

FY2023 Fourth Quarter and Full Year Consolidated Financial Results CEO Group Strategy

February 14, 2024

Rakuten Group, Inc.



**To the victims of the 2024 Noto Peninsula Earthquake
and their families, we offer our heartfelt support**

Topics

1 FY2023 Summary

2 Rakuten Mobile Strategy

3 Financial Strategy

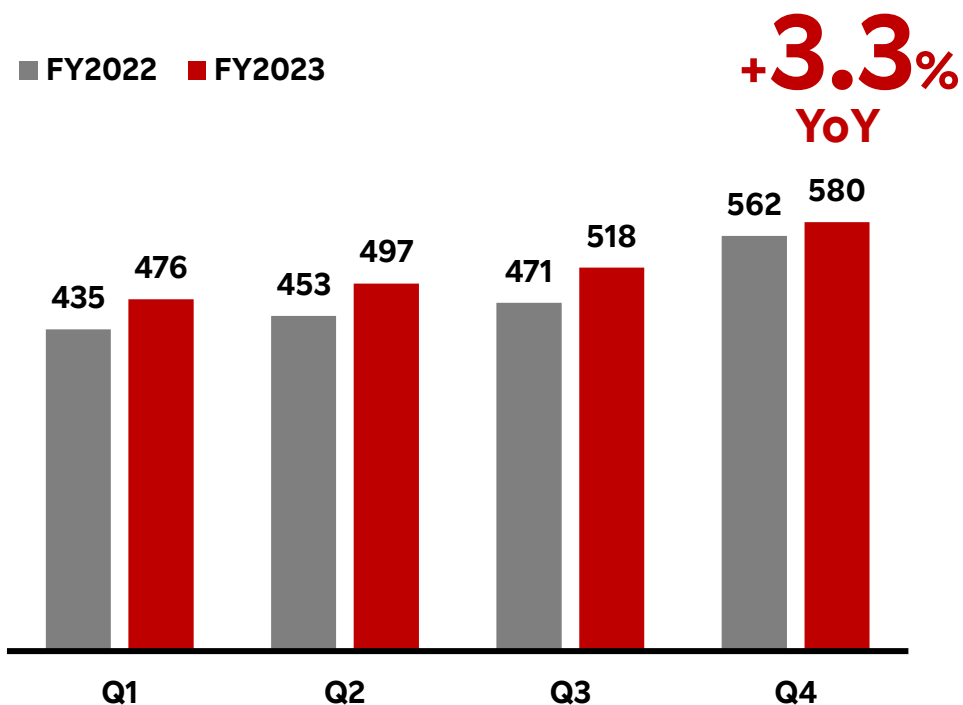
4 AI Strategy

1. FY2023 Summary

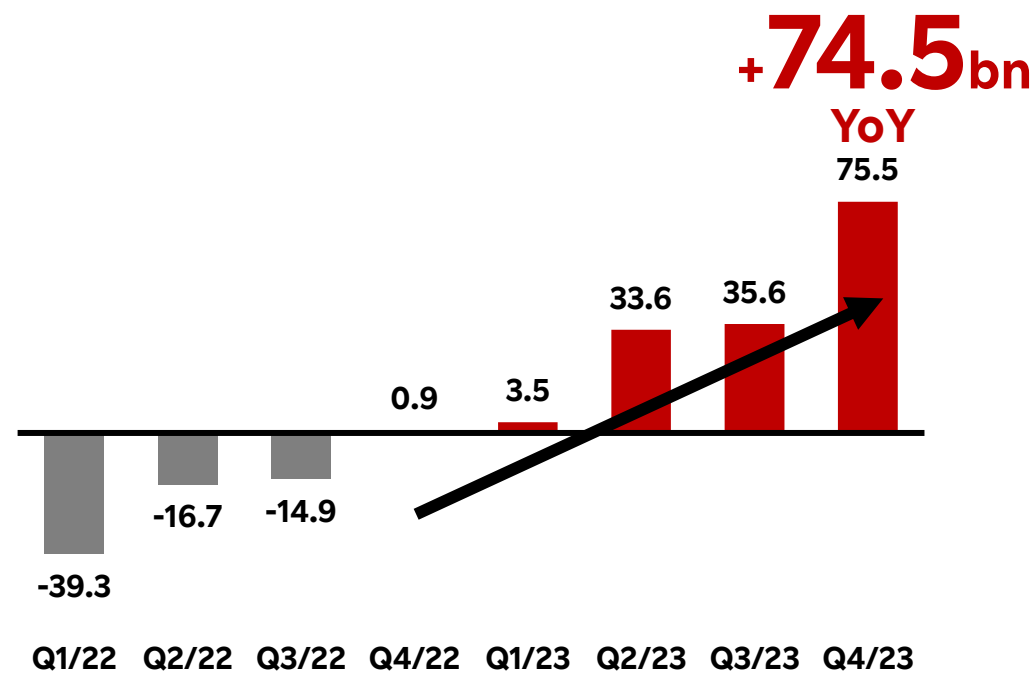
Q4/23 Consolidated Operating Results

- Achieved 27 years of consecutive revenue growth and surpassed JPY 2tn in consolidated revenue for FY23
- Consolidated EBITDA profitability since Q4/22 and improving

Consolidated Revenue (JPY bn)



Consolidated Non-GAAP EBITDA (JPY bn)



Q4/23 Consolidated Operating Results*

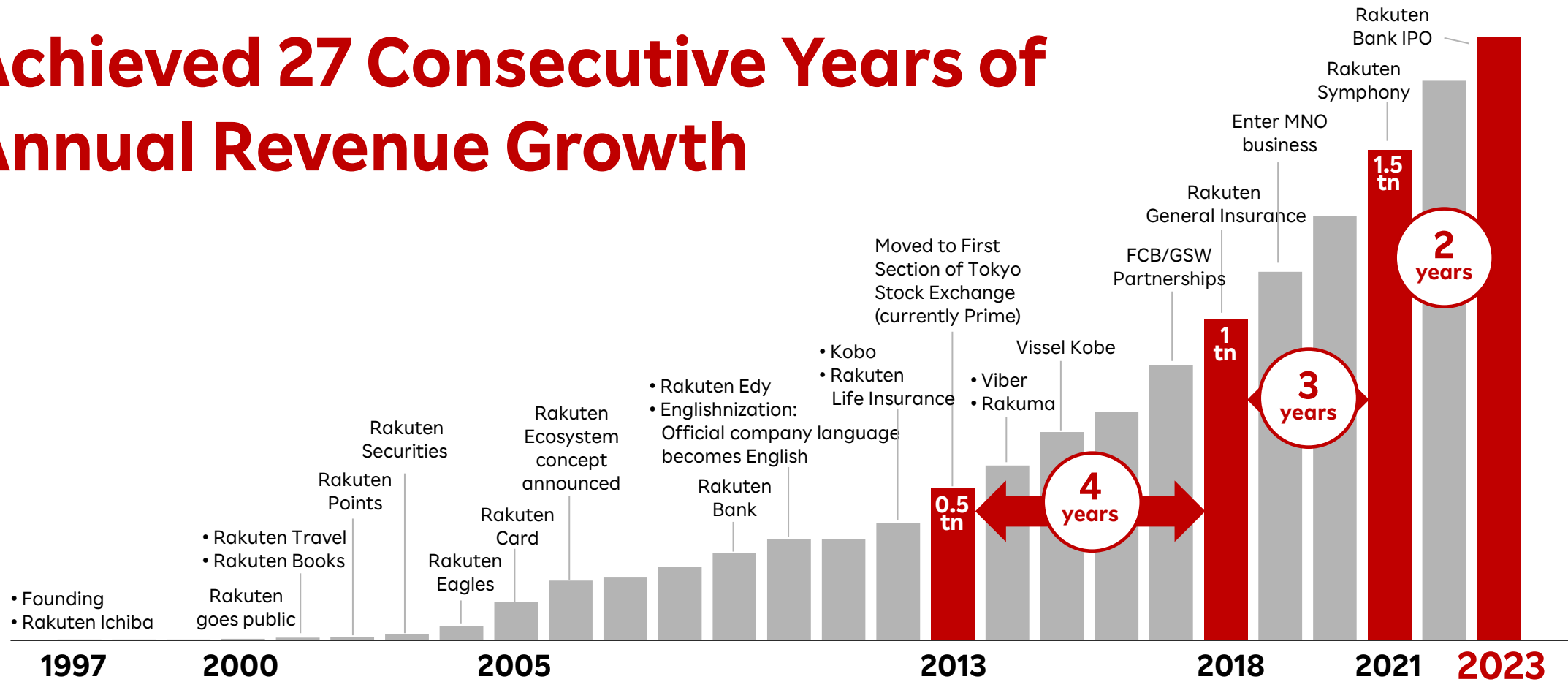
(JPY bn, rounded)		Q4/22	Q4/23	YoY
Consolidated Revenue		561.6	580.1	+3.3%
	Internet Services Segment	326.0	345.3	+5.9%
	FinTech Segment	173.5	191.6	+10.4%
	Mobile Segment	108.9	99.5	-8.6%
	Rakuten Mobile	53.0	59.1	+11.6%
	Adjustment	-46.8	-56.3	-9.5%
Non-GAAP Operating Income (Losses)		-72.6	-3.6	+69.0
	(Ref. Excluding Mobile Segment & Investment Business)	41.7	66.3	+59.0%
	Internet Services Segment	15.0	33.9	+126.2%
	FinTech Segment	21.5	34.7	+61.3%
	Mobile Segment	-107.8	-71.2	+36.6%
	Adjustment	-1.3	-0.9	+0.4
IFRS Operating Income (Losses)		-78.7	-33.3	+45.4
Non-GAAP EBITDA		0.9	75.5	+74.5

* Effective September 1, 2023, Rakuten Pay (online payment) business and Rakuten Points (online) business were transferred from Internet Services segment to FinTech segment. No retrospective revisions have been made to past results as the size of the amount is negligible.

Consolidated Revenue Surpassed JPY 2tn

JPY 2.07tn
+7.8% YoY

Achieved 27 Consecutive Years of Annual Revenue Growth



Achieved All Profitability Targets

Profitability Targets Announced at Q3/23 Results

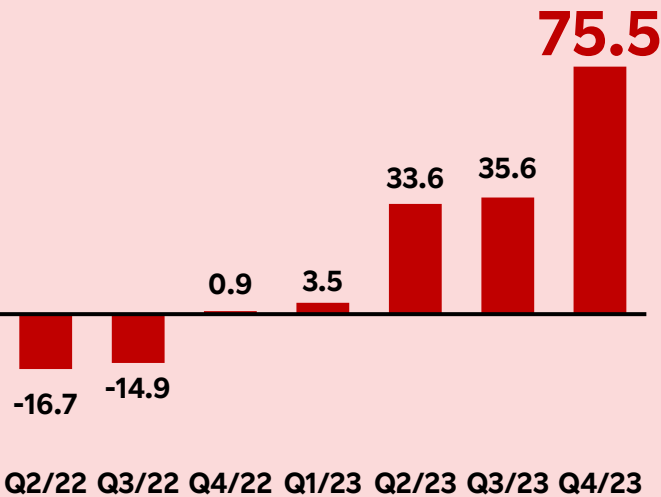
Consolidated EBITDA
profitability
since Q4/22 and improving

Non-FinTech EBITDA profitability
in Q4 2023

Monthly consolidated Non-GAAP
OI profitability in Dec 2023

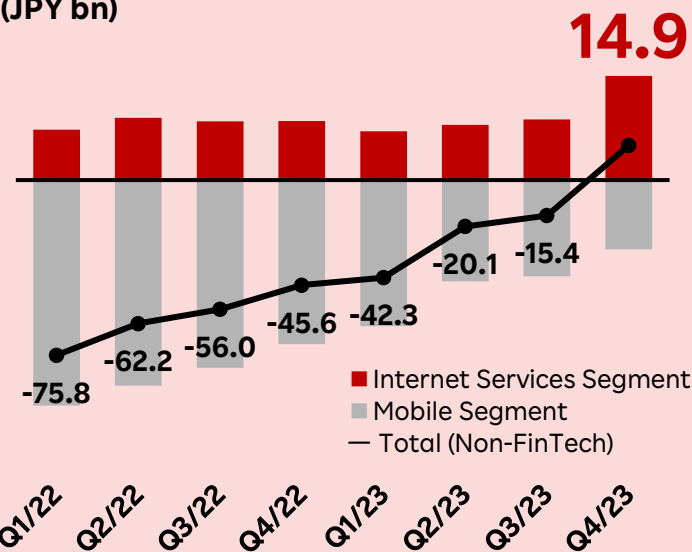
Achieved!

(JPY bn)



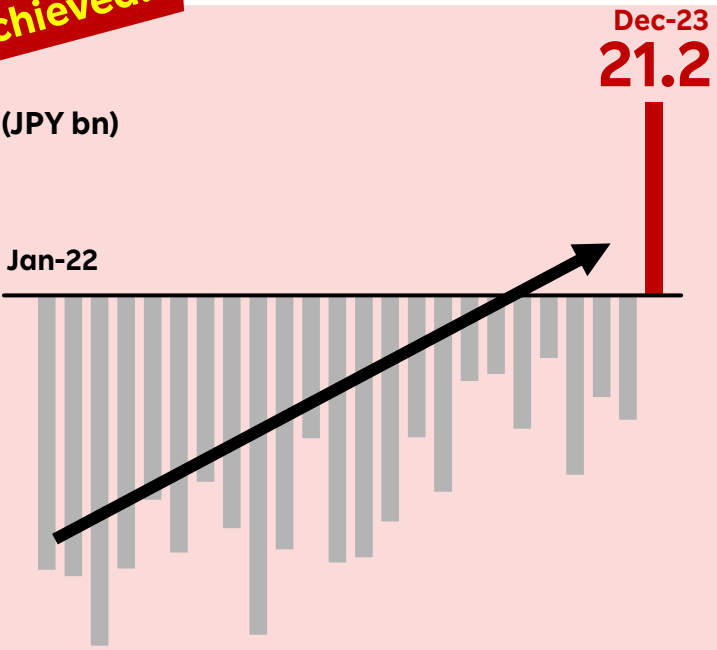
Achieved!

(JPY bn)



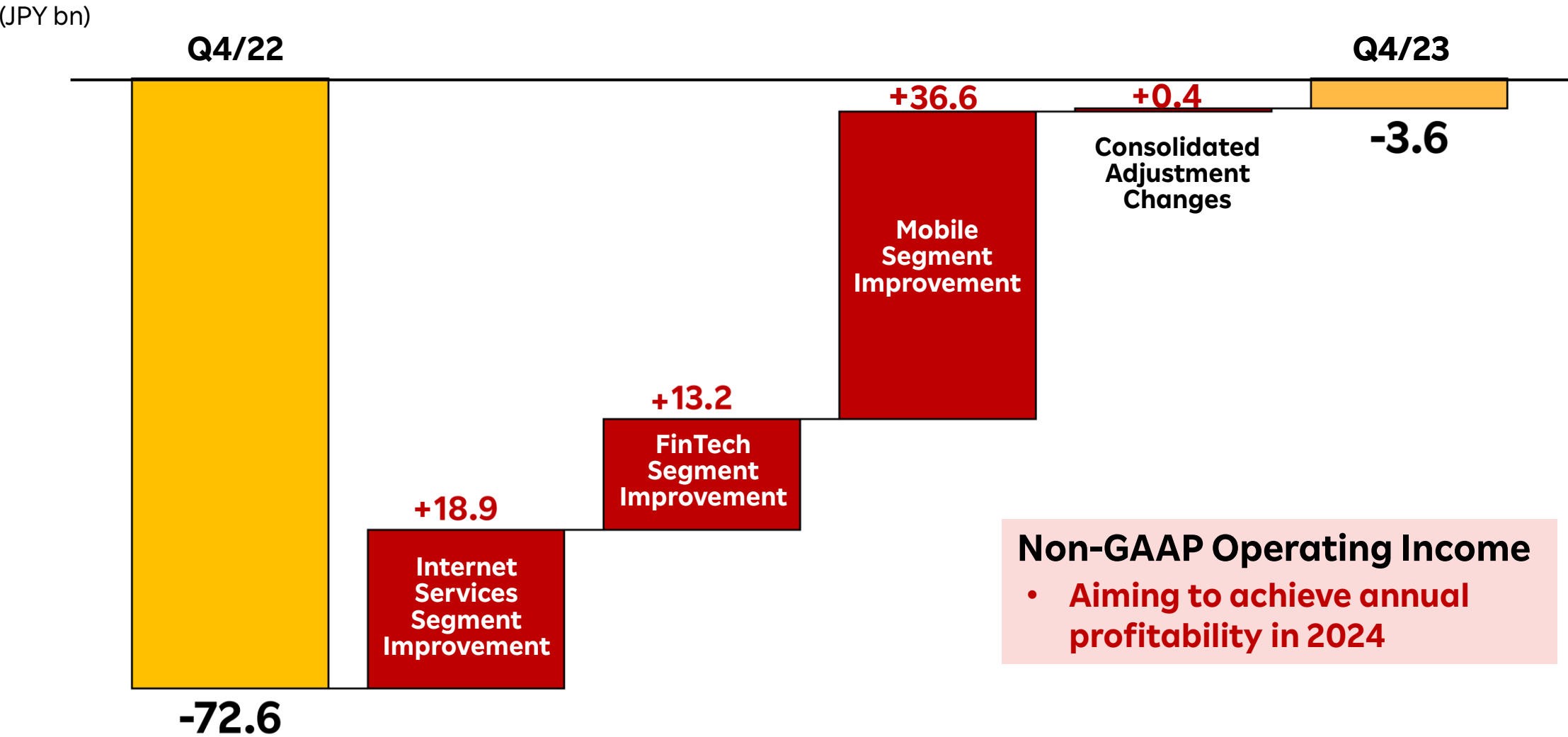
Achieved!

(JPY bn)



Q4/23 Non-GAAP Operating Income Significantly Improved YoY

■ All segments contributed materially to YoY improvement



Various Measures in the Pipeline to Realize the Following in 2024

**Margin improvement across all businesses
through enhanced productivity**

**Annual consolidated
Non-GAAP
Operating Income
profitability**

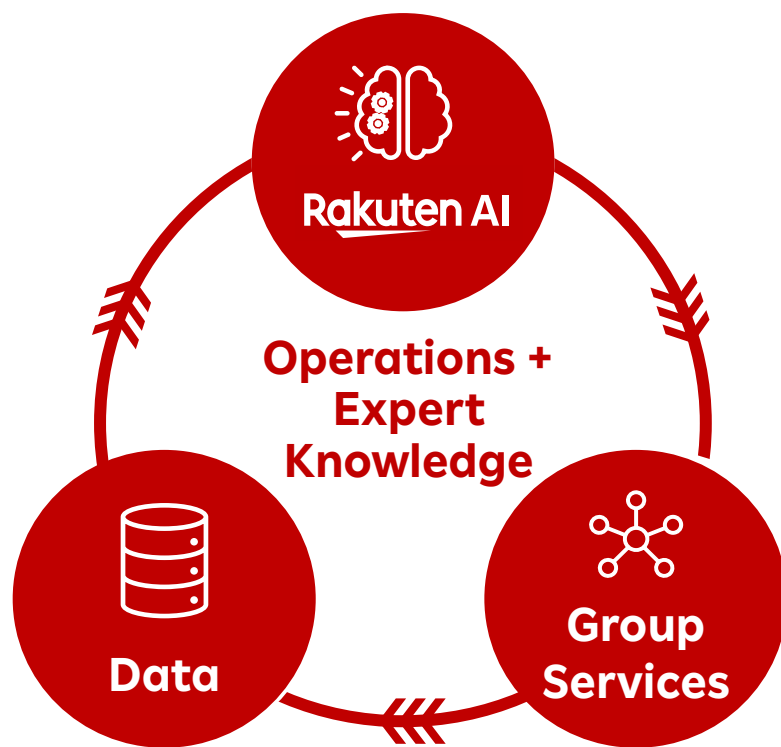
**Self-funding
at the consolidated
group level***

**Monthly
Non-GAAP EBITDA
profitability for
Rakuten Mobile, Inc.
by December**

* Internet Services segment FCF + CF from FinTech segment - (Mobile segment operating CF + capex) - Interest expense (= interest expense and IFRS16 cash-out at non-FinTech entities)

Enhancing Productivity at the Group Level

- Newly-established Productivity Management Department is at the forefront of our group's productivity efforts
- Generative AI enhances in-house operating productivity and significantly uplifts clients' productivity



Triple 20

**Marketing
productivity**

20% increase

**Operating
productivity**

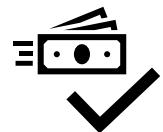
20% increase

**Clients'
productivity**

20% increase

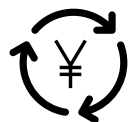
* Measurement method: (1) Marketing productivity = revenue/marketing costs, (2) Operating productivity = Non-GAAP OI/employee, (3) Clients' productivity = number of services provided/client.

