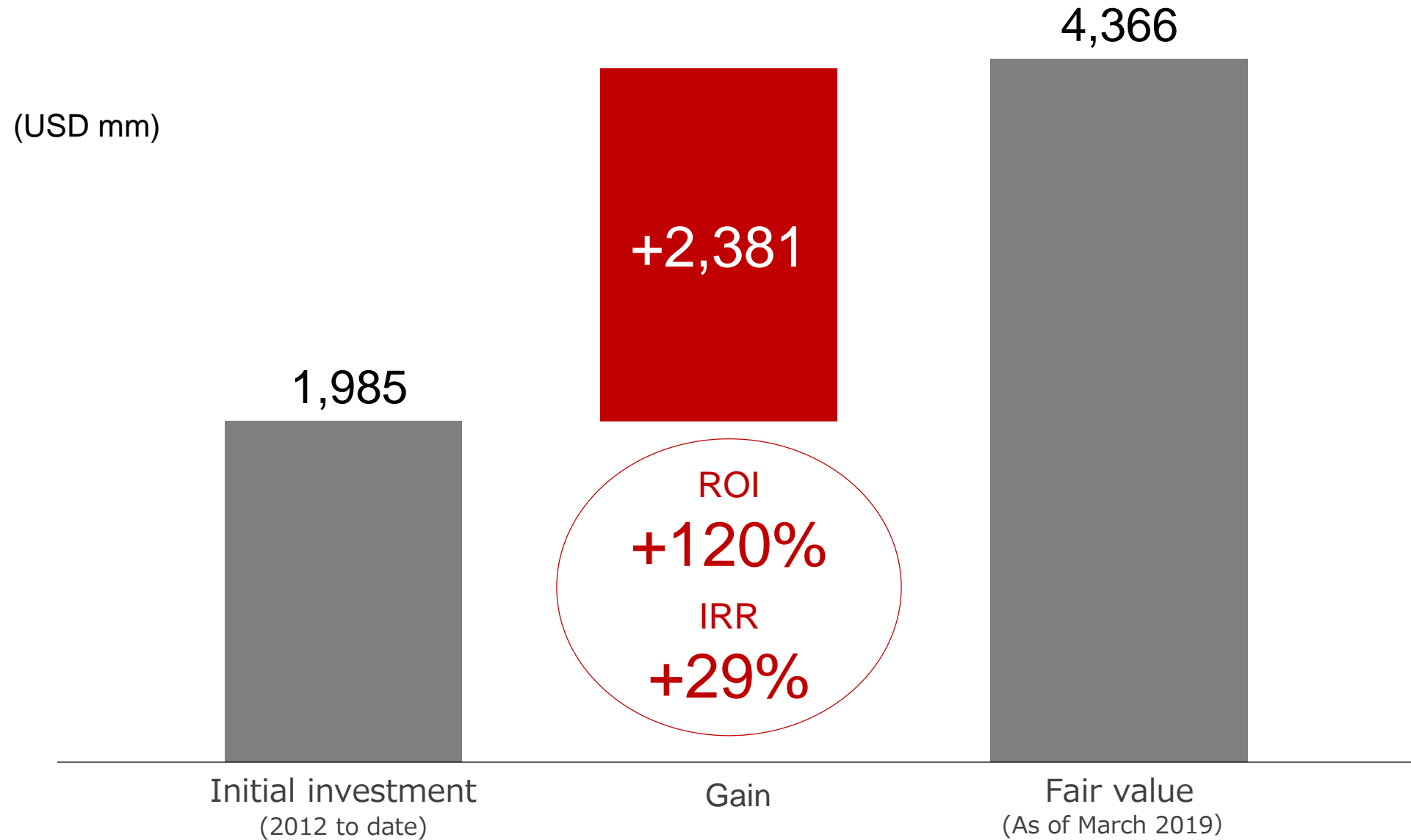
* Includes Cartera acquired in Q1/17, ShopStyle acquired in Q2/17

Ebates Operating Income*



- Includes Cartera acquired in Q1/17, ShopStyle acquired in Q2/17, and Rebates
- Excludes rebranding cost of USD 36.3 million.

