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Company name: Rakuten Group, Inc.
Representative: Hiroshi Mikitani Chairman and CEO
(Stock Code: 4755
Tokyo Stock Exchange First Section)

Rakuten Group Q2 FY2021 Financial Results Highlights

Overall performance

- The Rakuten Group recorded revenue of 402,158 million yen for Q2 FY2021, up +15.8% year-on-year (YoY), and continues to deliver strong growth. This marks the highest revenue recorded by the Rakuten Group in the second quarter of a fiscal year.
- At the same time, due to strategic investment in future growth such as the accelerated buildout of 4G base station installations in the Mobile segment that is about five years ahead of schedule compared to the plan submitted to the Ministry of Internal Affairs and Communications, the Rakuten Group recorded Non-GAAP operating losses of 59,539 million yen, compared to Non-GAAP operating losses of 32,587 million yen in the same period of the previous fiscal year, and Rakuten Mobile achieved 90% population coverage for 4G as of the end of June 2021. In addition, as new customer acquisition is progressing steadily, the revenue contribution from user mobile fees is gradually increasing in line with the end of the one-year-free campaign, and future improvements in revenue are expected.
- Excluding profits and losses of the Mobile, Logistics and Investment businesses, non-GAAP operating income was 46,852 million yen, a significant increase of +35.6% YoY.

Ecosystem expansion

- By leveraging the Rakuten Ecosystem, centered on membership, data and its points loyalty program, Rakuten Group is promoting cross-use between services and increasing customer retention, as well as minimizing risks through the diversification of businesses and maximizing the added value of synergy generated between businesses.
- Rakuten Ecosystem user numbers continue to demonstrate sustained growth, as does the percentage^{*1} of users using two or more Rakuten Group services, which has increased to 73.9%.

- Average active monthly user numbers^{*2} across Rakuten Group services also showed solid growth of +12.5% YoY, even with the added impact of increased stay-at-home demand for online shopping services that began a year ago.

Internet Services segment

- Domestic e-commerce gross merchandise sales (GMS) continued to see major growth, achieving double-digit growth of +12.2% YoY even when compared to the sharp increase in GMS in the same period of last year that was driven by stay-at-home consumption demand amid the COVID-19 pandemic.
- In the Internet Services segment, internet shopping mall Rakuten Ichiba and other services saw improvements in user loyalty due to initiatives to improve user convenience such as the successful introduction of a common free shipping threshold for participating merchants on Rakuten Ichiba, as well as increased consumer demand for online shopping due to the pandemic.
- Rakuten Travel achieved GMS improvements compared to the same period last year by implementing initiatives including those aimed at promoting safe travel.
- Succession was completed of Rakuten's logistics business to JP Rakuten Logistics, Inc., a new joint venture established by Rakuten and Japan Post. The new joint venture will become an equity method affiliate of Rakuten beginning in Q3 FY2021.

FinTech segment

- The membership base for each service continued to steadily expand, and both revenue and profit in Q2 FY2021 increased compared to the same period of the previous fiscal year.
- In July 2021, Rakuten Bank became the first online bank in Japan to reach 11 million accounts^{*3}, and the number of customers using their account as the main account for their daily lives is increasing.
- The number of Rakuten Cards issued^{*4} surpassed 23 million in June 2021. Rakuten Card shopping Gross Transaction Volume (GTV) achieved significant growth of more than +30% YoY, and Rakuten Card's overall GTV market share^{*5} is now more than 20%.
- Rakuten Securities has succeeded in attracting investment beginners through a variety of initiatives leveraging the Rakuten Ecosystem. In May 2021, the number of general securities accounts exceeded six million, reaching 6.24 million accounts at the end of June 2021. Additionally, Rakuten Securities achieved strong growth of +20% YoY growth in operating revenue.

- In the Insurance business, in addition to strong performance of online sales, new contract acquisitions are steadily increasing for both life and non-life insurance services as some face-to-face sales have recovered from pandemic-driven limitations. Additionally, new subscribers^{*6} due to cross-selling increased 14-fold since the Comprehensive Insurance Center launched two years ago, contributing to an increase in profit of more than +20% YoY for the Insurance business.