Financial Strategy: Maintaining Financial Soundness for the Medium Term



FY2024 Bond Refinancing Risk Has Been Addressed

(Feb. 2024) Raised USD1.8bn of USD Denominated Senior Notes
and redeeming USD Denominated Senior Notes maturing in 2024

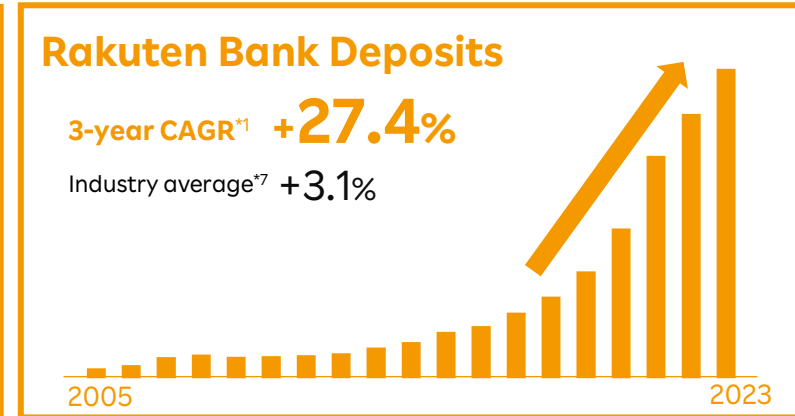
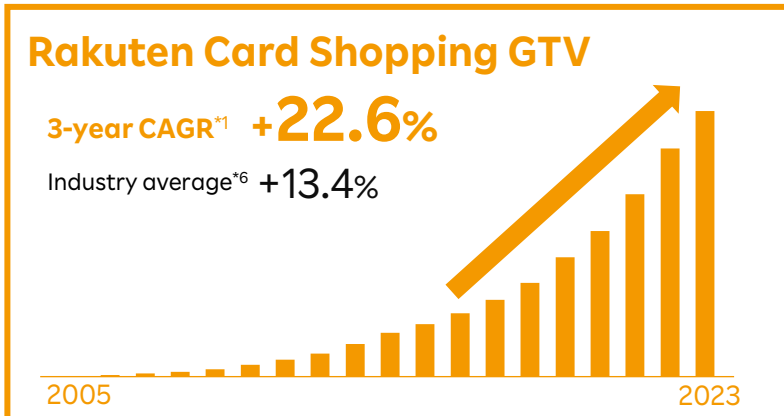
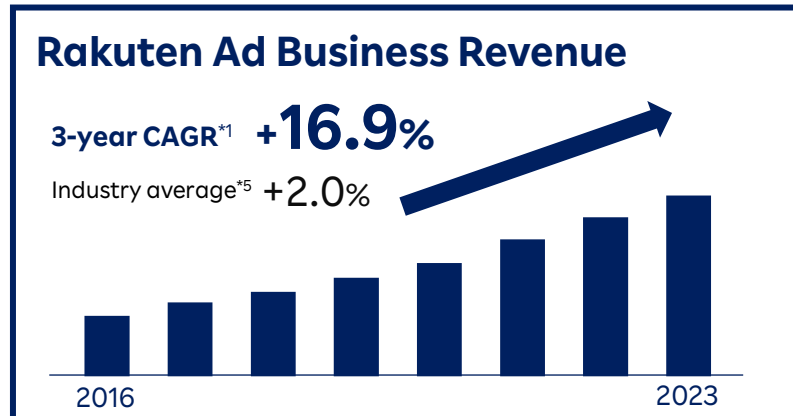
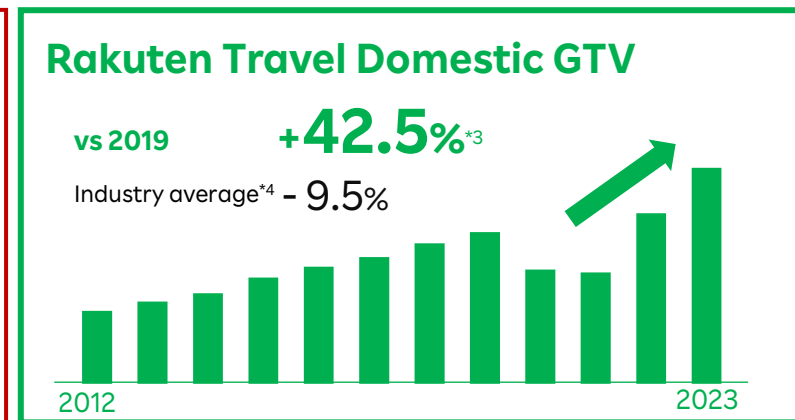
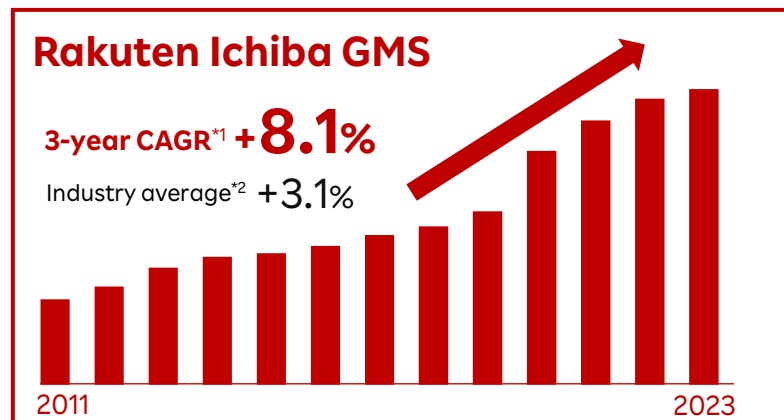
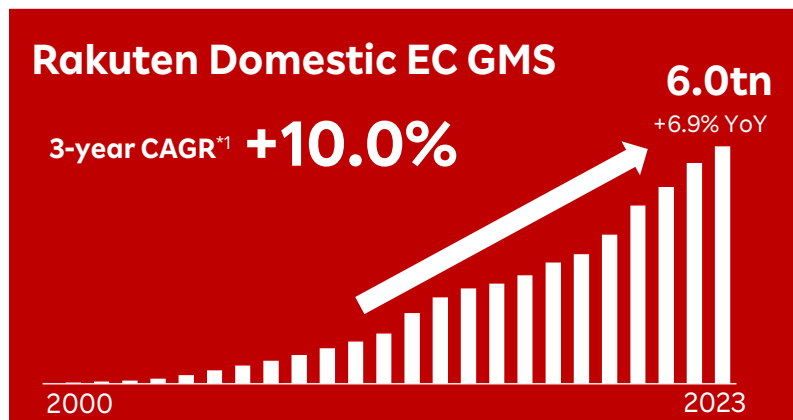


**Self-funding at the consolidated Group level in view
for 2024, and aiming to increase free cash flow from
2025 onwards**

*Internet Services Segment FCF + CF from FinTech Segment - (Mobile Segment Operating CF + Capital Expenditure) – Interest Expenses (= Interest Expenses in Non-Financial Businesses and Cash Out Based on IFRS 16)

Segment Highlights

Rakuten Group Outperformed the Industry in Each Market



*1 CAGR calculated based on 2020 and 2023 figures; *2 Ministry of Economy, Trade and Industry, "Commercial Sales Value by Type of Business."

*3 Domestic hotel checkout GTV. (excluding corporate customer, Dynamic packages include Rakuten Travel GMS only)

*4 Japan Tourism Agency, "Travel Agency Transaction Amounts."

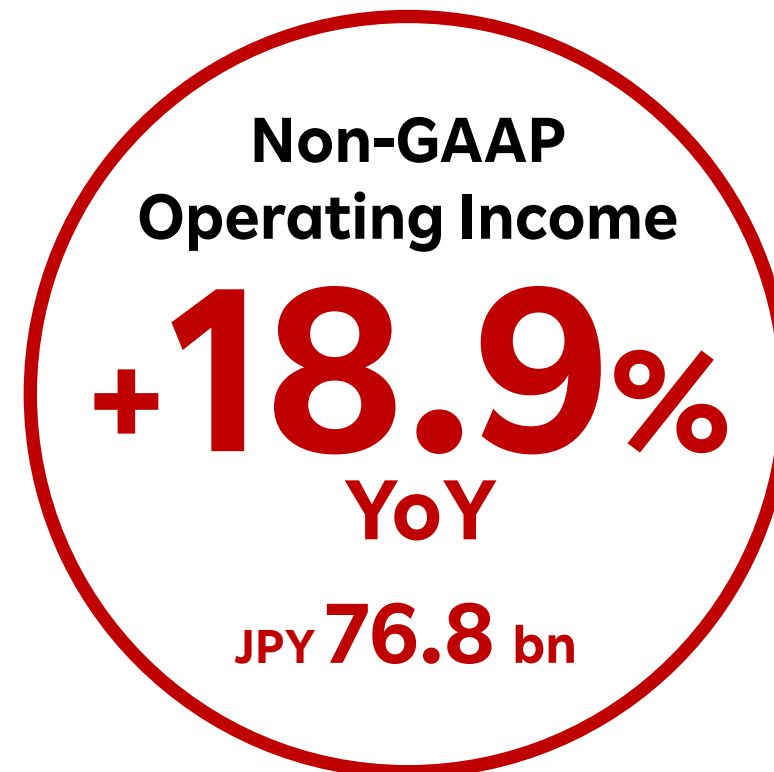
*5 Ad expenditure of advertising costs. Dentsu: "2020 Advertising Expenditures in Japan."

*6 Ministry of Economy, Trade and Industry, "Statistical Survey on Dynamics of Specified Service Industries: Credit Card."

*7 Japanese Bankers Association, national bank deposits.

Internet Services Segment: FY2023 Financial Highlights

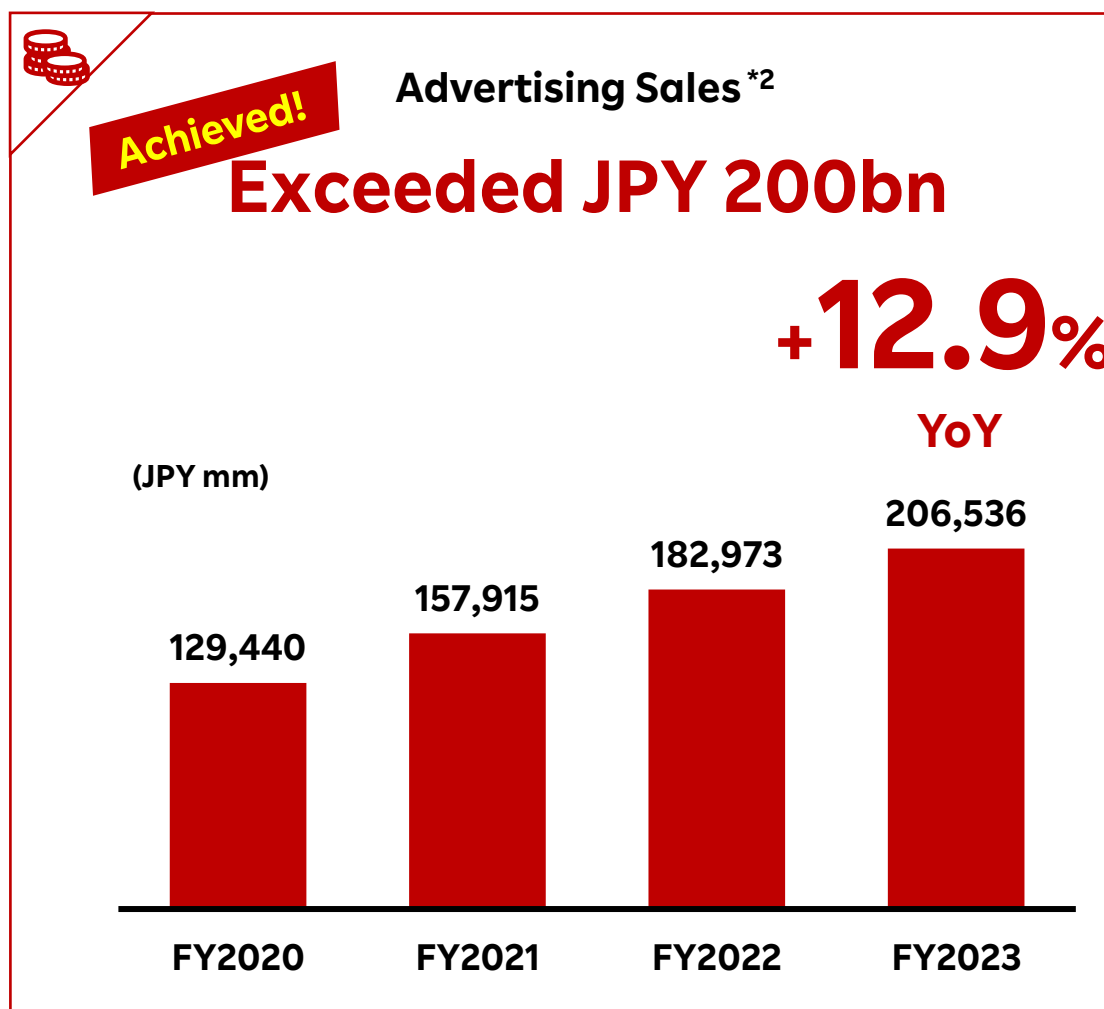
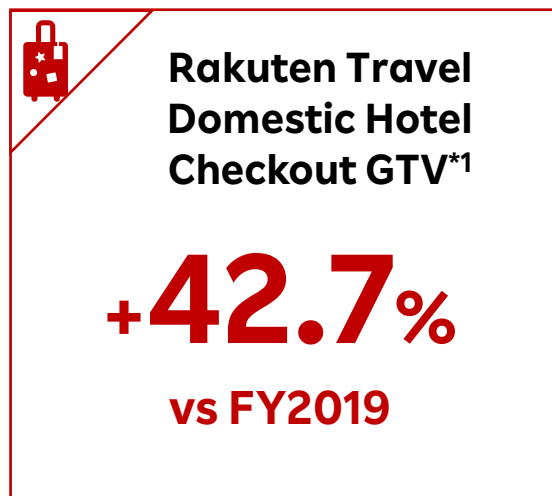
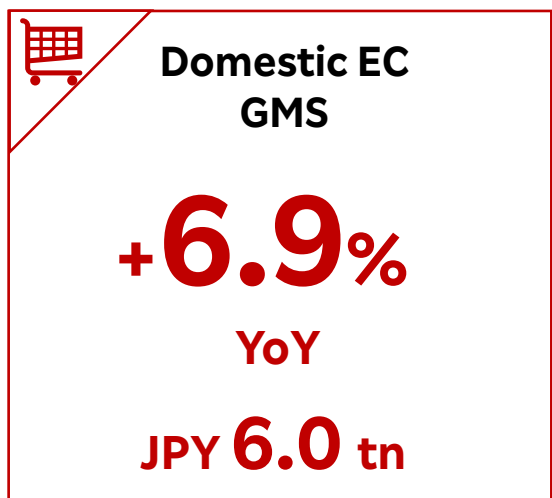
- Domestic EC revenue grew by +10.8% YoY as both Core Businesses and Growth Investment Businesses recorded double digit growth
- Non-GAAP OI of Other Internet Services (excluding minority investment business) showed healthy YoY recovery



Approx. **+23.6%** YoY

(excluding minority investment business and the SPU cost transfer from Rakuten Mobile implemented from Q1/23)

Internet Services Segment: 2023 Key KPIs

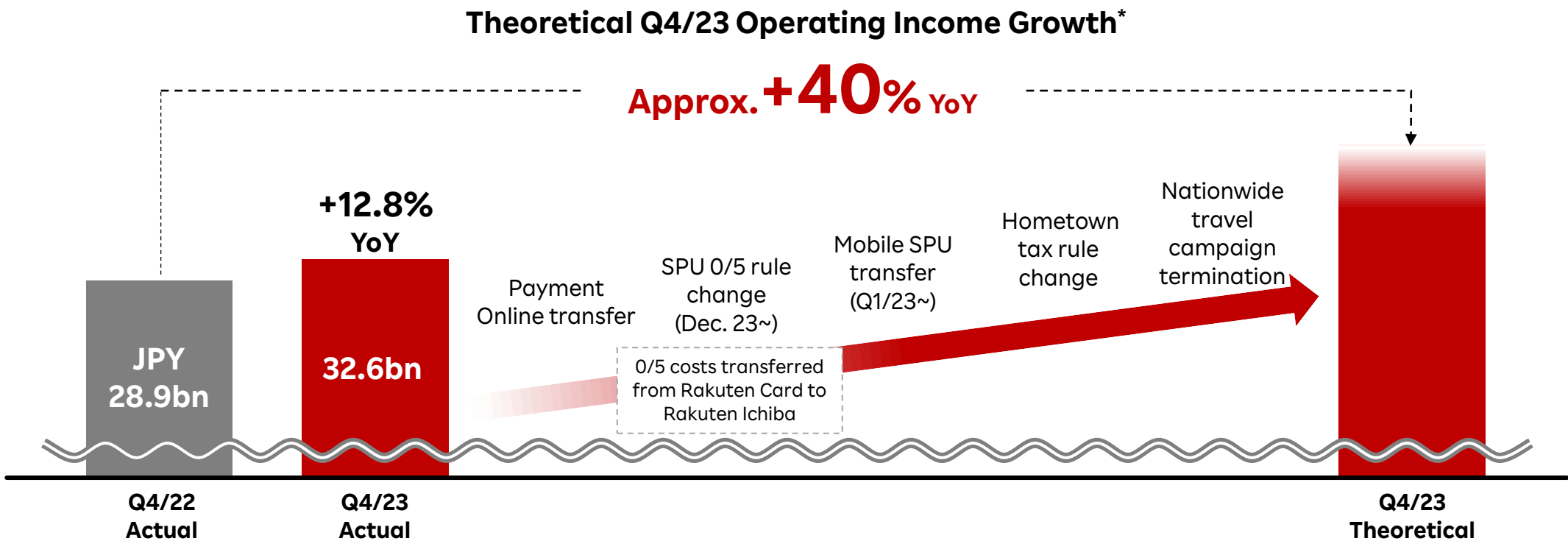


*1 Excluding corporate reservations.

*2 Total advertising sales in all segments.

Domestic EC: Strong Profit Growth Continued

- Domestic EC GMS would have shown a much stronger growth when one-off factors were excluded
- Domestic EC's operating income increased significantly due to cost reduction and productivity improvement efforts



* Based on internal estimation

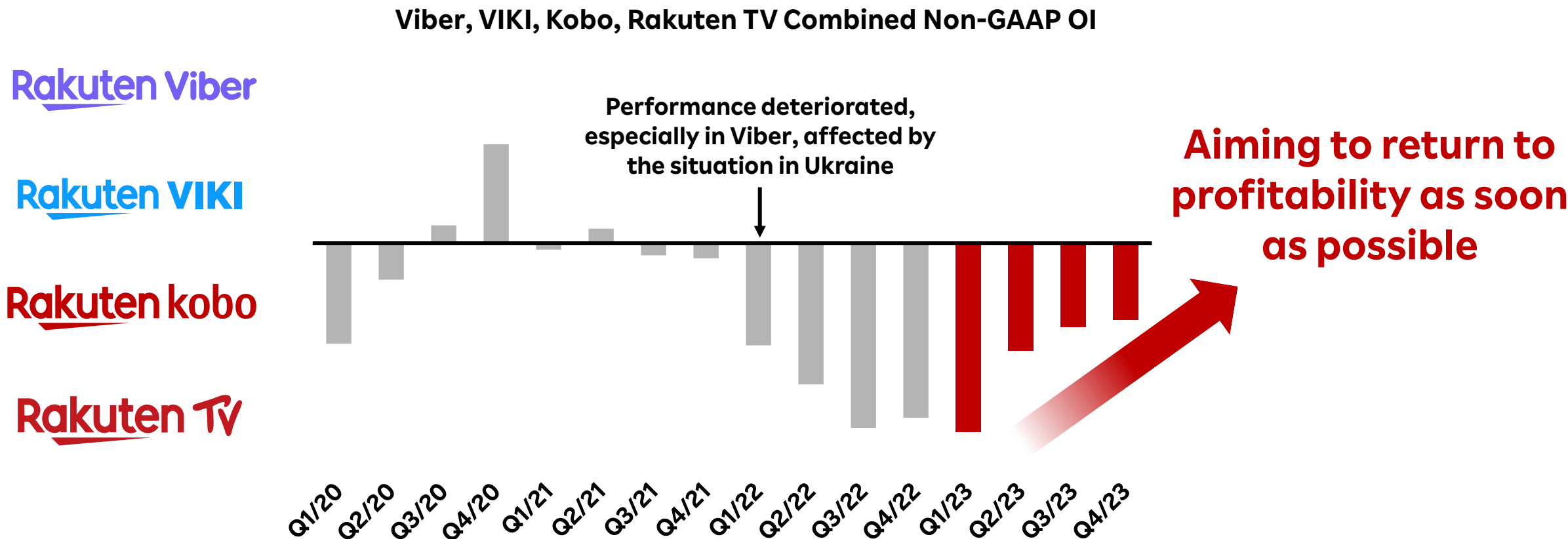
For the Sustainable Development of Rakuten Ichiba

- By adopting new technologies such as AI for the benefit of Rakuten Ichiba and merchants alike, we are strengthening store operation support and useability, with the aim to evolve into a platform capable of sustainable growth
- Partially revising monthly merchant fee for Rakuten Ichiba to facilitate further system investments and respond to changes in the external environment (inflation, etc.)



