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

FY2020 and Q4 FY2020 Financial Results Highlights

The highlights of the FY2020 and Q4 FY2020 consolidated results are as follows.

- The Rakuten Group recorded revenue of 1,455,538 million yen in FY2020, up +15.2% year-on-year (YoY), and growth is accelerating. The revenue recorded by the Rakuten Group was the highest ever for both FY2020 and Q4 FY2020, which represents a consistent record for consecutive revenue growth since founding. At the same time, due to investment in future growth such as the accelerated rollout of base station installations in the Mobile segment, approximately five years ahead of schedule, the Rakuten Group recorded Non-GAAP operating losses of 102,667 million yen, compared to Non-GAAP operating income of 95,129 million yen in the previous fiscal year. At the same time, Non-GAAP operating income excluding profits and losses of the Mobile, Logistics and Investment businesses was 148,853 million yen, a significant increase of +37.6% YoY.
- Amid change across society, the economy and daily life accelerated by the spread of the global pandemic, the Rakuten Group leveraged the Rakuten Ecosystem of over 70 services in Japan and around the world to expand the customer base for its portfolio of services and increase cross-use between services in FY2020.
- The number of average active monthly users*¹ across the Rakuten Group grew +17.5% YoY and continues to increase, as does the percentage*² of users using two or more Rakuten Group services, which has already surpassed 70%.
- In the Internet Services segment, factors such as the successful introduction of a unified free shipping threshold for participating merchants on the internet shopping mall Rakuten Ichiba and the impact of stay-at-home consumption amid the COVID-19 pandemic brought Rakuten Ichiba's annual gross merchandise sales (GMS) to exceed 3 trillion yen for the first time. Domestic e-commerce gross merchandise sales saw major growth, reaching 4.5 trillion yen, a +19.9% increase YoY. This trend continued in the fourth quarter of FY2020, with shopping e-commerce

GMS^{*3} showing major growth of +45.2% YoY.

- In the FinTech segment, Rakuten Card's credit card shopping transaction volume exceeded 11 trillion yen for FY2020 and the customer base for each FinTech service continues to grow.

- In the Mobile segment, the expansion of Rakuten's own service coverage, along with various marketing strategies, proved successful, and the cumulative number of applications for subscription topped 2 million in December 2020. The number of customer applications as of February 8, 2021 is 2.5 million.

- For overseas businesses, the Rakuten Group transitioned business models and concentrated resources to strengthen the favorably performing open e-commerce services centered in the United States, and content businesses and marketing business based in the Americas, Europe and Asia. For FinTech businesses, in addition to Rakuten Securities' four overseas affiliates all delivering profit, Rakuten Card and Rakuten Bank also made progress in overseas expansion. In initiatives for the future, the Mobile business is also preparing to evolve into a global telecommunications company through provision of the Rakuten Communications Platform (RCP) to telco operators and businesses around the world.

- Rakuten plans to change its trade name from Rakuten, Inc. to Rakuten Group, Inc. on April 1, 2021, introducing a new corporate structure that allows for improved agility in decision making, expansion of the Rakuten Ecosystem based on a common ID, points and branding, and acceleration of innovation across the Rakuten Group.

Internet Services

- Revenue for the Internet Services segment rose to 820,115 million yen, a +10.3% YoY increase, while segment profit stood at 40,114 million yen, down 62.6% from the previous fiscal year.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Domestic EC	584,135	+21.1%	58,192	+13.0%
Others	235,980	-9.6%	-18,079	-73,788
Internet Total	820,115	+10.3%	40,114	-62.6%

Domestic e-commerce

- Since March 2020, factors such as the successful introduction of a unified free shipping threshold for participating merchants on Rakuten Ichiba and increased consumer demand for

online shopping due to the COVID-19 pandemic led to significant transaction volume growth for Rakuten Ichiba, Rakuten 24, Rakuten Seiyu Netsuper and other online shopping businesses.

- This trend continued in Q4 FY2020, and the shopping e-commerce gross merchandise sales (GMS) for Q4 FY2020 showed significant growth of +45.2% YoY.

- The number of new purchasers on Rakuten Ichiba in FY2020 was up +27.6% YoY, and the number of returning purchasers*⁴ showed steady growth of +27.1% YoY, indicating further growth potential for the platform.