Mobile segment

- In the mobile carrier service, new customer acquisition is progressing steadily, and in line with the end of the one-year-free campaign, the revenue contribution from user mobile fees is gradually increasing.
- The percentage of contracts from Mobile Number Portability (MNP) transfers and those migrating from the MVNO business – which tend to have high data consumption and low churn rates – continues to increase. Going forward, this is expected to contribute to increased Average Revenue Per User (ARPU) and lifetime value.
- In addition, expansion of the Rakuten Mobile service area has progressed steadily, and Rakuten Mobile has achieved 90% population coverage for 4G as of the end of June 2021.
- Rakuten launched full-scale commercial service with the world's first fully virtualized cloud-native Open RAN mobile network^{*7} as a new entrant in Japan. As announced in August 2021, the Germany-based major telecommunications provider 1&1 has selected Rakuten as their general contractor to build their mobile network using the Rakuten Communications Platform (RCP), a cloud-native platform which enables carriers and enterprises around the world to easily build secure and open mobile networks quickly and at low cost. 1&1 will now benefit from this experience and expertise.

Financing

- In April 2021, Rakuten issued approximately 320 billion yen in perpetual subordinated notes denominated in US dollars and euros (with an interest deferral clause) in order to diversify financing methods, expand its investor base and further enhance financial soundness. Rakuten plans to allocate the funds raised chiefly to its mobile carrier business for infrastructure investment. In addition, Rakuten Mobile, Inc. is moving forward to raise funds through sale-and-leaseback and the securitization of mobile service fee receivables.

Q2 FY2021 Financial Results by Segment

Internet Services

- Revenue for the Internet Services segment was 237,868 million yen, a +17.9% YoY increase, while segment profit was 17,347 million yen, compared to a loss of 1,309 million yen recorded in the same period of the previous fiscal year.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Domestic EC	163,607	+23.3%	17,182	+52.9%
Others	74,261	+7.4%	165	+12,713
Internet Total	237,868	+17.9%	17,347	+18,656

Domestic e-commerce

- Domestic e-commerce GMS continued to see major growth in Q2 FY2021, achieving double-digit growth of +12.2% YoY even when compared to the sharp increase in GMS in the same period of last year that was driven by stay-at-home consumption demand amid the COVID-19 pandemic.
- Measures to improve customer convenience, such as the successful introduction of a common free shipping threshold for participating merchants on the internet shopping mall Rakuten Ichiba, have been successful, leading to an increase in customer loyalty for Rakuten Ichiba and other services.
- Approximately 76% of users who purchased products on Rakuten Ichiba in Q1 FY2021 went on to also purchase products on Rakuten Ichiba in Q2 FY2021, indicating high customer loyalty.
- As a result, shopping e-commerce GMS*⁸ increased +3.2% YoY in Q2 FY2021, successfully maintaining growth despite the high hurdle set by the sharp 48.1% YoY increase in GMS recorded in Q2 FY2020 due to stay-at-home consumption demand brought on by the pandemic.
- Rakuten Travel, which experienced a decline in reservations due to the significant impact of stay-at-home trends in Q2 FY2020, successfully increased GMS YoY by implementing initiatives including those aimed at promoting safe travel.
- Succession was completed of Rakuten's logistics business to JP Rakuten Logistics, Inc., a new joint venture established by Rakuten and Japan Post. JP Rakuten Logistics will become an equity method affiliate of Rakuten beginning in Q3 FY2021. The new joint venture will drive increased efficiency through the creation of shared logistics centers, as well as shared delivery systems and pick-up services.

Other

- Revenue improved for Rakuten's sports services in line with the gradual easing of restrictions on professional baseball and soccer league games. In the Investment business, Rakuten saw an improvement in Q2 FY2021 from the large valuation loss recorded in Q2 FY2020 due to the market value decline of investment holdings.

FinTech

- The FinTech segment recorded 153,153 million yen in revenue, an increase of +8.1% YoY, while segment profit stood at 22,524 million yen, a +6.0% YoY increase.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Card	68,734	+6.8%	10,750	+16.4%
Bank	25,803	+9.2%	7,463	+1.3%
Securities	20,614	+19.4%	3,422	-6.3%
Insurance	26,830	-4.5%	2,276	+22.0%
Payment	9,749	+39.1%	-545	+52
Others	1,423	+1.9%	-843	-575
FinTech Total	153,153	+8.1%	22,524	+6.0%

Rakuten Card

- Rakuten Card's membership base continues to expand, as the number of Rakuten Cards issued surpassed 23 million in June 2021.
- While overall domestic consumption in accommodation and dining services continues to be sluggish, Rakuten Card shopping Gross Transaction Volume (GTV) achieved significant growth of +34.0% YoY in Q2 FY2021. This was due to an increase in the number of Rakuten Cards issued and growth in online shopping, as well as the impact of pandemic-driven reduced consumption that began in Q2 FY2020 coming full circle this quarter.
- While shopping revolving balances and card cashing balances decreased YoY in line with the pandemic-driven decline in credit, an increase in service fee income along with increased Rakuten Card shopping GTV contributed significantly to earnings, resulting in growth in income and profit.