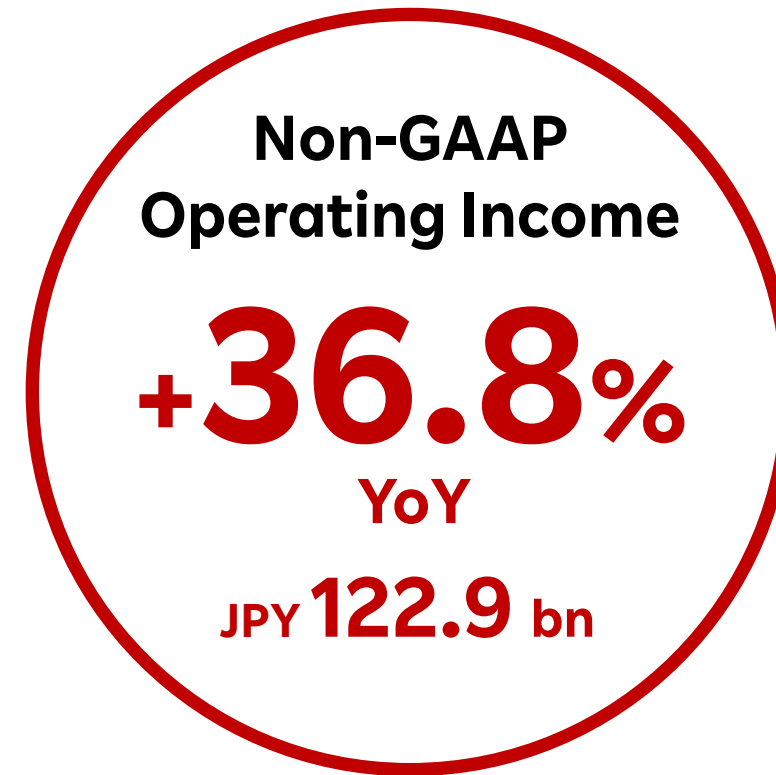
**Further Growth of Rakuten Ichiba and
Towards JPY 10tn of Domestic EC GMS by 2030**

Steady Recovery of Overseas Business despite the Situation in Ukraine



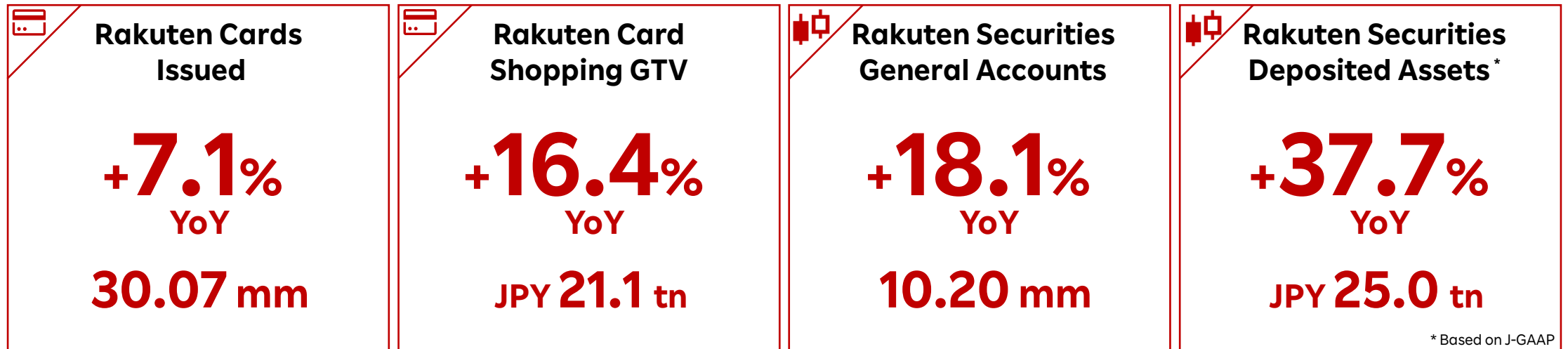
FinTech Segment: FY2023 Financial Highlights*

- Revenue growth led by Rakuten Card and Rakuten Payment; most services contributed to growth
- Non-GAAP operating income growth led by Rakuten Securities and Rakuten Bank



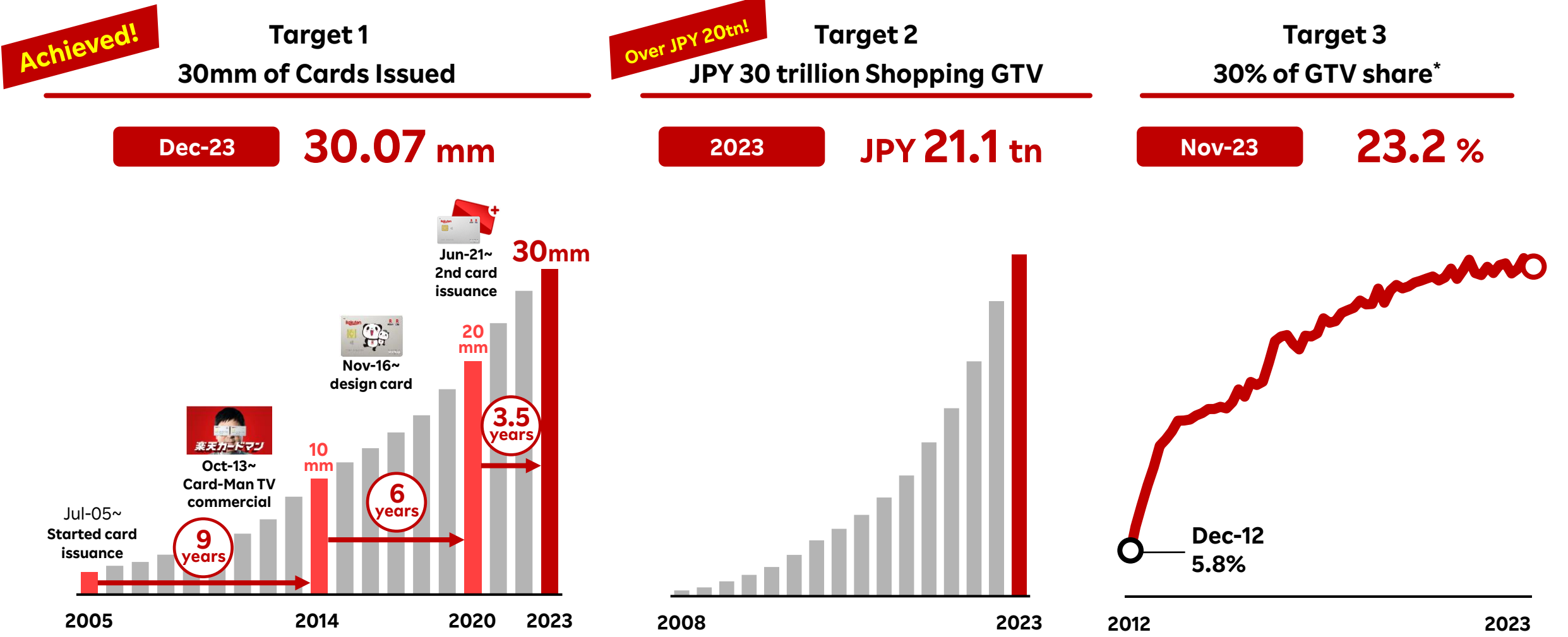
* Effective September 1, 2023, Rakuten Pay (online payment) business and Rakuten Points (online) business were transferred from Internet Services segment to FinTech segment. No retrospective revisions have been made to past results as the size of the amount is negligible.

FinTech Segment: 2023 Key KPIs



Rakuten Cards Issued Exceeded 30mm, one of the Triple 3 Targets

■ Moving forward, we will focus on achieving KPIs for Shopping GTV and GTV share

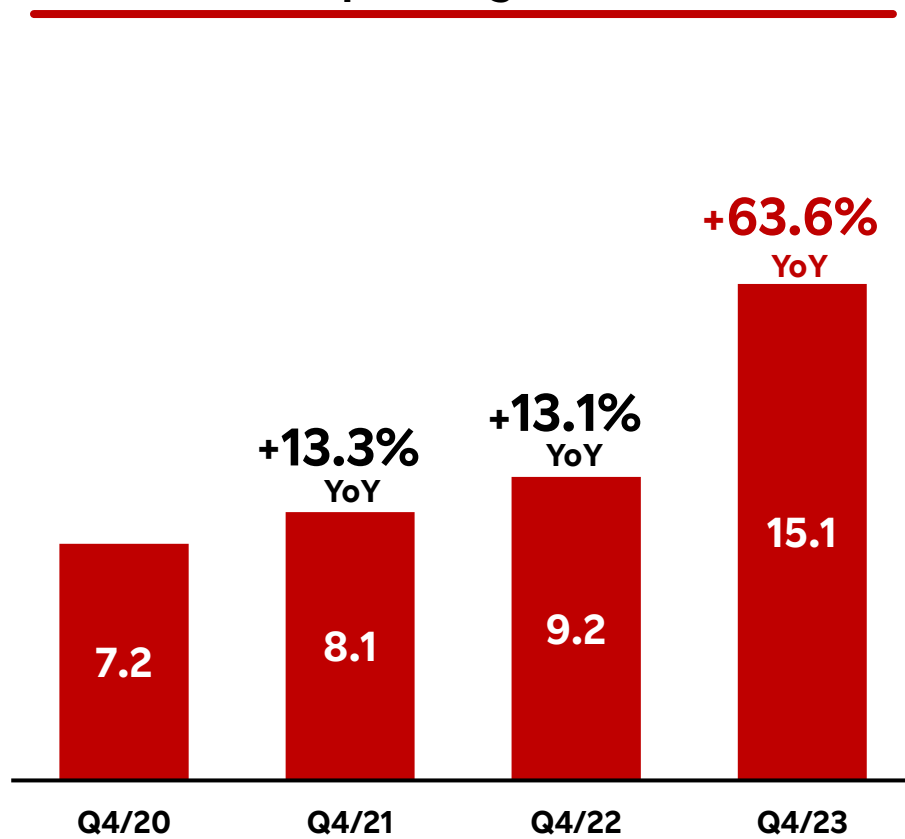


* Calculated based on "Ministry of Economy, Trade and Industry, Specified Service Industry Statistics Survey, Credit Card Industry."

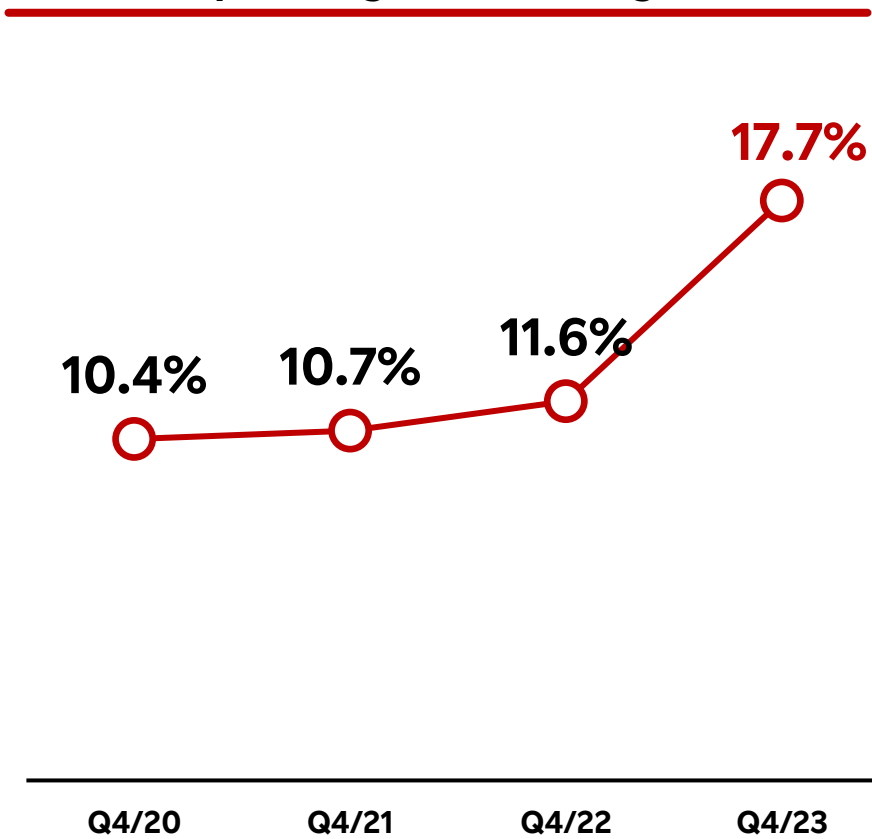
Rakuten Card Operating Income Dramatically Increased

- Achieved significant profit increase through stable revenue growth and restructuring of marketing-related expenses

Non-GAAP Operating Income (JPY bn)

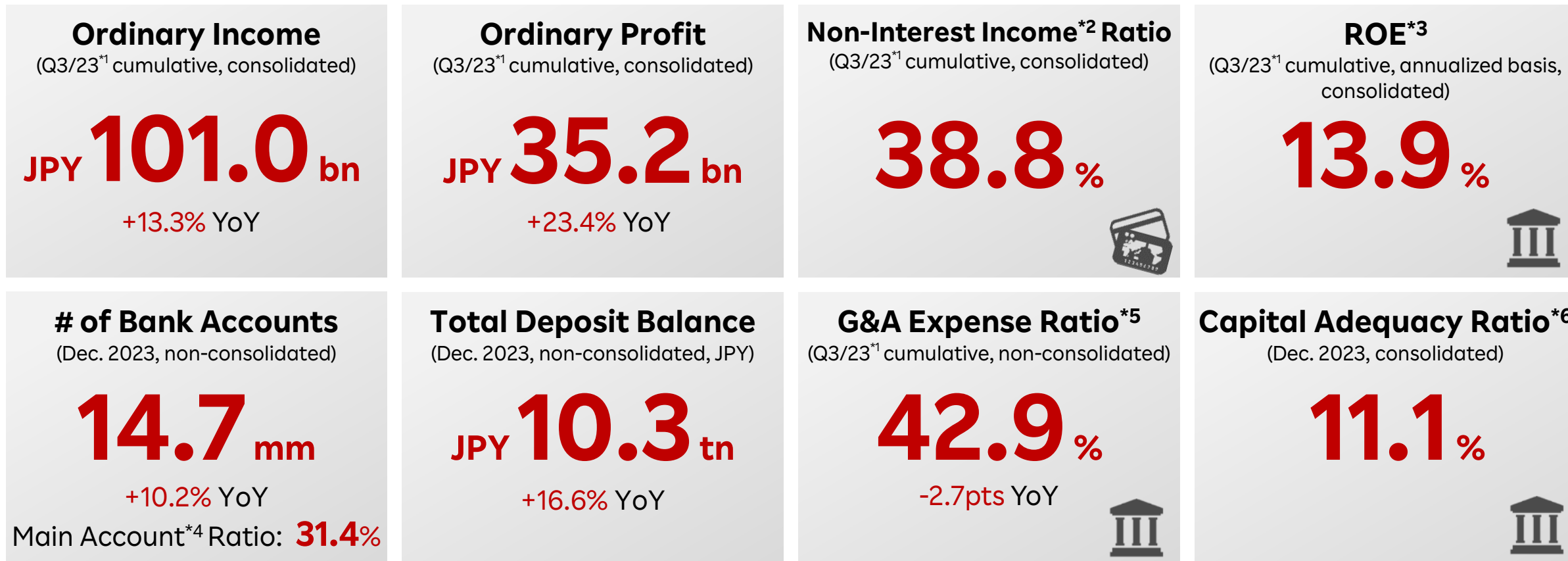


Operating Income Margin



Rakuten Bank (Consolidated): Performance Highlights (Nine months ended Dec. 2023)

Key Financial and Other Data (J-GAAP)



*1 Rakuten Bank ends its fiscal year in March.

*2 Calculated as the sum of fees and commissions income, other operating income and trust fees.

*3 (Annualized) ROE is calculated by multiplying profit attributable to owners of parent by 4/3, and then dividing that amount by average own capital at the beginning and the end of the period. The balance of own capital for the beginning of the period was calculated as if the capital increase through the public offering in April 2023 and the increase due to a third-party allotment in May 2023 had been conducted at the beginning of the period, resulting in an increase in shareholders' equity by JPY 13,324 mm.

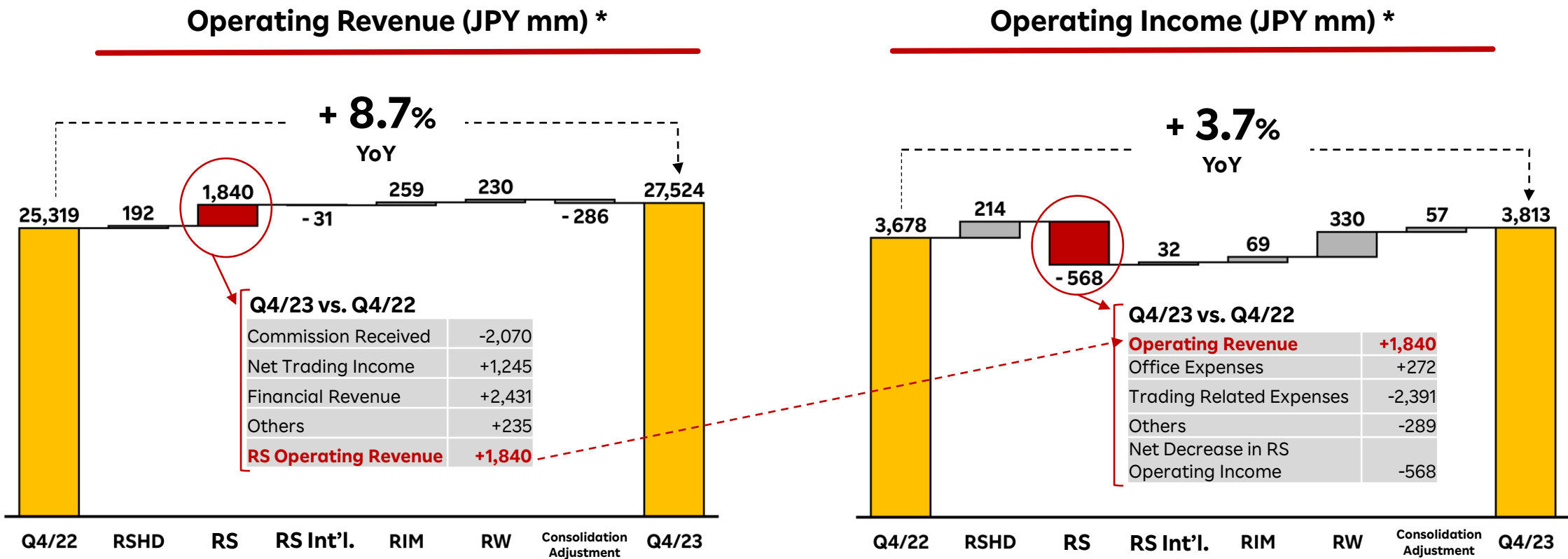
*4 Accounts that are used for direct debit or direct deposit of payroll including salary and bonus.

*5 G&A expenses divided by gross operating profit.

*6 Capital adequacy ratio (domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No.19, the Financial Services Agency of Japan, 2006).