Performance of Investment Business



Investment Business Portfolio

Internet



SHOPBACK



Ride Sharing



Careem



FinTech



folio

TORANOTEC

Healthcare

Rakuten Medical

Genesis Healthcare

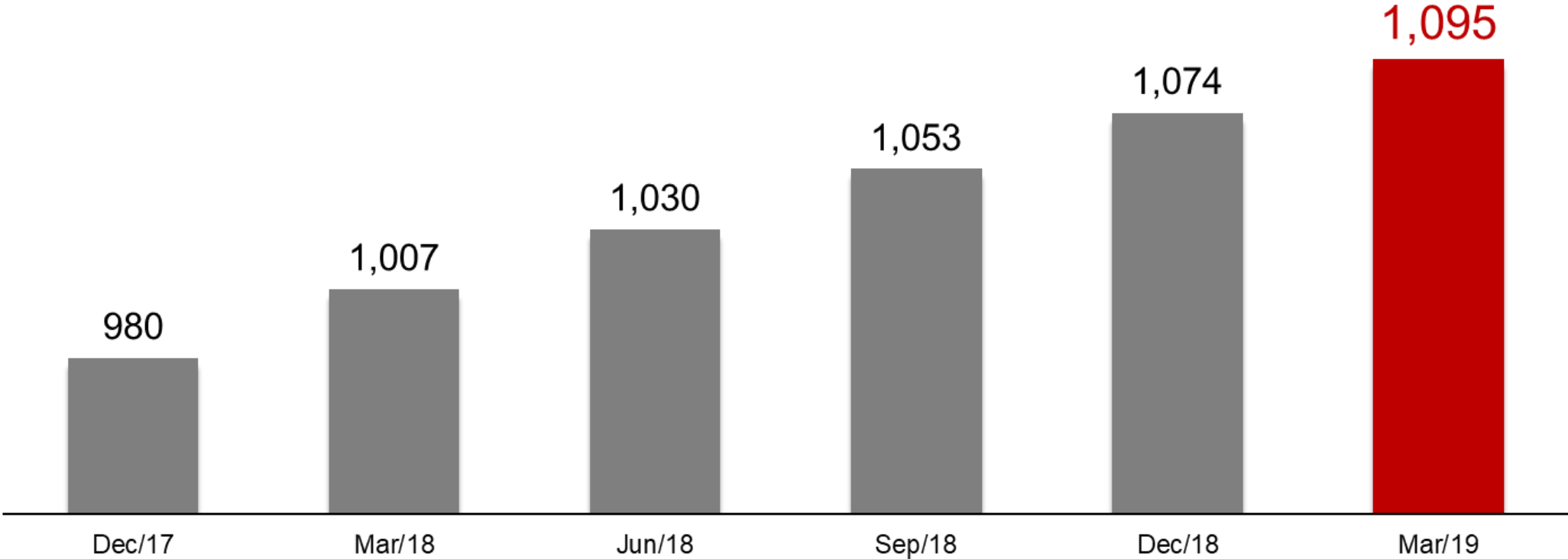




Mobile Segment