- Rakuten Travel was affected by a decline in reservations and increases in cancellations due to factors including voluntary restraint on outings and state of emergency measures. However, revenue improved particularly in the third quarter onward, benefiting mainly from the Japanese government's "Go To Travel" program launched in July 2020. Additionally, income improved as a result of cost efficiency improvements and other measures. Improvements in revenue and income continued into Q4, but in December the Japanese government announced the suspension of the program to prevent the resurgence of COVID-19, which has since negatively impacted accommodation booking services since December 2020.

- In the Logistics business, Rakuten is investing in growth for the future by improving and strengthening its logistics network. This includes expansion of fulfillment center capacity to accept products from Rakuten Ichiba merchants and expansion of the last mile delivery area covered by the Rakuten Group. Japan Post Co., Ltd. and Rakuten also signed a basic agreement to aim to form a new strategic partnership for logistics.

- Along with the growth in transaction volume from Rakuten's online shopping businesses anchored by Rakuten Ichiba, the number of merchants on Rakuten Ichiba using Rakuten Super Logistics (RSL) fulfillment centers also increased +87.4% YoY in FY2020, driving significant growth in the number of RSL shipments at +140.7% YoY.

Other

- In services for professional sporting events, revenue decreased as the number of visitors was restricted in professional baseball's regular-season games and professional soccer's league competitions, but income improved amid the gradual relaxation of restrictions. In the Investment business, the Rakuten Group investment in Lyft, Inc., which publicly listed on the U.S.-based

NASDAQ Stock Exchange on March 29, 2019 (local time), lead to Rakuten listing an evaluation of investment securities gain of approximately 110 billion yen in Q1 2019, resulting in reduced gains for FY2020.

Fintech

- The FinTech segment recorded 576,195 million yen in revenue, an increase of +18.5% YoY, while segment profit stood at 81,291 million yen, a +17.3% YoY increase.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Card	261,328	+13.7%	37,733	+15.8%
Bank	95,527	+7.2%	28,053	+3.7%
Securities	74,091	+31.0%	16,609	+50.8%
Insurance	106,373	-0.1%	7,525	+87.4%
Payment	33,060	+14.6%	-6,776	-1,465
Others	5,816	+30,143	-1,852	-1,822
FinTech Total	576,195	+18.5%	81,291	+17.3%

Rakuten Card

- Rakuten Card's membership base continues to expand as membership numbers exceeded 20 million in June 2020 and 21 million in November 2020.

- While domestic consumption remains constrained in lodging and dining services, the growth in transaction value mainly in online shopping contributed to increases in revenue and profit, with transaction value of Rakuten Card credit card shopping exceeding 11 trillion yen in FY2020.

- At the same time, the impact of COVID-19 led to a decline in credit needs, and the accumulation of shopping revolving balances and card cashing balances slowed down or decreased. Revenue was affected by this downturn. While these same trends continued into Q4, marketing costs when using credit cards on favorably performing services such as Rakuten Ichiba increased, and while there was downward pressure on operating profit, Rakuten Card drove increased cross-use of Rakuten Group services.

Rakuten Bank

- In June 2020, the number of accounts exceeded 9 million, with the acquisition of new accounts increasing steadily. In January 2021, Rakuten Bank became the first online bank in Japan to

reach 10 million accounts.

- Along with the increase in the number of accounts, the number of customers using their Rakuten Bank account as the main account for their daily lives also increased. In Q4 FY2020, the number of transactions made increased by +42.2% YoY, and the number of payroll accounts increased by +53.2% YoY.
- While interest on deposits increased due to the growth in the number of accounts, Rakuten Bank was able to grow its revenue and profit by greatly increasing service transaction revenue due to an increased number of transactions.

Rakuten Securities

- The number of newly opened accounts continued to rise significantly, with the total number of general securities accounts topping 5 million in December 2020, and at the same time, domestic shares and FX trading commissions rose. The resulting increase in commission earnings contributed to higher revenue and profit.
- Additionally, Rakuten Securities is currently focusing on asset-building services, with the aim to diversify its sources of revenue. The monthly reserve amount for investment trusts has exceeded 30 billion yen and its domestic share of the number of Tsumitate NISA accounts has reached 27.5%^{*5} as of the end of September 2020. Rakuten Securities is seeing steady growth.