Rakuten Securities Holdings (Consolidated) Maintained Growth

- Rakuten Securities, Inc. impact on operating income from zero-commission trades for domestic stocks was minimized as planned with diversification of revenue mix and overall growth

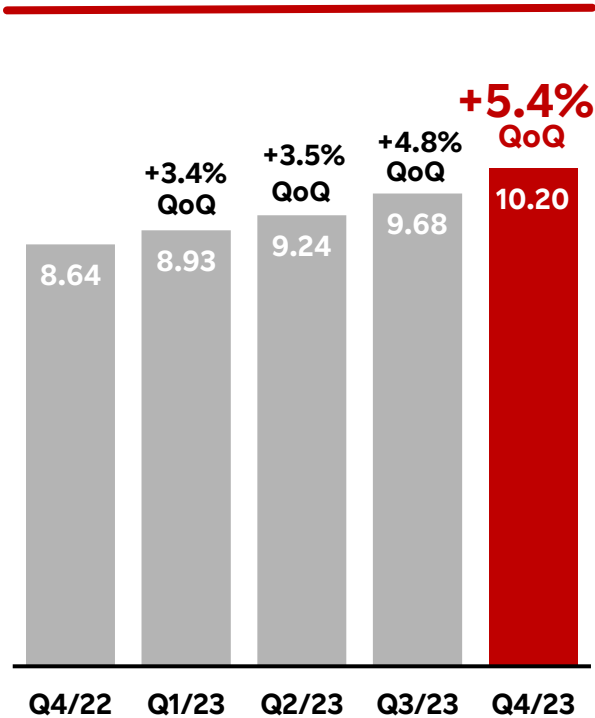


*Rakuten Securities Holdings, Inc. Consolidated based on J-GAAP.
 RSHD=Rakuten Securities Holdings Inc. / RS=Rakuten Securities, Inc. / RS Int'l.=Overseas subsidiary and Rakuten Securities, Inc. / RIM= Rakuten Investment Management, Inc. / RW= Rakuten Wallet, Inc.

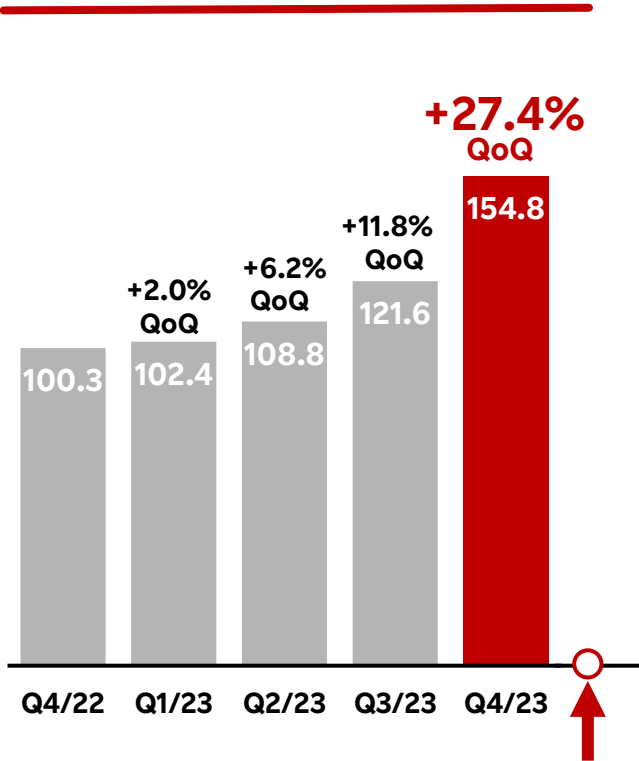
Benefits from Zero Commission Trades for Domestic Stocks and New NISA

- Zero commission trading and new NISA launch in Jan. 2024 significantly increased accounts, volume, and market share of Japanese equity trading value, driving further revenue growth

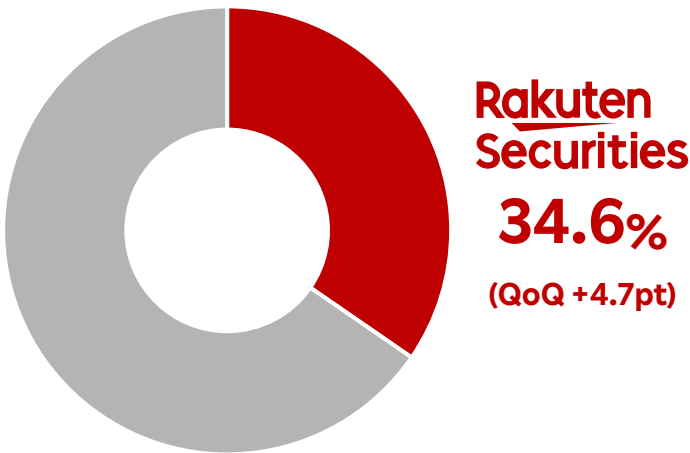
General Accounts
(mm)



Accumulation-Type Investment Trust
Monthly Volume (JPY bn)



Share of Japanese Equity
Trading Value* (Q4/23)



Expanded after changing
commission to zero

*Trading value of individual stock brokerage is for the three markets in TSE (Prime, Standard, and Growth) + ETF and REIT trading value. Source: TSE data, compiled by Rakuten Securities, Inc.

Mobile Segment: FY2023 Financial Highlights*

- Revenue and profitability have achieved significant improvements, led by Rakuten Mobile
- Improved profitability also achieved by implementing rigorous cost control measures in Rakuten Symphony and Rakuten Energy

Revenue

+3.9%
YoY

JPY **364.6bn**

Non-GAAP Operating Income

+141.7bn
YoY Improvement

JPY - **337.5bn**

Non-GAAP EBITDA

+159.9bn
YoY Improvement

JPY - **179.1bn**

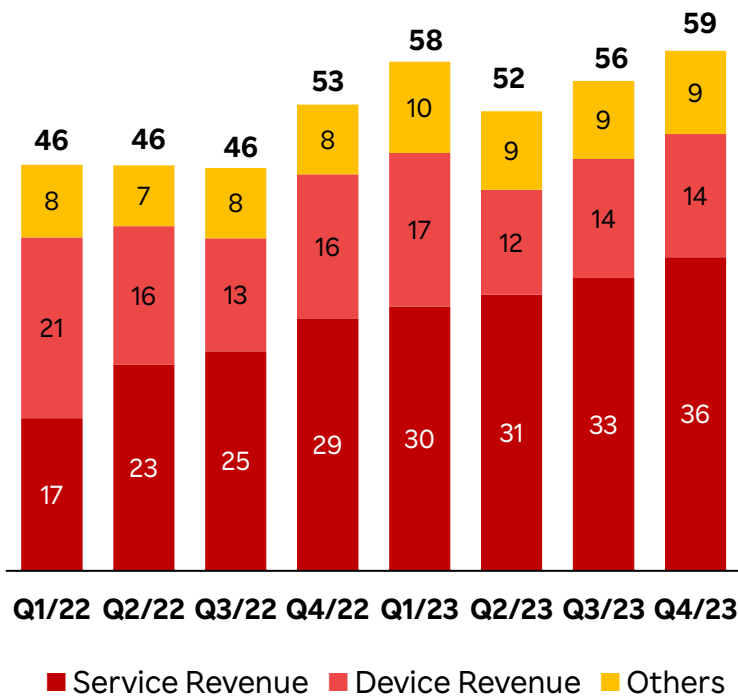
*At the beginning of Q1/23, a part of media and entertainment businesses previously included in the Mobile Segment was transferred to Internet Services segment. Previous quarters have been restated to reflect this reorganization.

Rakuten Mobile, Inc. : FY2023 Financial Highlights

- Subscriber growth led to strong revenue increase
- Cost normalization initiatives delivered loss improvement

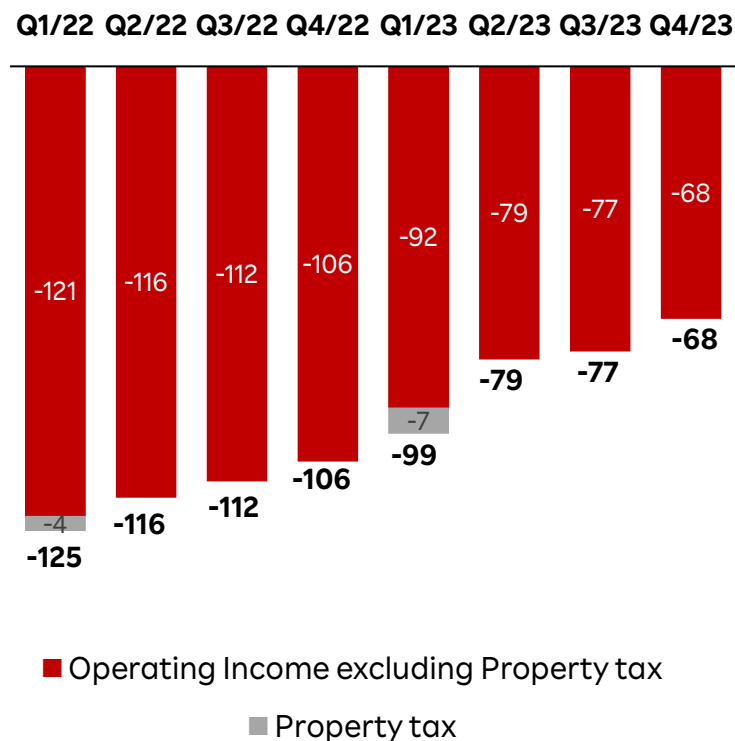
Revenue

(JPY bn)



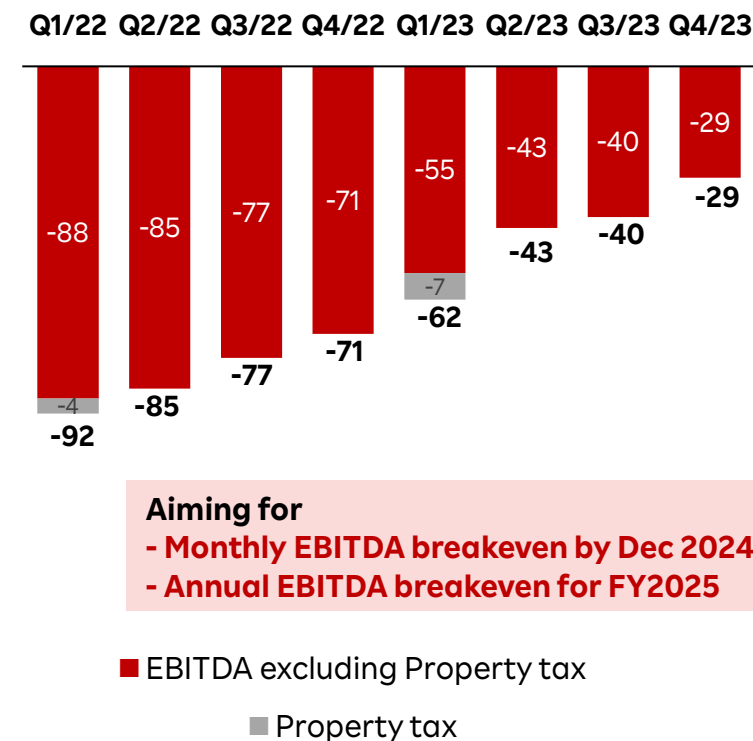
Non-GAAP Operating Income

(JPY bn)



Non-GAAP EBITDA

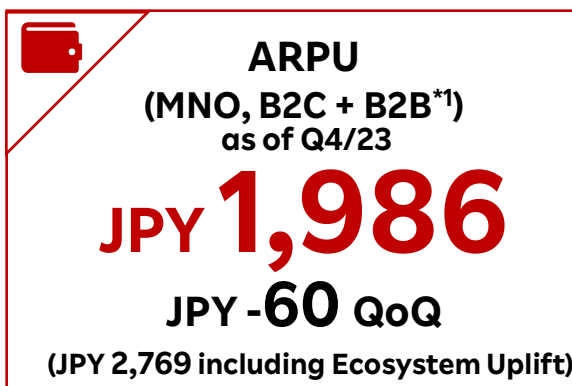
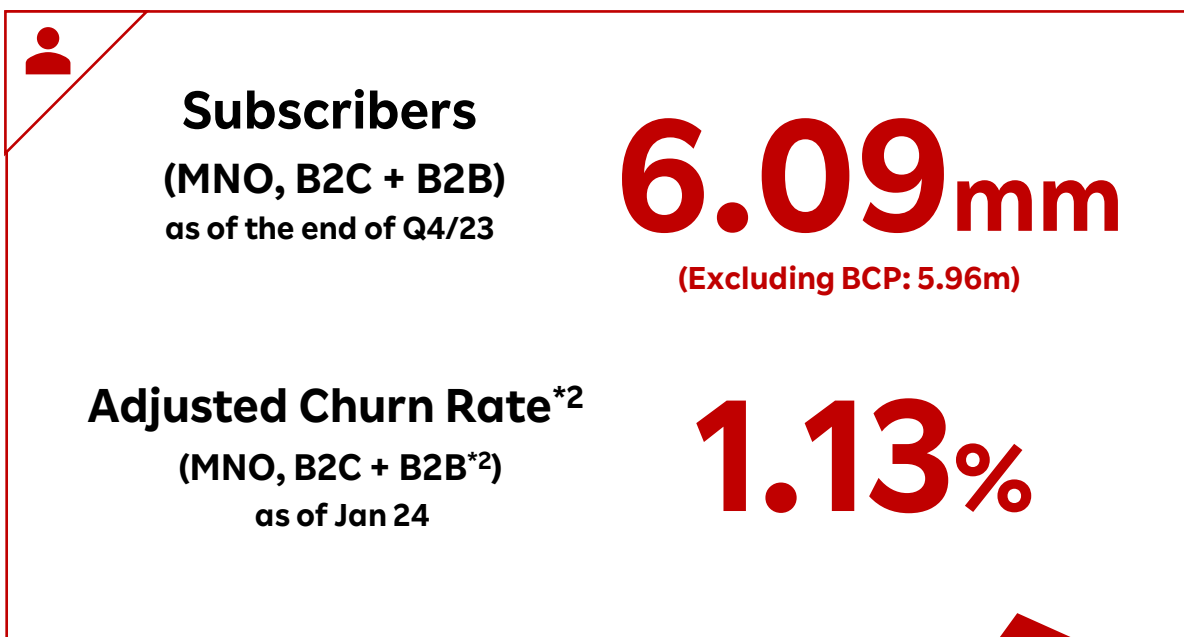
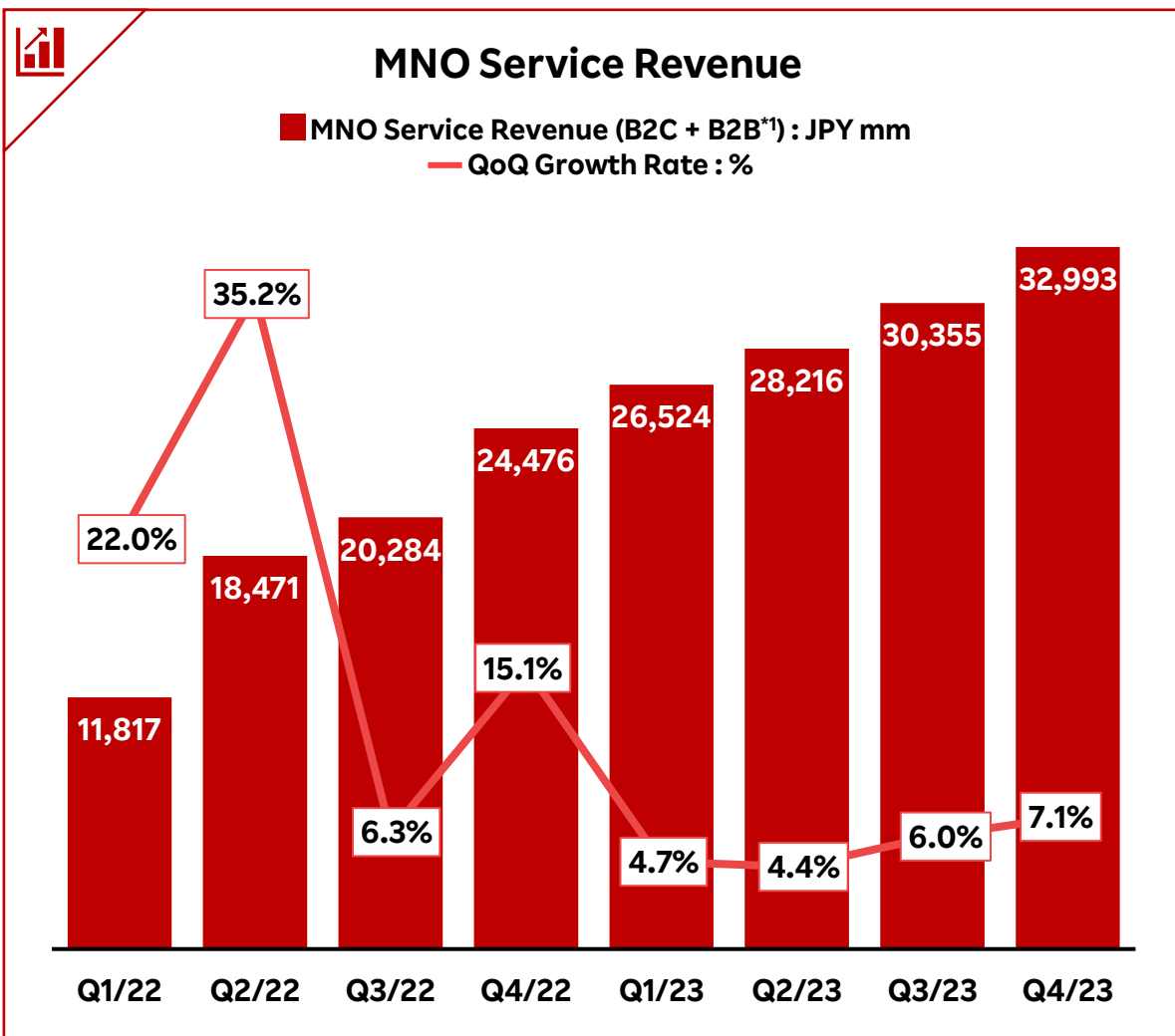
(JPY bn)



Aiming for

- Monthly EBITDA breakeven by Dec 2024
- Annual EBITDA breakeven for FY2025

Rakuten Mobile, Inc. : Main KPIs



*1 Excluding BCP. BCP refers to plans sold for Business Continuity Plan purposes in B2B.

*2 Excluding churn (B2C) within the same month as activation.