Viber Unique IDs*

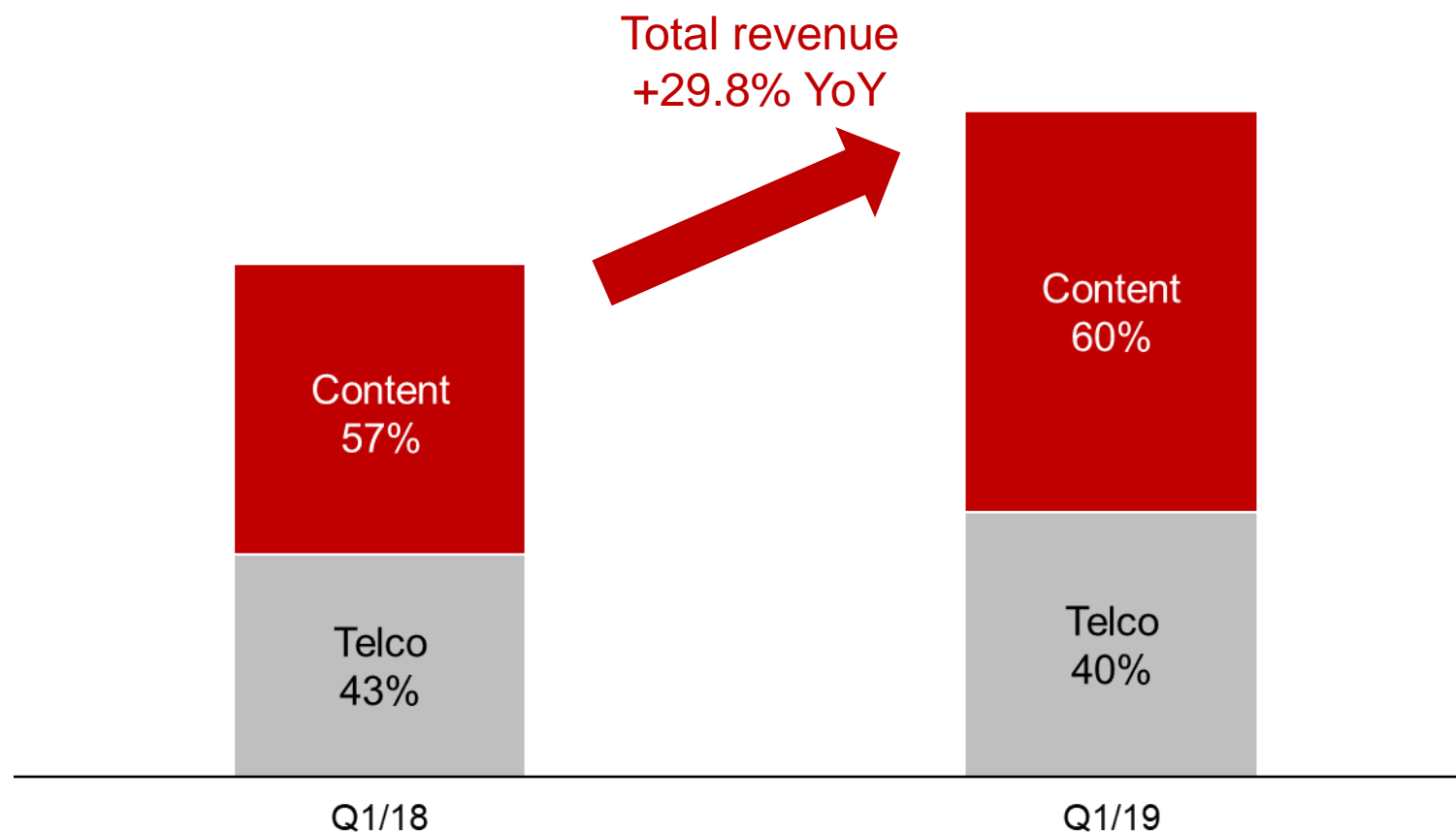
(Million IDs)



* Unique IDs: Unique phone numbers excluding deactivations

Viber Revenue*

- Monetization accelerating from strong growth in both Telco (Viber in/Out) and content revenue