Insurance business

- In life insurance services, revenue and operating income increased due to strengthened sales online and successful cost reduction measures, even while the effects of COVID-19 limited face-to-face product sales. In Q4, due to the impact of recording gains on sales of securities in the previous Q4, operating income decreased YoY.
- In non-life insurance services, measures such as strengthened underwriting processes were put in place in order to improve profitability. While insurance premium income has decreased, through effective use of reinsurance, operating income increased due to a decrease in expenses such as incurred insurance claims.
- In the Insurance business, insurance products made available in collaboration with other Rakuten Group services leveraged the strength of the Rakuten Ecosystem. In addition, following the introduction of insurance products which allow accumulation of Rakuten Points, online-based insurance sales grew significantly. In FY2020, online applications for new policies with

annualized insurance premiums led to strong growth in sales for Rakuten Life Insurance of +42% YoY and Rakuten General Insurance of +207% YoY.

Rakuten Payment

- Despite the impact of the pandemic and a resulting decline in payments made in brick and mortar stores, measures to improve customer convenience such as the expanded functionality of the payment app to integrate QR codes, barcodes, electronic money and points, as well as collaborations with payment providers such as the transportation IC card Suica, provided by East Japan Railway Company (JR East), have successfully driven an increase in transaction volume and contributed to increased revenue.
- In addition, Rakuten Payment, which has a strong relationship with its customers, plays a role in attracting customers offline and introducing them to the online Rakuten Ecosystem. Currently, one in four new Rakuten members join via Rakuten Payment's service.

Mobile

- Revenue for the Mobile segment rose to 227,142 million yen, a 34.4% increase YoY, but segment losses reached 226,976 million yen, compared to losses of 76,524 million yen in the previous fiscal year.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Former Mobile Segment	173,701	+45.0%	-212,811	-152,760
Others	53,442	+8.5%	-14,164	+2,309
Mobile Total	227,142	+34.4%	-226,976	-150,452

- In the mobile carrier service, full-scale commercial service launched in April 2020, followed by 5G service in September. In December 2020, the cumulative number of applications for the mobile service surpassed 2 million, and customer acquisition from both in and outside the Rakuten Ecosystem continues to grow. The number of customer applications as of February 8, 2021 is 2.5 million.
- As Rakuten is accelerating the buildout of base stations and making efforts to expand its network coverage and improve network quality, 4G population coverage in December 2020 surpassed 70%. With the expansion of the Rakuten network area and an increase in subscribers, costs related to base station construction and domestic roaming outside the Rakuten network area have also increased.

- For its buildout of 4G base stations, Rakuten aims to reach 96% population coverage and is increasing the density of base station coverage in order to improve network quality and support the increase in new users expected going forward, with plans for the construction of around 44,000 base stations.

- Development is underway of the Rakuten Communications Platform, a platform aimed at offering solutions and services for the deployment of virtualized networks at speed and low cost by governments, telecom companies and enterprises around the world. Rakuten Mobile has already signed MoUs with Telefónica, S.A. to cooperate on promoting Open RAN, and stc to collaborate on strategic mobile technology.

- In addition, increased collaboration between Rakuten's digital content services and the mobile service is aimed at realizing further synergies. From this fiscal year, transition between segments of certain businesses and subsidiaries included digital content businesses, such as Rakuten Kobo Inc., transferring to the Mobile segment. The digital content services continue to expand their customer base, fueled by expanding demand for online content services amid the pandemic.

ESG Developments in 2020

Rakuten was recognized for its commitments to sustainability by CDP which selected Rakuten for the highest rated "Climate Change A List" in a corporate survey on climate change. Rakuten is now included in the Dow Jones Sustainability World Index in addition to other major ESG indices by MSCI, FTSE and S&P.

*1 Comparison of average monthly active users during January to December 2019 versus January to December 2020.

*2 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 December 2020). Limited to the use of services that can earn Rakuten Points.

*3 Shopping e-commerce = Rakuten Ichiba + 1st Party (Rakuten Fashion, Books, Rakuten24 (Direct)), Rakuten Seiyu Netsuper + Open EC (Rebates, Checkout) + Rakuma

*4 Returning purchasers: Purchasers who make a purchase after more than a year of not purchasing anything.

*5 Calculated from the NISA / Junior NISA account usage survey conducted by the Financial Services Agency (as of the end of September 2020)