Rakuten Symphony: Launched Europe's First Open RAN Mobile Services with 1&1

- Major milestone achieved in mission to transform global telecom industry with the launch of first virtualized 5G Open RAN mobile network in Europe
- Rakuten is an end-to-end technology and network integration partner in collaboration with over 80 global vendors



*As of Q4/23

Rakuten Symphony

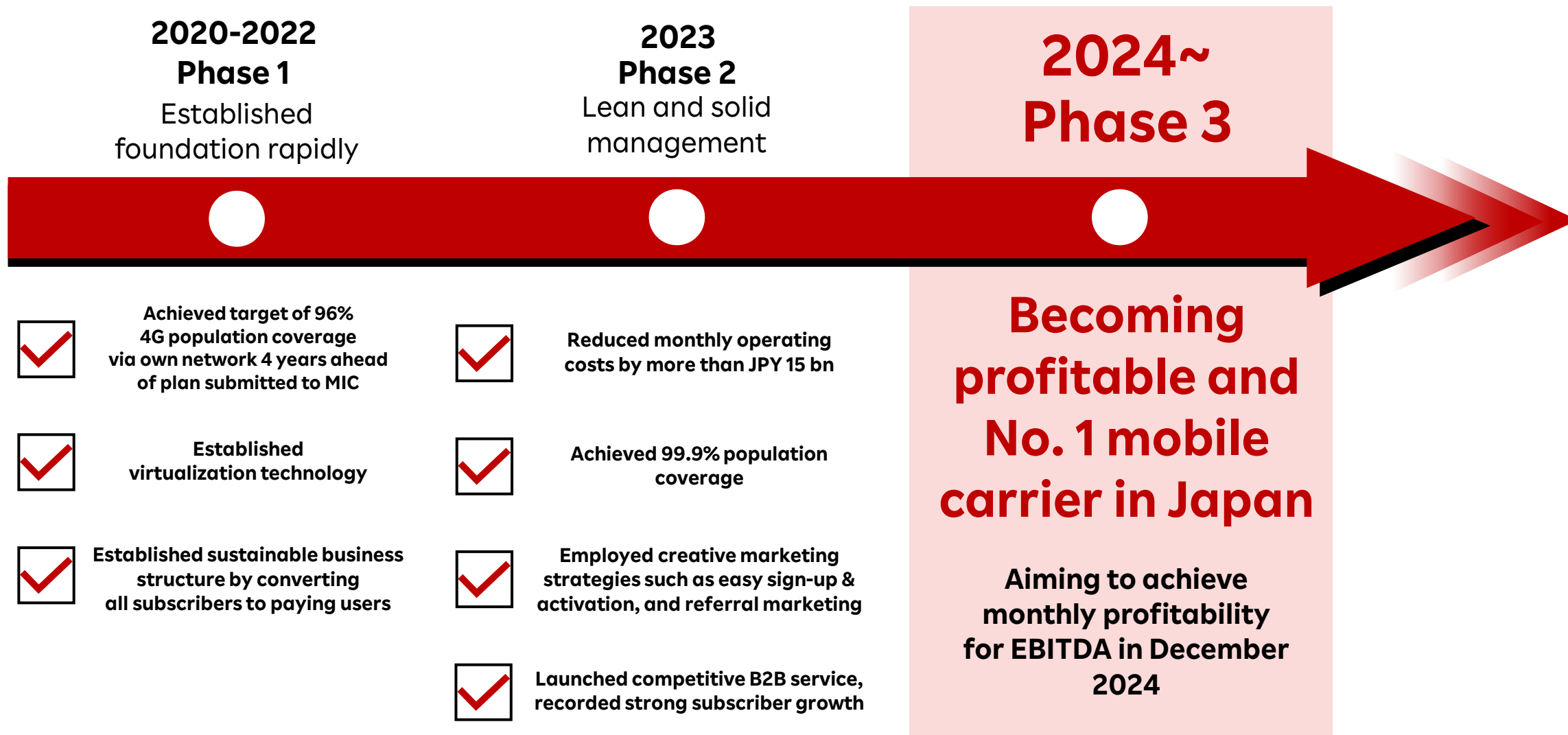


Clients* **19**

- ✓ Rakuten Symphony telecom platform supports tens of millions of subscribers with a stable and high-quality network
- ✓ Rakuten Symphony is a global leader in building, deploying, and operating mobile networks based on Open RAN standards

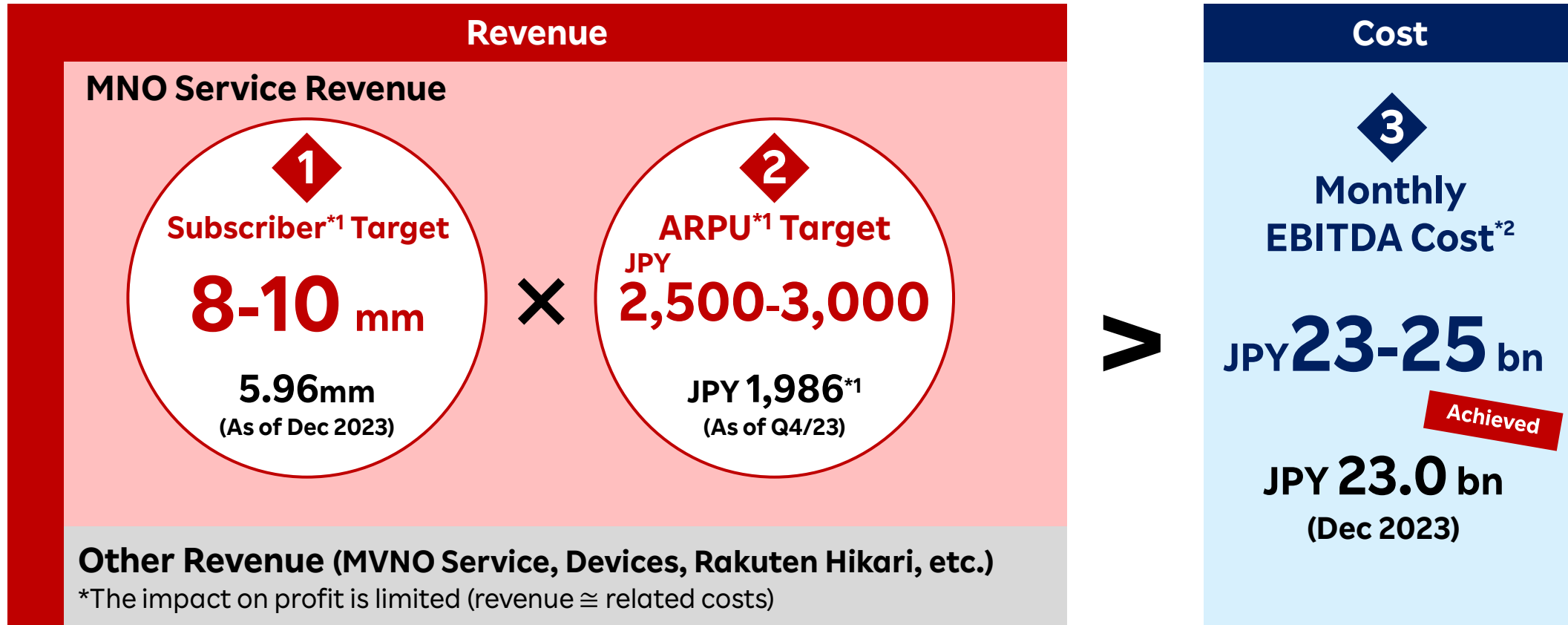
2. Rakuten Mobile Strategy

Transitioning to Phase 3



Various Measures in the Pipeline to Realize Monthly Profitability for Non-GAAP EBITDA by December 2024

- Aiming to grow MNO Service Revenue to cover EBITDA cost



*1 Excluding BCP. BCP refers to plans sold for Business Continuity Plan purposes in B2B

*2 Cost excluding depreciation expenses

Subscriber Growth

Subscriber Acquisition Accelerating With the Launch of SAIKYO Plan and B2B

Subscribers (MNO, B2C + B2B)

8-10mm

■ Subscribers excluding BCP* (MNO, B2C + B2B)
■ BCP*

Including BCP
6.09m

Excluding BCP
5.96m

Apr-20

Dec-23

Dec-24

*BCP refers to plans sold for Business Continuity Plan purposes in B2B



Pricing: Most Important Factor in Choosing a Carrier

【Survey conducted by Rakuten Mobile using an external research agency in November 2023】



Which Mobile Carrier Comes to Mind When You Hear “Price”?

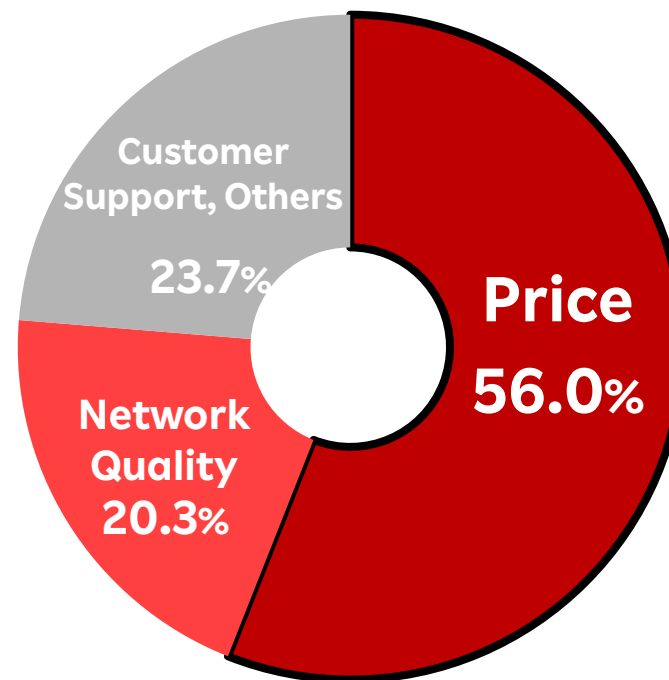
1位 **Rakuten Mobile** (37.5%)

2位 Y!mobile (15.9%)

3位 UQ mobile (9.9%)

**Rakuten Mobile is
No.1 in Pricing**

Factors Consumers Consider Most Important when Choosing a Mobile Carrier

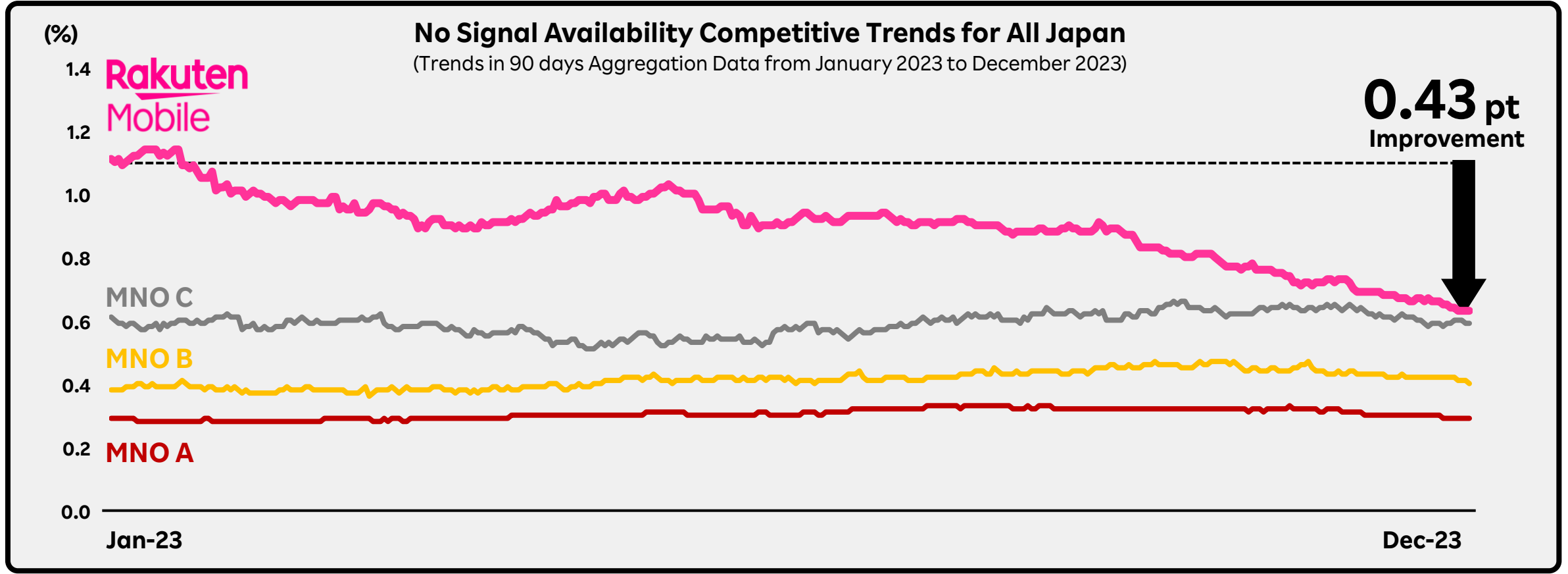


(N:2,271)



To What Extent the Network Quality Has Been Improved ①

- “No Signal Availability” (the average proportion of time all Opensignal users lacked a cellular connection on the operator’s network) has seen significant improvement
- Rakuten Mobile's network quality shows consistent improvement even as new roaming rollout remains incomplete

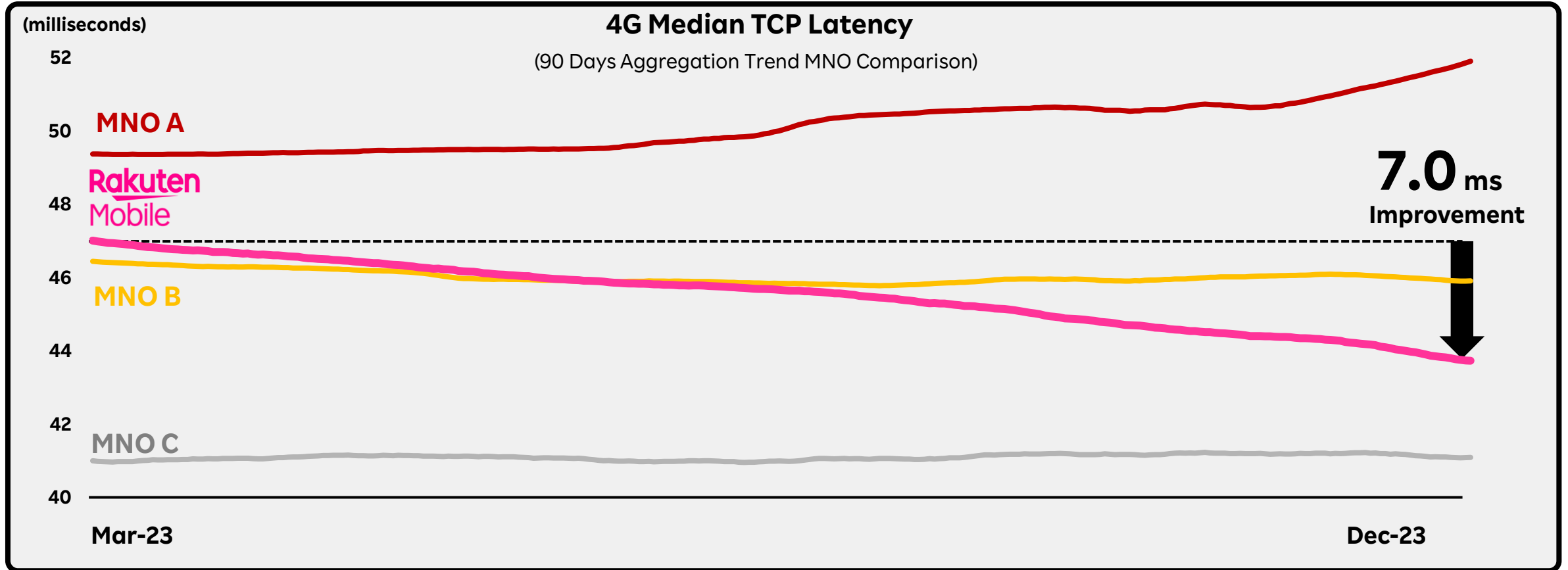


Source: Created by Rakuten, based on Rakuten’s analysis of Opensignal mobile measurements data (90 days aggregation), recorded from January 1, 2023 to December 30, 2023



To What Extent the Network Quality Has Been Improved ②

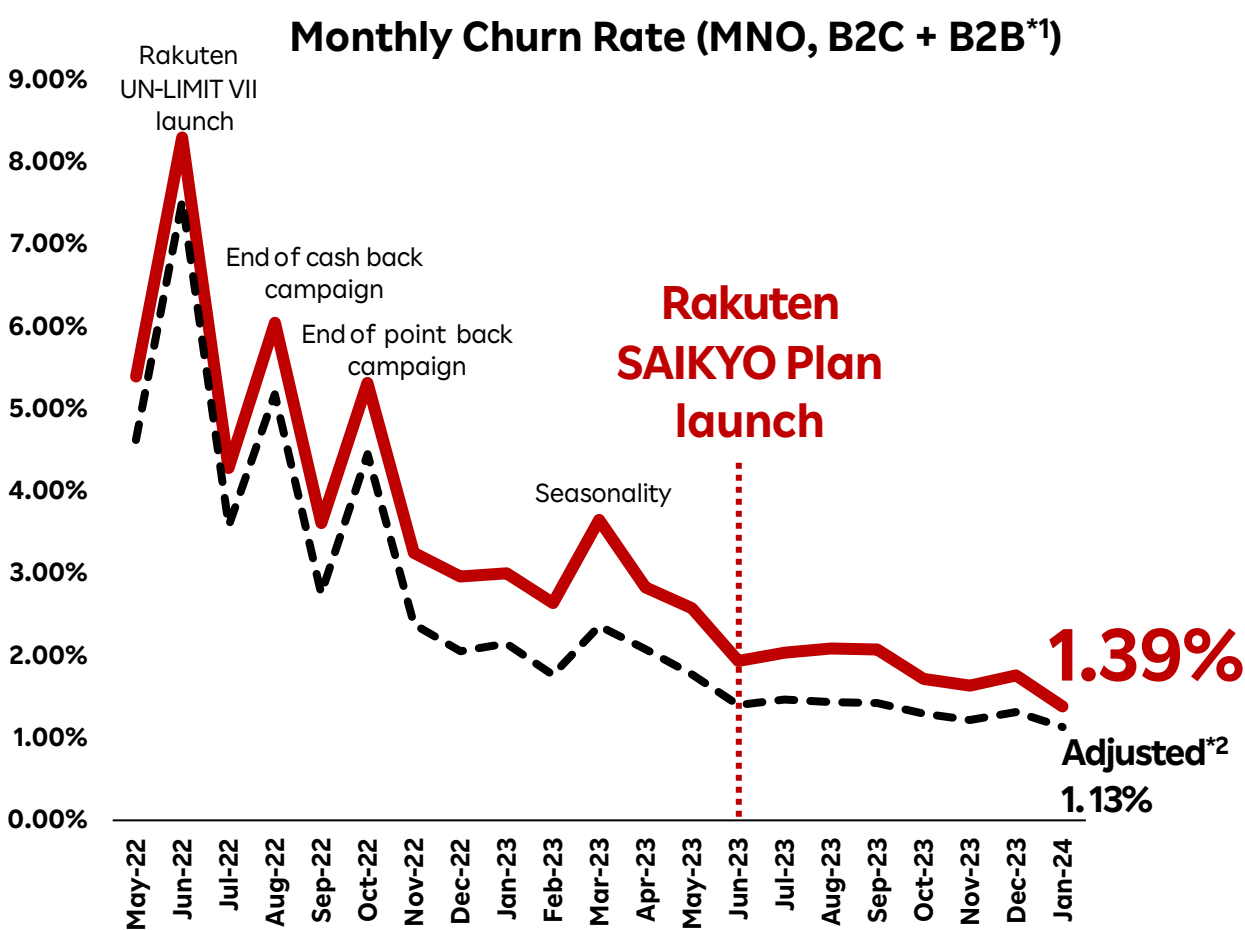
- “Latency” (the time taken for a HTTPS HEAD request over the TCP protocol) has made significant improvements and has surpassed other carriers in terms of quality



Source: Created by Rakuten, based on Rakuten's analysis of Opensignal mobile measurements data (90 days aggregation) from March 31, 2023 to December 31, 2023. (Data is available after March 31, 2023)

Improving Network Quality Driving Down Churn

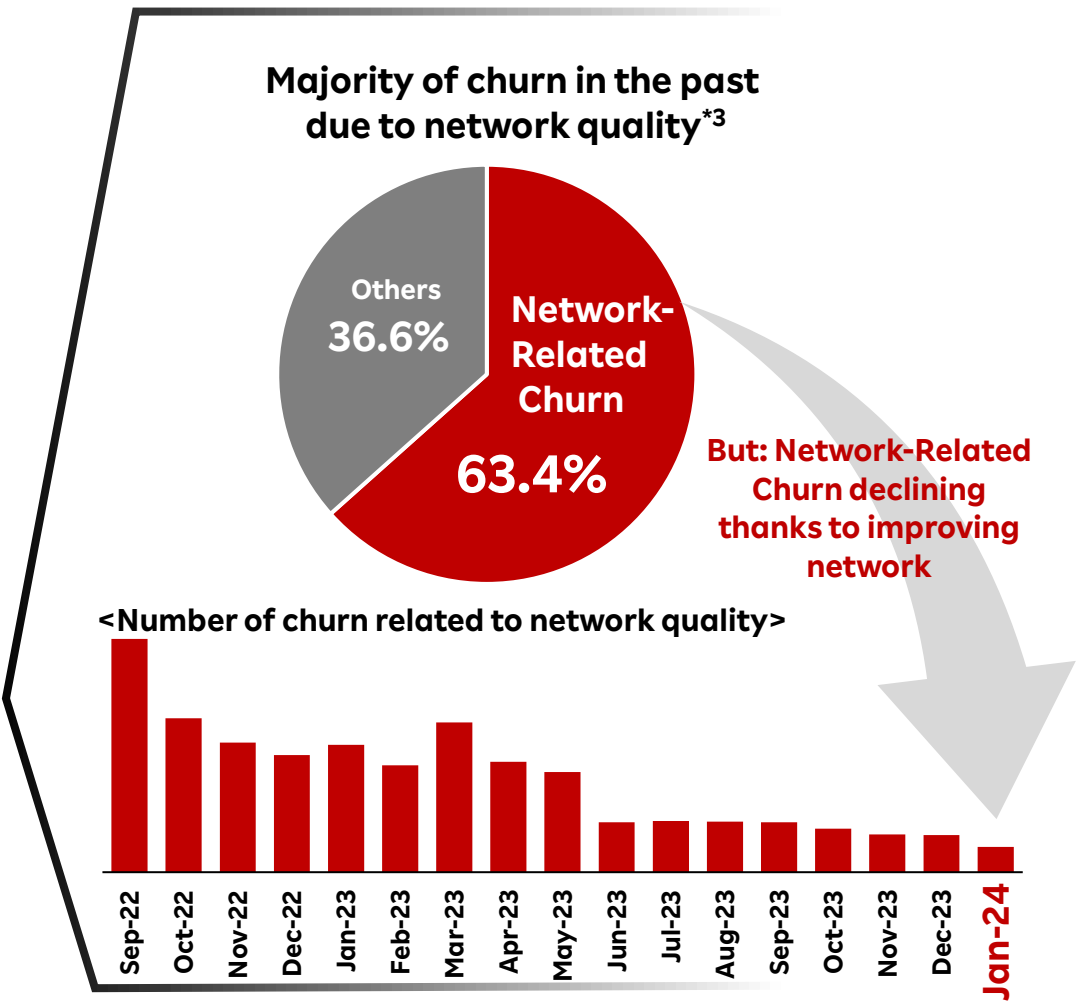
- Steady improvements in network quality and anticipated further improvements from new roaming agreement and Platinum Band deployment have significantly reduced churn rate



*1 Excluding BCP, BCP is a pricing plan for Business Continuity Plan purposes in B2B

*2 Excluding churn (B2C) within the same month as activation.