Rakuten Bank

- The pace of new bank account openings has accelerated since reaching 10 million accounts in January 2021, and in July 2021, Rakuten Bank became the first online bank in Japan to surpass 11 million accounts.
- The number of payroll accounts increased +65% YoY in Q2 FY2021 due to the success of initiatives aimed at promoting the use of Rakuten Bank accounts as the main account for

customers' daily lives.

- While interest on deposits increased due to the growth in the number of accounts, Rakuten Bank achieved growth in revenue and profit by greatly increasing service transaction revenue due to an increased number of transactions.

Rakuten Securities

- Rakuten Securities has succeeded in attracting investment beginners through a variety of initiatives leveraging the Rakuten Ecosystem. In May 2021, the number of general securities accounts exceeded six million, reaching 6.24 million accounts at the end of June 2021.
- The trading value of domestic and overseas stocks has remained at a high level, commission earnings increased YoY, and financial revenue increased due to growth in margin transaction balance, leading to strong growth of +19.4% YoY in operating revenue.
- In the focus area of asset-building services, the number of investment trust accounts has increased significantly to 1.64 million, up +131.3% YoY, and the regular monthly purchase amount has increased to 58.9 billion yen, a tremendous increase of +183.3% YoY.

Insurance business

- In life insurance services, face-to-face sales are recovering from pandemic-driven limitations and have increased. As a result, both revenue and profit increased YoY due to additional contributions from strong online sales and the successful implementation of cost reduction measures.
- In non-life insurance services, while insurance premium income has decreased due to continuing measures to optimize insurance underwriting for risk control, operating income increased YoY due to a decrease in net incurred insurance claims driven by loss ratio improvements.
- New subscribers due to cross-selling between Rakuten Group insurance companies increased 14-fold since the Comprehensive Insurance Center launched two years ago, contributing to improved financial results. As a result, the Insurance business as a whole achieved an increase in profit of +22.0% YoY.

Rakuten Payment

- Rakuten Payment has worked to provide greater convenience to users by expanding the features offered through the Rakuten Pay app, which combines QR code payments, barcode payments, e-money and Rakuten Point payment methods all in one payment app, and by cultivating relationships with new affiliate retailers.
- Despite continued limitations on some in-store transactions due to stay-at-home trends, the impact of the pandemic that began in Q2 FY2020 has come full circle this quarter. Rakuten

Point Card and Rakuten Pay GTV achieved significant growth, leading to increased revenue YoY in Q2 FY2021.

Mobile

- Revenue for the Mobile segment rose to 51,462 million yen, an increase of +17.0% YoY, but segment losses reached 99,686 million yen, compared to 53,825 million yen in the same period in the previous year.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Mobile Total	51,462	+17.0%	-99,686	-45,861

- In the mobile carrier service, new customer acquisition is progressing steadily, and in line with the end of the one-year-free campaign, the revenue contribution from user mobile fees is gradually increasing.
- The percentage of contracts from Mobile Number Portability (MNP) transfers and those migrating from the MVNO business – which tend to have high data consumption and low churn rates – continues to increase. Going forward, this is expected to contribute to increased Average Revenue Per User (ARPU) and lifetime value.
- Expansion of the Rakuten Mobile service area has progressed steadily, and Rakuten Mobile has achieved 90% population coverage for 4G as of the end of June 2021.
- Along with the accelerated buildout of the Rakuten network area comes an increase in depreciation costs and other network-related expenses, and due to the increase in subscribers, costs continue to be incurred for domestic roaming outside the Rakuten network area.

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

*2 Comparison of average monthly active users during April to June 2020 versus April to June 2021.

*3 As of July 5, 2021. Research by Rakuten Bank.

*4 Includes the number of second Rakuten Cards issued to members, which began full scale in June 2021.

*5 Ministry of Economy, Trade and Industry, Specified Service Industry Statistics Survey and Credit Card Industry.

*6 Comparison of the total number of subscribers of two or more insurance companies out of Rakuten Life Insurance, Rakuten General Insurance and Rakuten Pet Insurance in June 2019 and June 2021.

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

*8 Shopping e-commerce GMS = Total GMS of Rakuten Ichiba + First Party (Rakuten Fashion, Books, Rakuten 24 and other direct daily necessities shops, Rakuten Seiyu Netsuper) + Open EC (Rebates, Rakuten Pay online payments) + Rakuma.