* Telco: Viber Out, In. Content: Service messages, ads, stickers and others

 **Other**

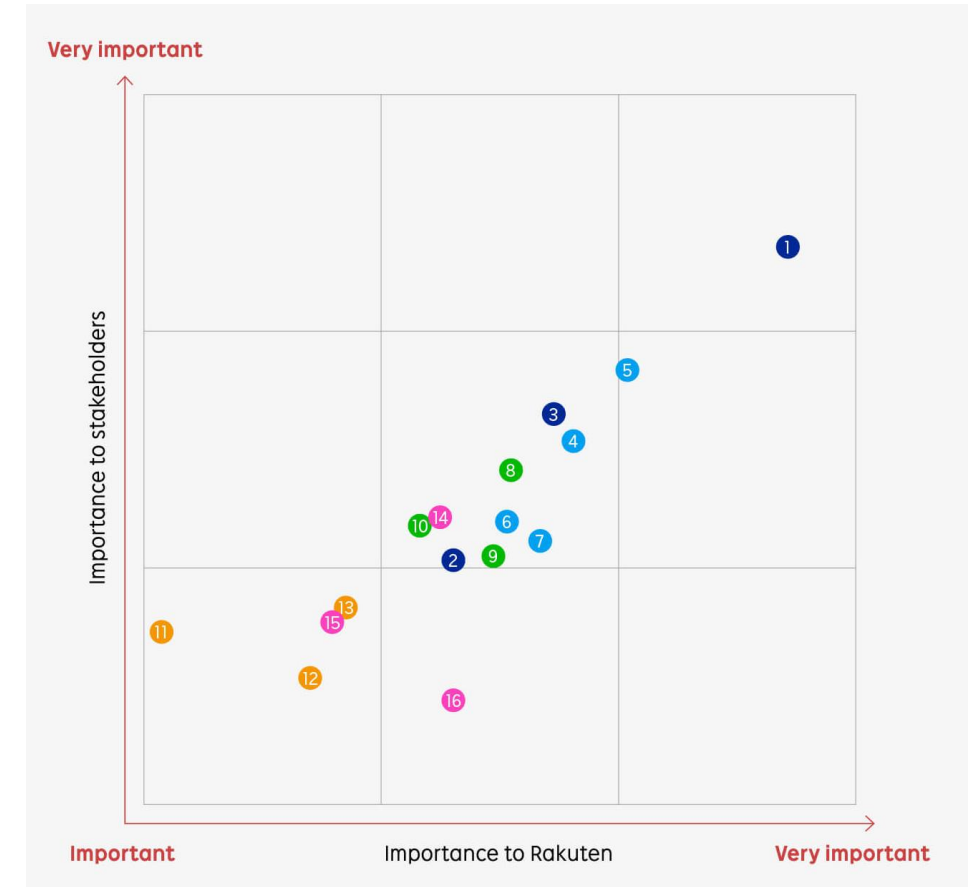
Rakuten's ESG

Rakuten's Materiality

- In 2017, establishment of Rakuten's materiality = list of concerns that Rakuten has a responsibility to address to realize long-term business growth
- Based on results, redefinition of sustainability action plan
 - Improvement of sustainability reporting = ESG (Environmental, Social, Governance) information disclosure
 - Redefinition of philanthropic activity priorities
 - Launch of projects based on new priorities

2019 ESG reporting actions

- Greater focus on ESG information in corporate communication (web, annual report)
- Proactive review of ESG evaluation (FTSE, MSCI)
- Improvement of ESG survey answers (DJSI, CDP)



● Safety and quality

1. Data security and customer privacy
2. Service accessibility and affordability
3. Service safety and quality

● Talent attraction and development

8. Diversity and equality
9. Skill development and benefits
10. Workplace safety

● Responsible practices

4. Anti-competitive practice prevention
5. Responsible information usage (labeling, marketing)
6. Sustainable consumption behaviors
7. Responsible supply chain

● Environment protection

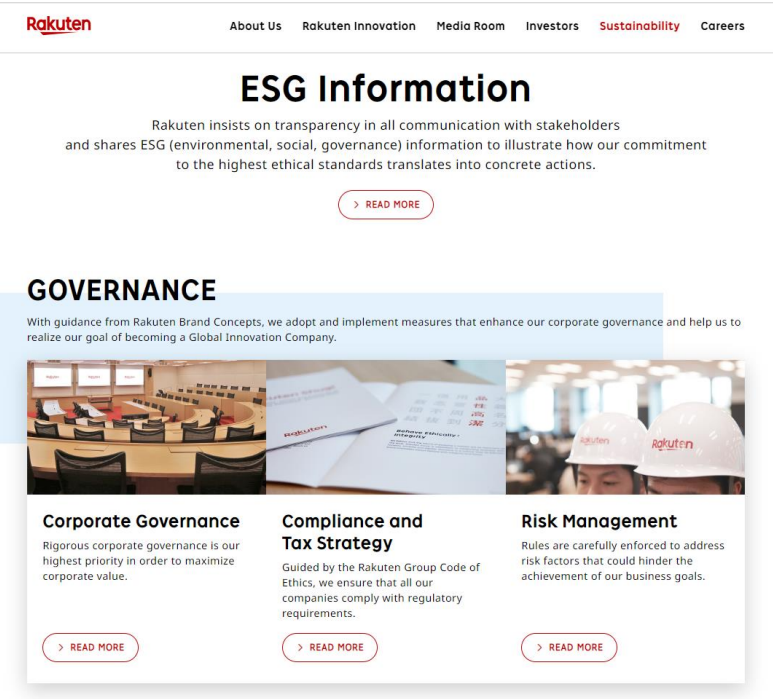
11. Packaging
12. Climate change
13. Biological diversity

● Local communities

14. Entrepreneurship and innovation
15. Disaster relief
16. Future generations

Q1/19 ESG reporting

ESG information disclosure



Renewal of sustainability pages on corporate website in Jan. with focus on ESG information. Global sustainability reporting standards (GRI) and ESG agencies' requirements used as reference to built content.
New topics such as environment or human rights.

ESG ratings



Q1

Review of evaluation in Jan-Feb
Results announced in June

Review of evaluation in Mar-Apr
Results announced in June

Q2

Survey answered in Apr-May
Results announced in September

Survey answered in Apr-Jul
Results announced in December

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Rakuten