*3 Source: Rakuten Mobile customer churn survey (cumulative, January to June 2023). Percentage excluding "I don't know/I don't want to answer"



Network Optimization Progress with New Roaming Agreement

- Network optimization is on track and in line with Q3/23 disclosure^{*1}

Progress Update on Network Optimization Based on New Roaming Agreement



Metropolitan Areas^{*2}

Newly Available

- ✓ Almost finished by February
- ✓ Will continue to be optimized



Other Areas^{*2}

Rural/indoors, etc.

- ✓ Roaming areas optimized on a rolling basis

^{*1} Announced at Q3/23 financial results: “Base station activations are now being executed, and the remaining should be on-air mostly Q1/24 (Jan-Mar)”

^{*2} The actual roaming start timing will be decided after consultation with the other party, and the on-air schedule for each area will vary.

2024 is the Year of “Improved Connectivity at Rakuten Mobile”

Continuous Efforts for Improving Network Quality

Promotion of high-density network coverage

Expansion and improvement of 5G

Enhancement of indoor and underground quality

Improvement of coverage gaps utilizing the platinum band

Quality improvement based on customer feedback

Continuously expanding coverage areas



Your town, our network – effortlessly connected

Rakuten Saikyo Plan

Project

In progress!



Awareness Improvement Regarding Network Quality

Provides information on communication quality by area

横浜市の

人口カバー率 **100.00%**! ※1,2



データ高速無制限エリア

※1 データ高速無制限エリアであっても、地下、屋内、大きな商業ビルの屋内等の場所、電波の状況等によって通信速度が変化する場合あり
※2 2023年9月時点。人口カバー率は、国勢調査に用いられる約500m区画において、50%以上の場所で通信可能なエリアを基に算出

快適な通信環境ご提供のため、「Rakuten最強プラン」プロジェクトが進行中!

横浜市内では

通信品質の評価で **Rank1** 獲得! ※3,4 ※7項目中 5項目

利用シーン別の体感品質



ビデオ視聴



モバイルゲーム



アップロード・スピード

ネットワーク体感品質



利用率



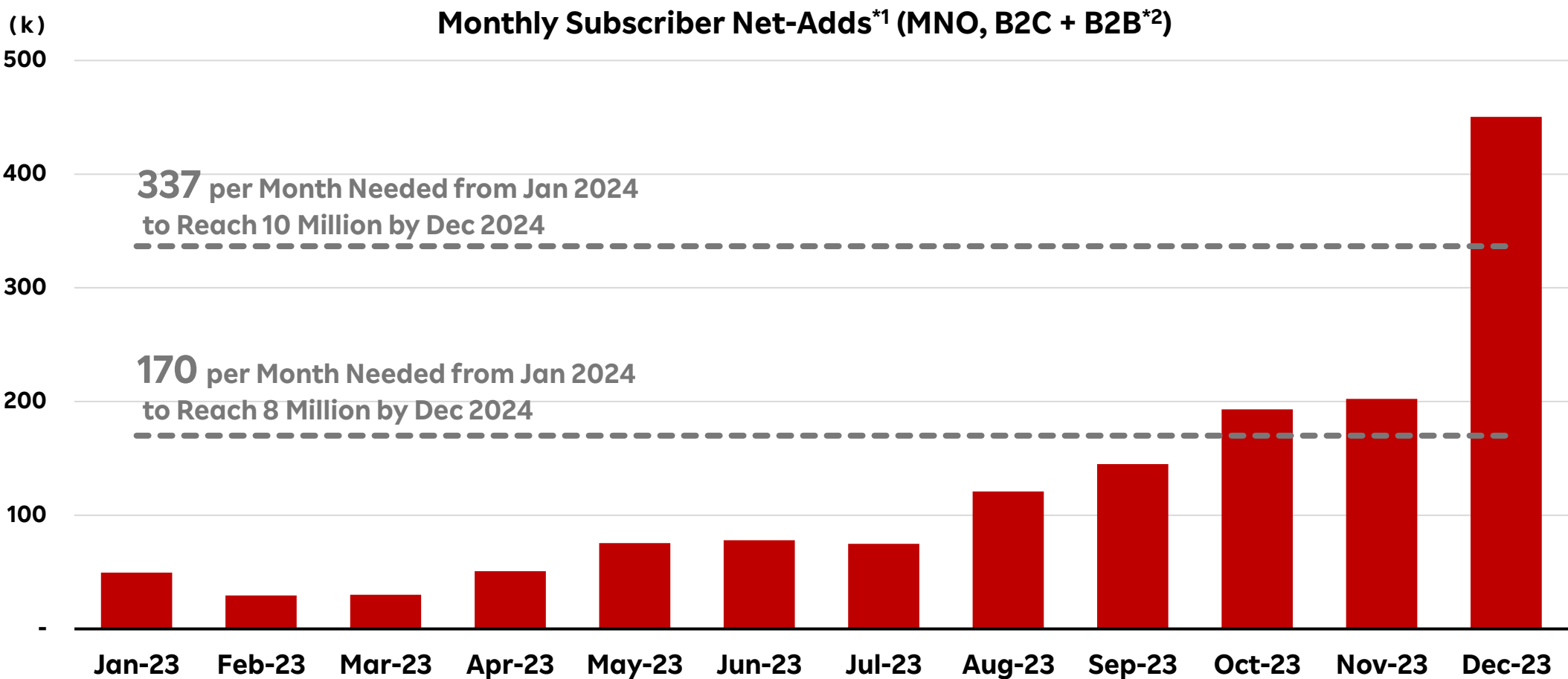
カバレッジ

OPENSIGNAL

Stores to support contracts with more detailed information on network quality

Status of Acquiring Rakuten Mobile Subscribers

- Significant increase in net adds was largely driven by B2B in the second half of 2023
- Stepping up marketing to accelerate B2C acquisitions



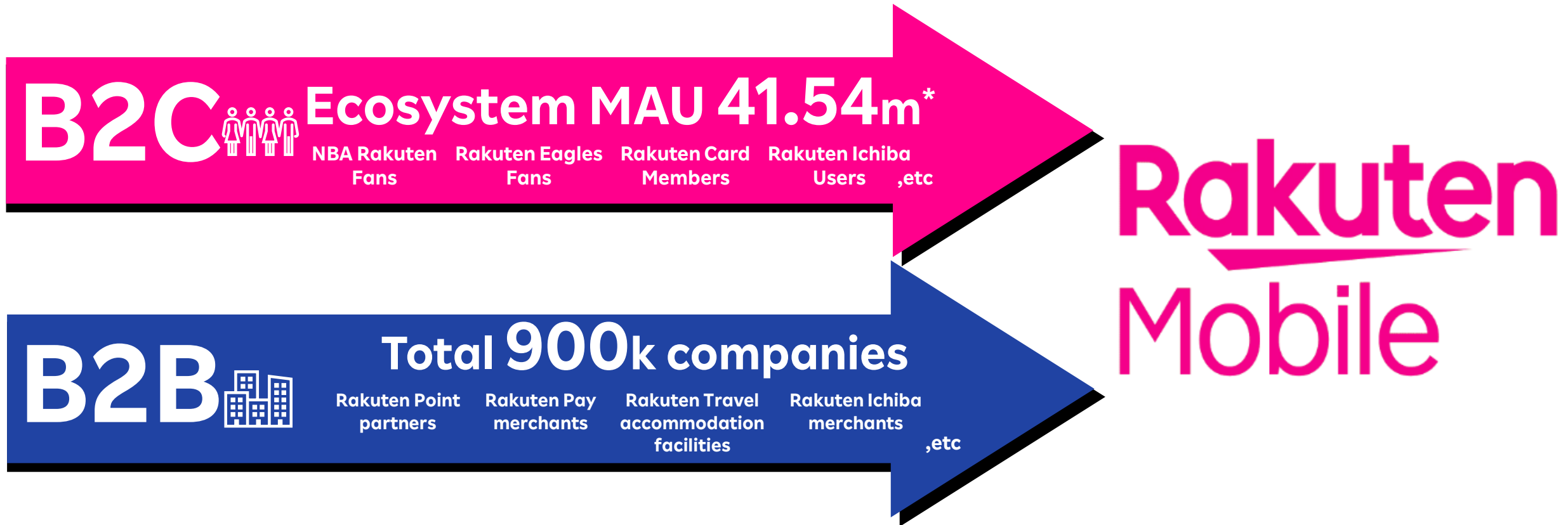
*1 The difference between the number of contracted lines in the current month and the number of contracted lines in the previous month.

*2 Excluding BCP, BCP is a pricing plan for Business Continuity Plan purposes in B2B



Acquisition Strategy ①: Maximize Rakuten Ecosystem Channel

- B2C acquisitions through reinforcing rewards for services with high loyalty
- B2B acquisitions through sales force integration across business segments



* As of end of Dec 2023.

Rakuten Mobile's Contribution to Group Services (B2C)

Rakuten Mobile

Contribution to Financial Results

Q4/23 Contribution to Group Revenue^{*1}

JPY +10_{bn}

Q4/23 Contribution to Group EBITDA^{*2}

JPY +6_{bn}

Contribution to GMS^{*3}

Annual Rakuten Ichiba GMS Increase
Post-MNO Contract

+60%

Annual Rakuten Travel GMS increase
Post-MNO Contract

+93%

Contributions to Other Factors^{*4}

Average Increase in Service Usage of
MNO Users in One year

+2.56 Average Increase of
Non-MNO Users +0.42

Total Increase in Rakuten Group's
New Service Usage by MNO Users

13.3_{mm}+

^{*1} Calculated based on Ecosystem ARPU uplift multiplied by a number of MNO subscribers at the end of each month. Ecosystem ARPU uplift is a difference in averaged revenue per person during the past 12 months between MNO users and non-MNO users in 10 businesses (Rakuten Market, Rakuten Books, Rakuten Direct, Rakuten Bic, Rakuten Kobo, Rakuten Fashion, Rakuten Travel, Rakuten Seiyu Net Super, Rakuten Beauty, Rakuten Pay Online Payment)

^{*2} Calculated by using each business's gross profit margin

^{*3} Users who have a contract with Rakuten Mobile between April 2020 and January 2023, and for whom 12 months or more have passed since the contract start. GMS growth is the weighted average of figures comparing GMS in the 12 months before the user's contract and the latest 12 months (2023/1~2023/12) for each contract start month. Travel figures include the effect of demand recovery from the COVID-19.


^{*4} MNO users: Users who have an MNO contract from December 2019 to January 2023. Non-MNO users: Users who have used Rakuten services in the past year from the relevant month. Service usage is detected by points. The number includes MNO itself


Acquisition Strategy ②: Boosting Referral Marketing

- Referral campaign upgraded from February 1. For MNP applications, a referee will receive 13,000 points

Rakuten Mobile REFERRAL CAMPAIGN^{*1} Vol.3

Referrer	First-Time Referee
Refer your friends to Rakuten Mobile	For MNP transfers
GET 7,000 Points	13,000 points ^{*2}
Per person	For other new sign-ups 6,000 points





Bonus Points from Feb 1

^{*1} The "Rakuten Saikyo Plan (Data Type)" is not eligible. Points will be awarded as limited-time points for a period of 3 months. The referred person (referred party) must use the Rakuten Link app. There is a possibility that the contents of the benefits and the cancellation of the campaign may change without prior notice.

^{*2} If the referred person (referred party) uses the 6,000 yen off coupon at the Rakuten Mobile official Rakuten Ichiba store, they will receive 7,000 points.

Acquisition Strategy ③: SAIKYO Family Program Introduction

Data 3GB
When Family Discounts Applied

Introducing a new program that allows families to use the “Rakuten SAIKYO Plan”
in a cost-effective way

Among All Carriers

Most
Affordable^{*1}

最強家族プログラム

(SAIKYO Family Program)



Definition

Users with the same surname as the representative of the group

*No restrictions on age or contract address, etc.

Age of
the main line

Over 18 years

Number of family
lines

From 2 to 20 lines

Ages of
family members

No restriction
(available from 0 years old)

* 1: When only family discounts but no other discounts are applied . As of February 2024. In-house research.

Acquisition Strategy ③: Most Affordable* among MNO Carriers including Sub-Brands for 3GB of Data

最強家族プログラム

(SAIKYO Family Program)

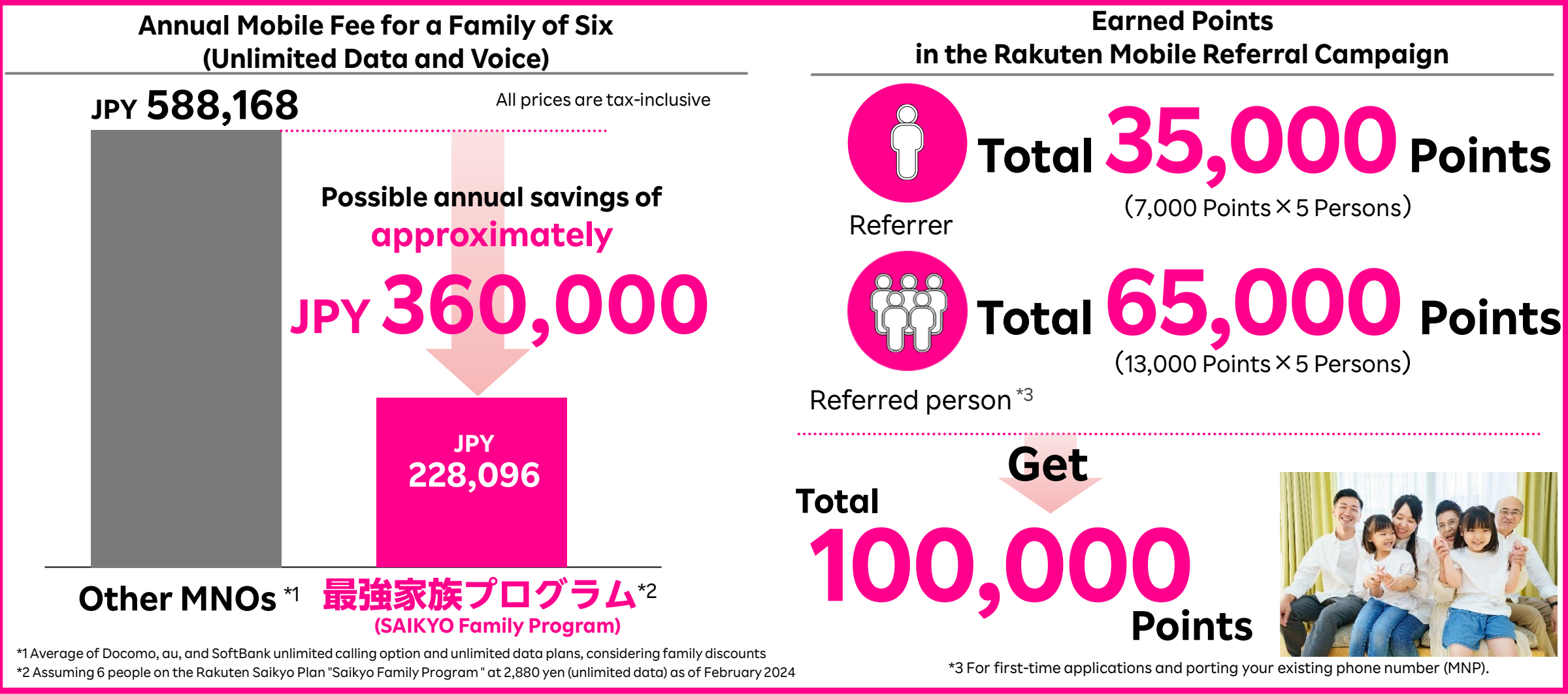
Up to 3GB		3~20GB		20GB and Above (unlimited)	
Normally	JPY 980 (JPY1,078, incl. tax)	Normally	JPY 1,980 (JPY2,178 , incl. tax)	Normally	JPY 2,980 (JPY3,278, incl. tax)
Family discount applied	JPY 880 (JPY968, incl. tax)	Family discount applied	JPY 1,880 (JPY2,068 , incl. tax)	Family discount applied	JPY 2,880 (JPY3,168, incl. tax)

Starting from February 21 (Wed), 2024

* In the case of applying only family discounts and excluding other discounts, as of February 2024. According to our internal research.

Acquisition Strategy ③: A Great Combination: Referral x SAIKYO Family Program

In the Case of a Family of Six



Acquisition Strategy ④: B2B Acquisition Activities

- Currently, our focus is primarily on acquiring contracts through ecosystem partners and sales by top management
- With the improvement of network quality, we are expanding our sales channels to accelerate acquisition efforts



① Accelerate acquisition of large enterprises

② Enhance acquisition through area/cross-selling

Strengthen regional coverage

(Such as strengthening engagement with local sales partners)

③ Secure acquisition opportunities through agencies/resellers

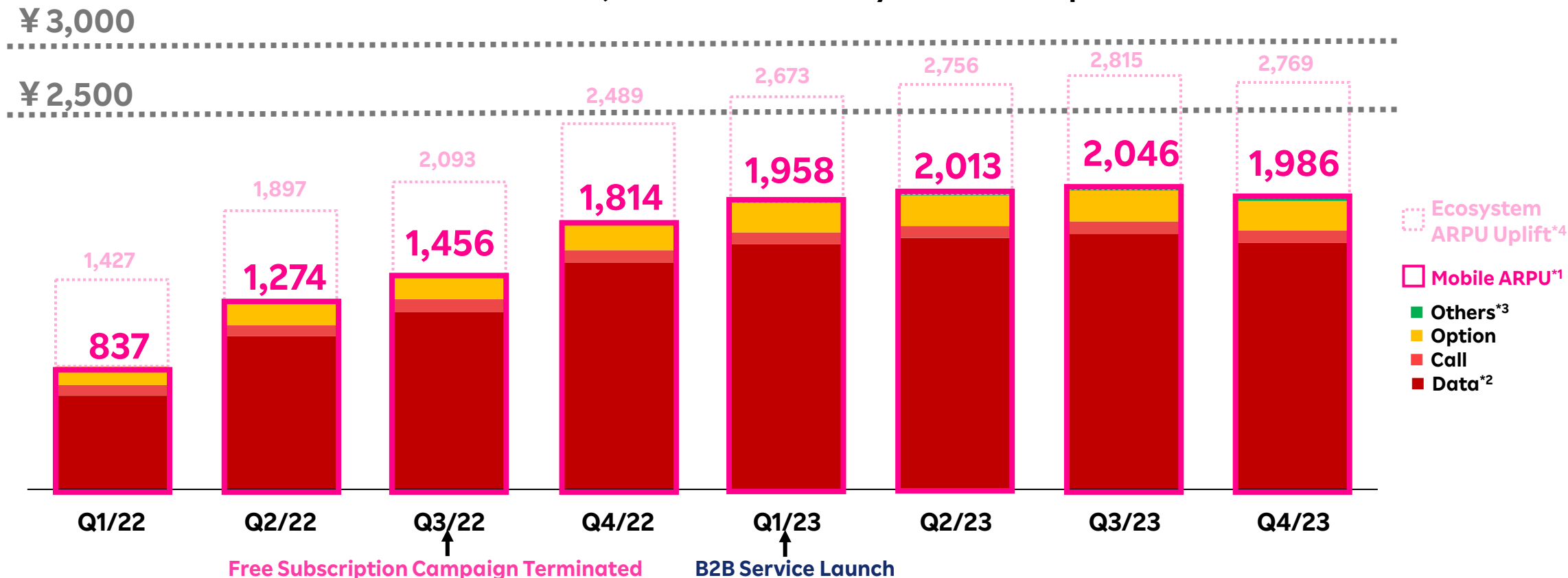
ARPU Growth

ARPU (B2C + B2B)

■ Dramatic increase in B2B subscribers at the end of Q4/23 diluted ARPU QoQ

(JPY)

Mobile ARPU(MNO, B2C + B2B) *¹ + Ecosystem ARPU Uplift



*¹ Excluding BCP, BCP is pricing plan for Business Continuity Plan purposes in B2B. Due to a definition change for subscribers and revenue breakdown, past amounts have been retroactively adjusted. The breakdown of revenue and KPIs is disclosed as an indicator used by management in decision-making (business management indicator). Therefore, the scope of calculation and breakdown may change in the future, and retroactive adjustments may occur.

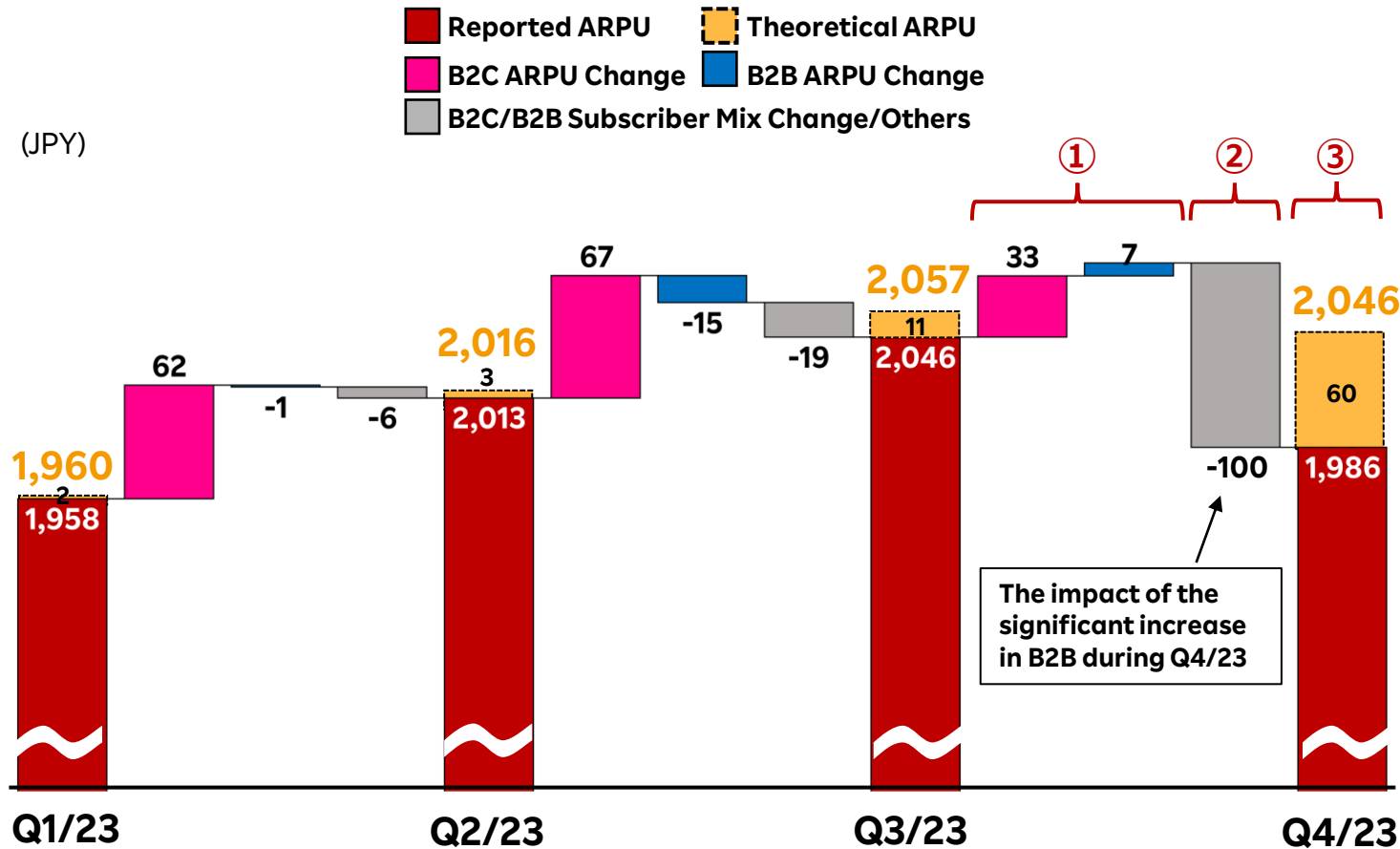
*² Data ARPU: Point back campaign for users of less than 1GB during September-October 2022 are recorded as deduction from revenue. However, we include it in the calculation of ARPU here

*³ Include advertising, B2B miscellaneous income

*⁴ Ecosystem ARPU Uplift: Difference in average revenue per person between MNO users and non-MNO users over the past year at ten businesses(Rakuten Ichiba, Rakuten Books, Rakuten Direct, Rakuten Bic, Rakuten Kobo, Rakuten Fashion, Rakuten Travel, Rakuten Seiyu Netsuper, Rakuten Beauty, Rakuten Pay online payment). Calculated by comparing all MNO users and all non-MNO users for comparison. Due to the change in the target period for acquiring sample users, past amounts have been retroactively adjusted

ARPU Analysis: Both B2C and B2B ARPU improved from Q3 to Q4/23

Reported ARPU vs. Theoretical ARPU*



B2B Service Launch

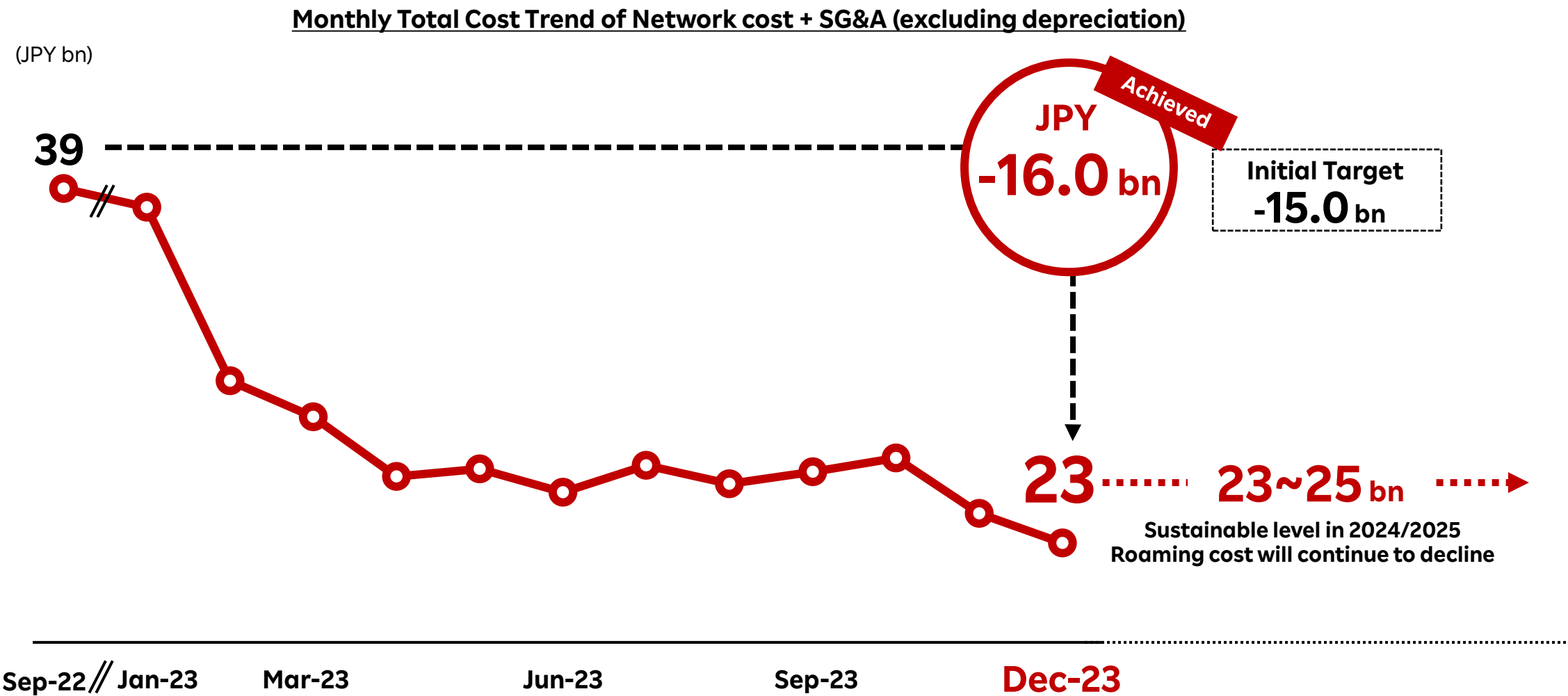
* Based on internal estimation

- ① Both B2C and B2B ARPU improved QoQ
- ② Rising **B2B subscriber mix** and **seasonal acceleration of B2B acquisitions** in the latter half of December 2023 **materially depressed reported ARPU in Q4/23**
- ③ B2B lines are charged pro rata in their initial month. If full-month revenue contribution from all B2B subscribers (at the end of the quarter) was assumed, **Q4 ARPU would have been JPY2,046**



EBITDA Cost

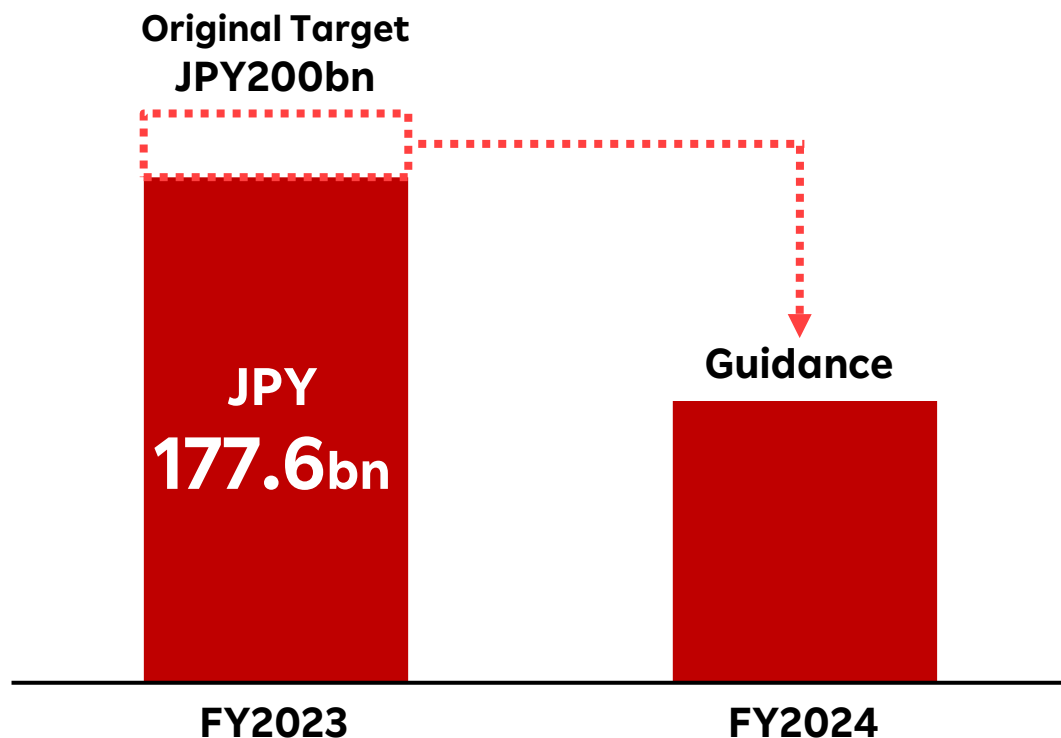
Achieved Cost Optimization Target in December 2023



Capex Reductions at Rakuten Mobile, Inc.

- Capex in FY2023 came in below the initial target of JPY 200 bn, but most of the difference will be booked in FY2024
- Despite that, we anticipate a significant decrease in Capex for FY2024, to be slightly under JPY 100 bn

Capital Expenditure FY2024 Plan^{*1*2}



Considerations for Capex Planning in the Future

- ✓ Platinum Band-related 10-year expected cumulative capital expenditure of JPY 54.4 billion (including interference remediation costs). Capital expenditure is expected to be back-end loaded in the 10-year period
- ✓ Maintenance capital expenditure is not expected to be material
- ✓ No material capital expenditure is necessary for capacity in FY2024-25

^{*1} Includes capital expenditure for 1.7GHz, 3.7GHz, 28GHz, 700MHz and indoor solution, but excludes IFRS16 right-of-use assets and capitalization for specified base stations opening fees

^{*2} May be affected by the delivery status of equipment related to base station construction

We oppose the abolition of the NTT Law due to concerns that it may hinder fair competition

<Concerns regarding the abolition of the NTT Law>

1. **Monopolistic use and unfair provision of facilities (such as buildings, utility poles, and pipelines) that were constructed using public funds during the era of the former Nippon Telegraph and Telephone Public Corporation, which currently hold an estimated value of around JPY 40tn**
2. **Exclusion of competing businesses due to collaboration among dominant players in the telecommunications industry, such as NTT Docomo, NTT East, and NTT West**
3. **Reversal of the progress made in lowering mobile phone charges, leading to a significant increase in the burden on the general public**

3. Financial Strategy

FY2024 Bond Refinancing Risk Has Been Addressed

**(Feb. 2024) Raised USD1.8bn of USD Denominated Senior Notes
and redeeming USD Denominated Senior Notes maturing in 2024**



**Investor demand for new USD Denominated
Senior Notes exceeded USD10 bn**



Showed to have a strong investor base

Our Commitment: Disciplined Financial Policy

Aiming for financial soundness in the medium term

1



Profitability Improvement

- ☒ Continuous profit growth of core businesses
- ☐ Achieve profitability on annual consolidated Non-GAAP OI basis in FY2024
- ☐ Achieve profitability at Rakuten Mobile, Inc. on monthly EBITDA basis in FY2024 and annual basis in FY2025



2



Efficiency Improvement

- ☒ Company-wide cost reduction
- ☒ SPU revision
- ☐ Working capital improvement
- ☐ Further productivity improvement utilizing AI



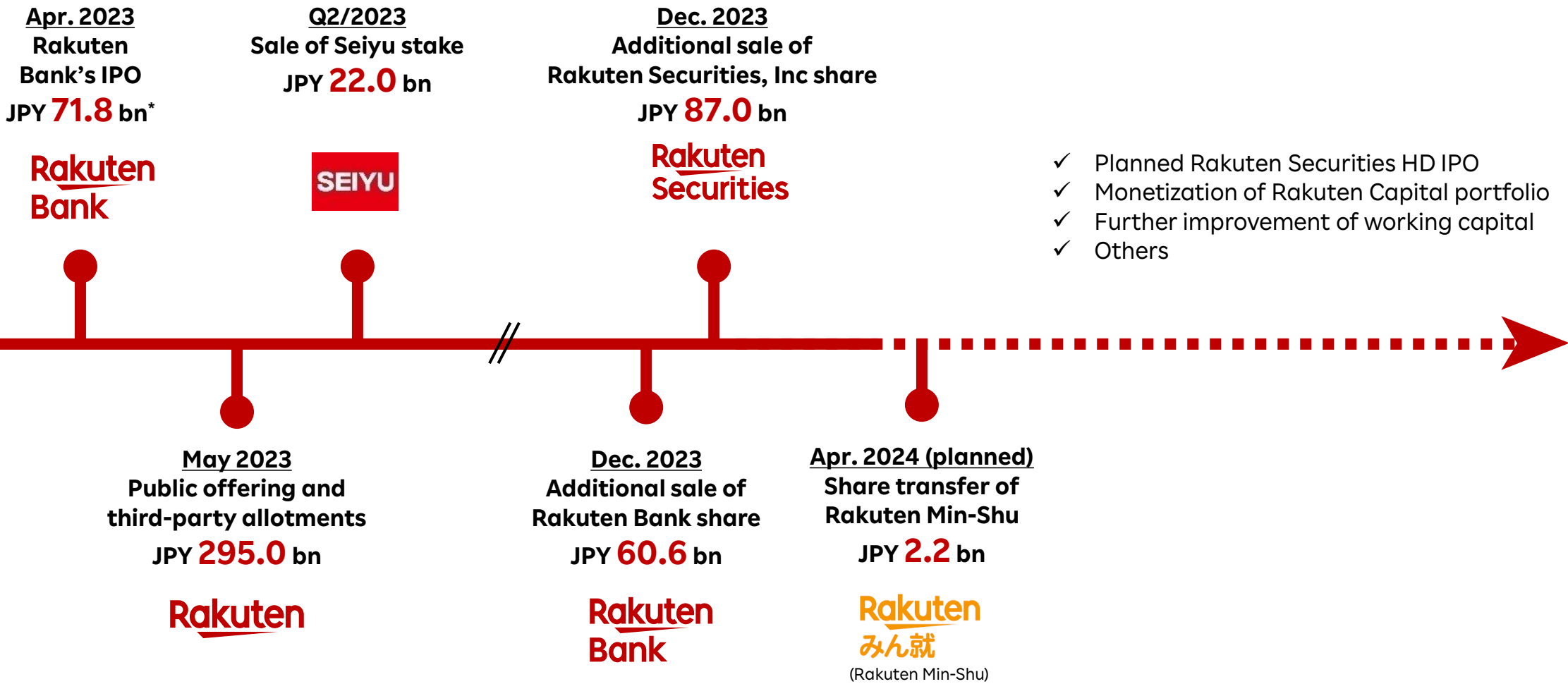
3



Financial Soundness

- ☒ Reduce gross debt
- ☒ Proactive debt maturity management
- ☐ Credit rating improvement
 - Consolidated equity ratio 10%
 - Non-FinTech Net Debt/Non-FinTech EBITDA 5x

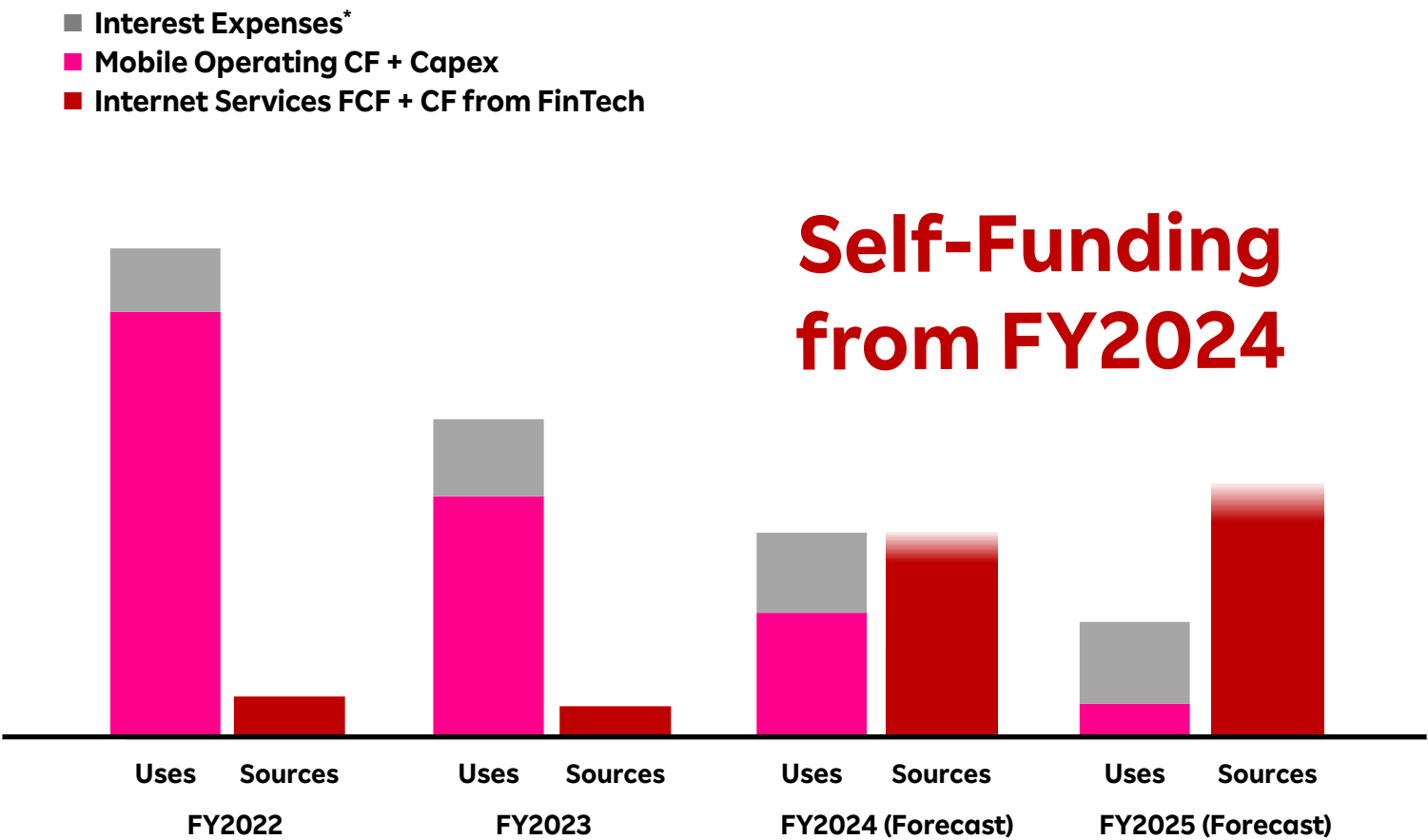
Proven Track Record of Equity Financing and Divestitures in 2023



* On April 13, 2023, Rakuten Bank, Ltd. priced its global IPO for JPY 1,400 per share. We sold 53,951,300 shares of Rakuten Bank through the IPO. Based on net proceeds.

Path to Self-Funding

Illustrative Cash Flow under Rakuten Group's Control



*Interest expense and IFRS 16 cash out at non-FinTech entities.



FY2024~

**Aiming to
Establish Self-Funding through**

1. Significant improvement in Mobile Segment FCF

Seek to improve EBITDA materially
Plan to significantly reduce Capex from FY2024

2. Growing Internet Services FCF

Seek continued growth in EBITDA
Seek to shorten cash conversion cycle in the future

3. Growing CF from FinTech

Dividends, management fees, etc.
(FY2023: JPY 65.7bn)

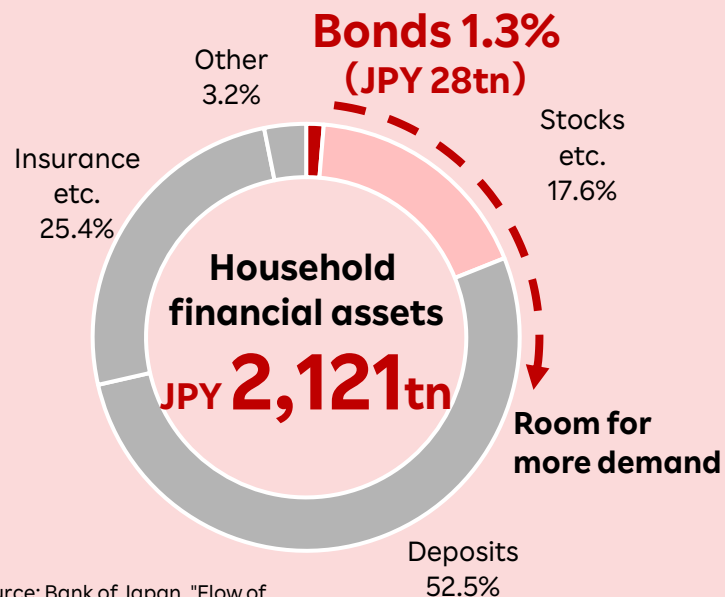
CF from monetization of assets/businesses if necessary
+
Mobile's own funding (Securitization of receivables, etc.)

Proactive and Accelerated Maturity Management Planned for Bonds Maturing in 2025

Retail Bonds as Our Financing Method

- We will reduce gross debt as much as possible in FY2024 and FY2025
- A part of retail bonds will be refinanced proactively
- With the depth of the Japanese retail bond market and with our recognition in the market, we strongly believe the market should be able to refinance our bonds

Room for expansion in the domestic retail bond market



Source: Bank of Japan, "Flow of Funds Statistics (Preliminary) (Q3 2023)"

Strong demand for our retail bonds in the past

Sold out immediately

Our retail bonds

2022: 21st unsecured bonds (JPY 150bn)

2023: 22nd unsecured bonds (JPY 250bn)

70+ services & **100mm**^{*2} membership

Most popular point program in Japan^{*3}

Rakuten logo awareness **94.3%**^{*1}

Rakuten

Examples of large financing^{*4} by a company with the same rating^{*5} as Rakuten Group



Domestic Company A

2022: Unsecured straight bonds

Rating: A- (JCR)

Approx. **JPY 400**bn

Balance of company A's retail bonds^{*6}: approx. JPY 2tn

*1 Internet survey, sample size: 3,000, target: males and females aged 20-69, survey period: 2024/1/10 – 2024/1/19, % of respondents who answered "have seen" or "feel like I have seen" Rakuten logo when presented.

*2 Total of IDs that have logged in at least once after completing ID registration (excluding those who have withdrawn). Including individuals who have multiple IDs. Almost all Rakuten services are available with a single ID.

*3 According to My Voice.com, a survey of domestic point services, as of November 2022.

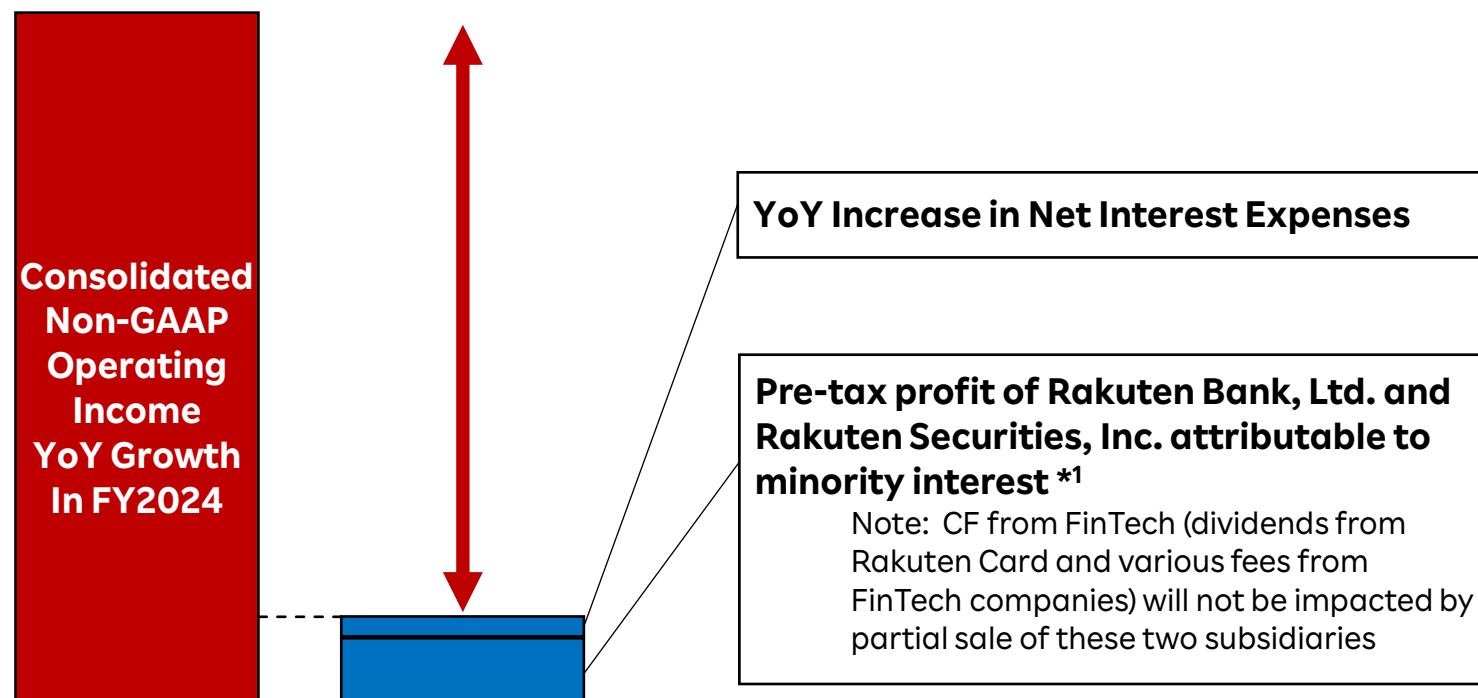
*4 From 2021 onwards

*5 Cases rated "A-" by JCR.

*6 Total amount of retail debt financing that has not been redeemed as of February 1, 2024 (excluding subordinated debt)

Expecting Material Improvement in the Bottom Line in FY2024

- All three business segments to show robust operating income improvements in FY2024
- Cost increases below the operating income line related to various funding measures to be significantly eclipsed by Non-GAAP Operating Income YoY improvement expected in FY2024



Aiming to Materially Reduce Net Loss in FY2024

FY2023 Shareholders Returns / Dividend Policy

Dividend

Our top priorities

 **Return to investment grade rating**
(S&P)

  **Reduce cost of capital**

 **Enhance shareholder value**

Dividend

- FY2022: JPY 4.5 / share
- FY2023: JPY 0.0 / share

Shareholder Benefit Plan

- Voice + Data (30GB / month)
- 12months

Rakuten Mobile

To provide our shareholders the
opportunity **to deepen their**
understanding of and experience first-
hand the service of Rakuten Mobile

*Shareholders Benefit Plan Yield: 56.6% (per 1 unit)

4. AI Strategy

Rakuten's **AI-nization** Plan

Vision

Augment **human creativity** with the **power of AI**

Strategy



Roadmap

Wave 1
Rapid Prototyping
& Deep Learning

Wave 2
Rakuten AI for Business

Wave 3
Rakuten AI for Consumer

Semantic Search for Rakuten Fashion

Search that understands what you mean,
not just what you say

Zero Hit Rate Reduction -93.5%

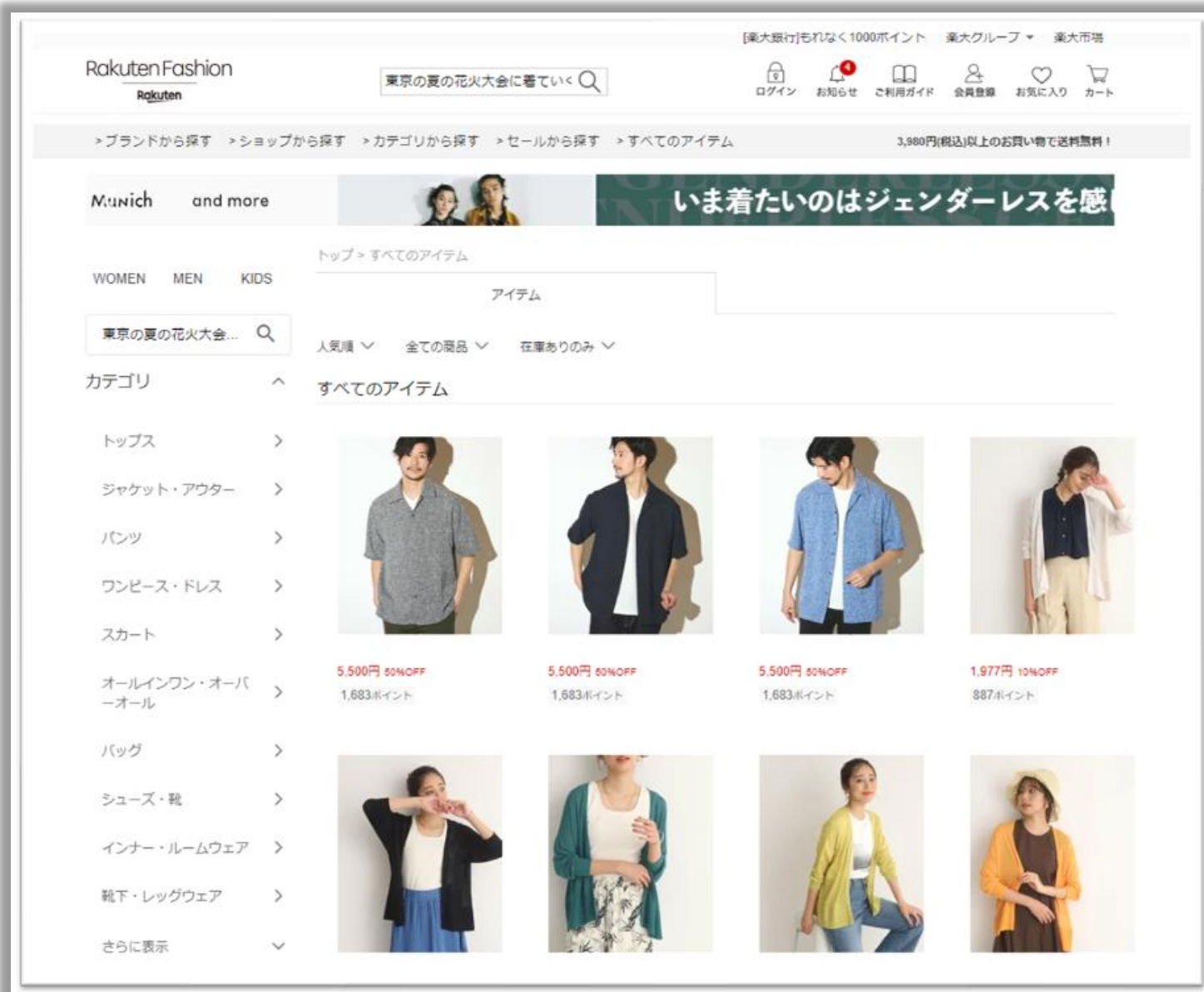
+3% searches per session

+4% sessions per user

+5% Last GMS from Search

Results from semantic search AB tests carried out
from July 14, 2023 to August 8, 2023.

- ▶ 東京の夏の花火大会に着ていく服
- “Clothes to wear to a summer fireworks festival in Tokyo”



Semantic Search for Rakuten Ichiba

Zero Hit Rate Reduction **-98.5%**

+6.8% Search Result Click

+1.6% Searches per session

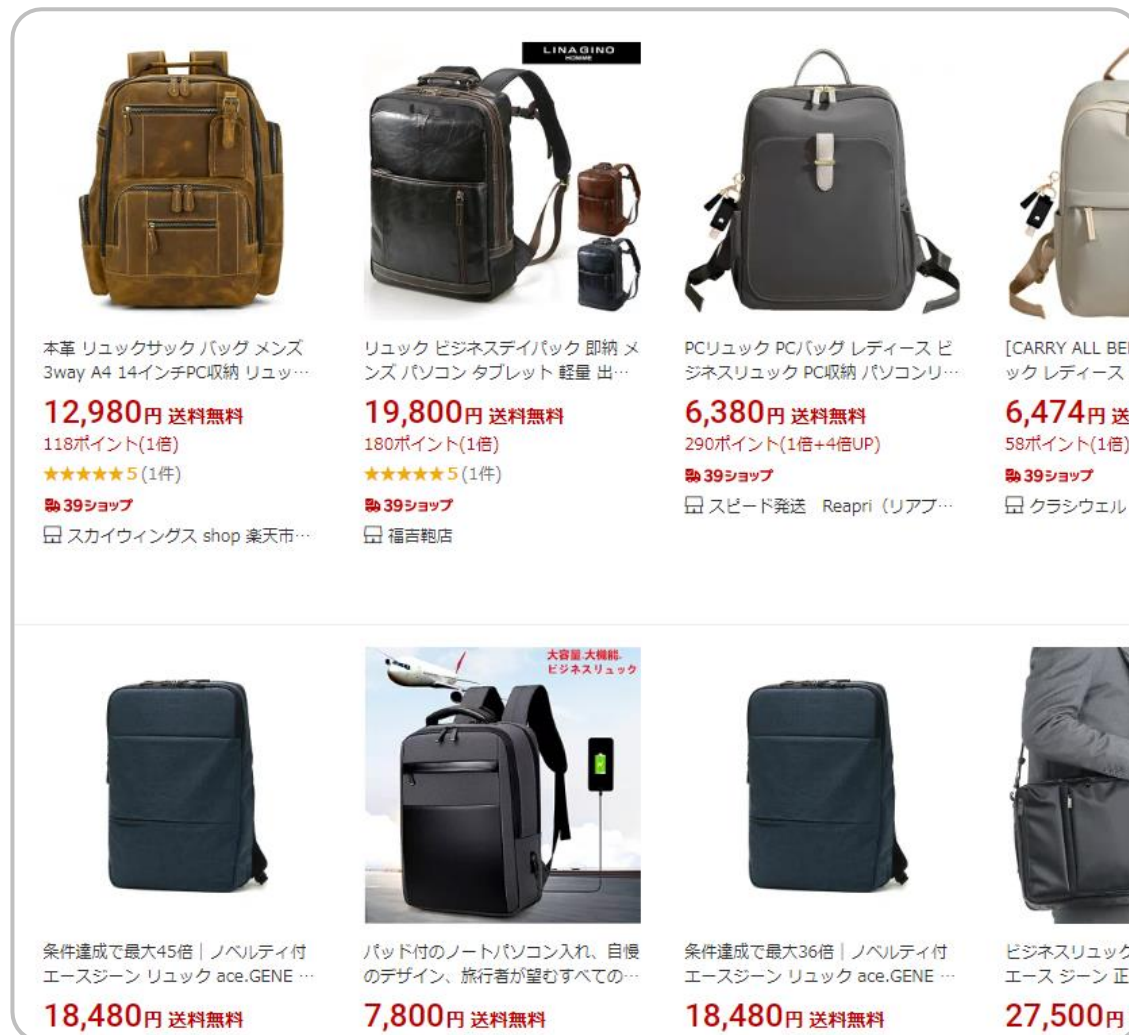
+2.7% Attributed CVR

+1.8% Attributed GMS from Search

+0.2% Sessions per user

Comparison of conversion rates during the test period with and without semantic search on the search page in December 2023

- ▶ 前持ちできる14.0インチノートPC収納可能なビジネスリュック
“A business backpack capable of front-carrying a 14.0-inch notebook PC”



- Search Result Click - Number of unique item page clicks originating from the search result page.
- Searches per session - Number of unique search occurrences per session.
- Attributed CVR - Percentage of orders initiated from search and eventually purchased within 5 days of being added to the cart.
- Attributed GMS from Search - GMS from orders initiated from search and eventually purchased within 5 days of being added to the cart.
- Sessions per user - Number of sessions that included a search event per user.

Rakuten AI: Execution Momentum

WAVE1 - Scaling -

Deep Learning at Scale

Semantic Search for Rakuten Fashion

Semantic Search for Rakuten Ichiba

Recommendations

WAVE2 - Launching -

Rakuten AI for Business

"Rakuten AI for Business" platform

Rakuten AI for merchants

Rakuten AI for hotels

WAVE3 - Incubating -

Rakuten AI for Consumers

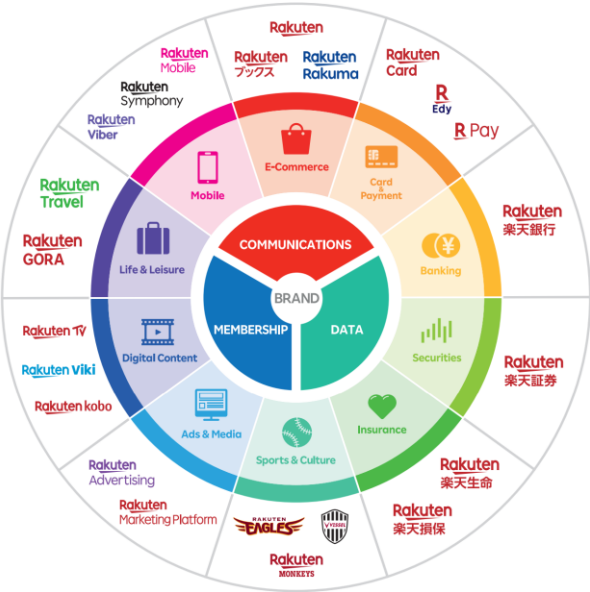
Rakuten: Road to AI Empowerment Company

BRING VALUE TO ALL OF
RAKUTEN’S BUSINESS PARTNERS



Rakuten AI

BRING VALUE TO ALL OF RAKUTEN’S
SERVICES AND CUSTOMERS



“Triple 20”

Marketing productivity
Operating productivity
Client productivity

+20%

Rakuten

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