

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

Rakuten Group Q1 FY2021 Financial Results Highlights

The highlights of the Q1 FY2021 consolidated results are as follows.

Overall performance

- The Rakuten Group recorded revenue of 391,513 million yen for Q1 FY2021, up 18.1% year-on-year (YoY), and growth is accelerating. This marks the highest revenue ever recorded by the Rakuten Group in the first quarter of a fiscal year.
- At the same time, due to planned investment in future growth such as the accelerated rollout of base station installations in the Mobile segment, which is proceeding approximately five years ahead of schedule, the Rakuten Group recorded Non-GAAP operating losses of 31,585 million yen, compared to Non-GAAP operating losses of 18,136 million yen in the same period of the previous fiscal year.
- Non-GAAP operating income excluding profits and losses of the Mobile, Logistics and Investment businesses was 41,914 million yen, a significant increase of +44.4% YoY.

Ecosystem expansion

- The Rakuten Group leveraged the Rakuten Ecosystem, centered on membership, data and the Rakuten Points loyalty program, to promote cross-use between services and increase customer retention, as well as minimize risks by diversifying businesses and maximize added value by creating synergy between businesses.
- The number of Rakuten Ecosystem users continues to grow, as does the percentage^{*1} of users using two or more Rakuten Group services, which has increased to 73.5%.
- At the same time, the number of average active monthly users^{*2} across the Rakuten Group grew by +14.0% YoY.

Internet Services segment

- In the Internet Services segment, factors such as improved usability through the successful introduction of a common free shipping threshold for participating merchants on the internet shopping mall Rakuten Ichiba and increased consumer demand for online shopping due to the COVID-19 pandemic led to continued transaction volume growth to

Rakuten Ichiba and other services. As a result, shopping e-commerce gross merchandise sales (GMS)^{*3} increased +33.9% YoY in Q1 FY2021.

- In the Logistics business, Japan Post Co., Ltd. and Rakuten announced in April 2021 that they will establish a new joint venture to which Rakuten's logistics business will be succeeded, including the labor-efficient, automated logistics centers invested in and developed by Rakuten. The new company will focus on driving improved efficiency through the creation of shared logistics centers and shared delivery and pick-up systems.

FinTech segment

- The membership base for each service continued to steadily expand, and both revenue and profit increased compared to the same period of the previous fiscal year.
- In January 2021, Rakuten Bank became the first online bank in Japan to reach 10 million accounts^{*4}, and the number of customers using their account as the main account for their daily lives is increasing. Additionally, Rakuten Securities reached 250,000 accounts opened in a single month for the first time in March 2021, now ranking second^{*5} in the industry in terms of number of accounts as of the end of March 2021. In addition, the number of Rakuten Card members exceeded 22 million in February 2021.

Mobile segment

- The strong performance of Rakuten UN-LIMIT VI — Rakuten Mobile's new pricing plan announced in January 2021 — led to an acceleration in the number of customer applications. As a result, the total cumulative number of customer applications reached 4.1 million as of May 11, 2021.
- In addition, expansion of the Rakuten Mobile service area has progressed steadily, and Rakuten Mobile has achieved its target of 80% population coverage for 4G as of the end of March 2021.
- The Rakuten Communications Platform (RCP) is 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. Multiple global customers are already using parts of the platform in their network and development on the platform as a whole continues to make strong progress.

Financing

- In order to achieve sustainable growth, strengthen the company's financial base and increase shareholder value, in March 2021, Rakuten issued new shares and conducted a third-party allotment of treasury stock to Japan Post Holdings Co., Ltd., Image Frame

Investment (HK) Limited and Walmart, Inc., as well as two asset management companies owned by members of Rakuten Group Chairman and CEO Mikitani's family, raising approximately 240 billion yen. In April, in order to diversify financing methods, expand its investor base and further enhance financial soundness, Rakuten also issued approximately 320 billion yen in perpetual subordinated notes denominated in US dollars and euros (with an interest deferral clause).

- At the same time as the third-party allotment outlined above, Rakuten also announced a capital and business alliance with the Japan Post Group that aims to expand and strengthen collaboration across the existing field of logistics to mobile, digital transformation and other areas.

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Q1 FY2021 Financial Results by Segment

Internet Services

- Revenue for the Internet Services segment was 212,117 million yen, a +17.6% YoY increase, while segment profit rose to 41,208 million yen, compared to 334 million yen for the same period of the previous fiscal year.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Domestic EC	158,263	+27.4%	12,650	+19.8%
Others	53,854	-4.2%	28,558	+38,784
Internet Total	212,117	+17.6%	41,208	+40,874

Domestic e-commerce

- Factors such as improved usability through the successful introduction of a common free shipping threshold for participating merchants on Rakuten Ichiba and increased consumer demand for online shopping due to the COVID-19 pandemic led to continued transaction volume growth for Rakuten Ichiba, Rakuten 24, Rakuten Seiyu Netsuper and other services. As a result, shopping e-commerce GMS increased +33.9% YoY in Q1 FY2021.
- Additionally, more than 70% of users who purchased products on Rakuten Ichiba in Q4 FY2020 went on to also purchase products on Rakuten Ichiba in Q1 FY2021, indicating continued retention of the expanded user base that grew throughout FY2020.
- The number of users purchasing products on Rakuten Ichiba increased by 16.4% YoY,

while the purchase amount per user increased by 15.5% YoY, contributing to the growth in transaction volume.

- Rakuten Travel was affected by a decline in reservations due to temporary suspension of the Japanese government's "Go To Travel" program following the reemergence of COVID-19, as well as state of emergency measures declarations issued in prefectures across Japan. At the same time, Rakuten Travel successfully increased its YoY operating income through cost efficiency improvements and other measures.

Other

- Revenue recovered for Rakuten's sports services in line with the gradual easing of restrictions regarding professional baseball and soccer league games. In the Investment business, Rakuten recorded a valuation gain of 30,603 million yen for equity investments in Fintech-related companies.

FinTech

- The FinTech segment recorded 151,572 million yen in revenue, an increase of +8.2% YoY, while segment profit stood at 24,550 million yen, a +23.8% YoY increase.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Card	66,654	+5.4%	11,038	+12.5%
Bank	25,710	+9.3%	7,297	+6.9%
Securities	23,750	+33.2%	6,310	+43.5%
Insurance	25,308	-0.6%	1,932	+114.1%
Payment	8,757	+1.7%	-1,215	+749
Others	1,392	+2.0%	-813	-672
FinTech Total	151,572	+8.2%	24,550	+23.8%

Rakuten Card

- Rakuten Card's membership base continues to expand, with membership numbers exceeding 22 million in February 2021.
- While overall domestic consumption in lodging and dining services continues to languish, growth in transaction value around online shopping drove increases in revenue and profit.
- With the decline in credit needs due to the pandemic, the accumulation of shopping revolving balances and card cashing balances decreased. While marketing costs for credit card usage on Rakuten Ichiba and other favorably performing services increased,

Rakuten Card achieved an increase in operating profit YoY through cost efficiency improvements and other initiatives.

Rakuten Bank

- The number of newly opened bank accounts grew steadily, and in January 2021, Rakuten Bank became the first online bank in Japan to surpass 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 Q1 FY2021, the number of transactions made increased by +31.3% YoY, and the number of payroll accounts increased +50.4% 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

- With the continuing growth in its customer base, including a record increase of more than 250,000 new accounts opened for the first time in March 2021, Rakuten Securities is now second in the industry with 5.72 million accounts at the end of March 2021. Commission earnings from the sale of domestic and U.S. shares continued to grow, contributing to an increase in revenue and profit.
- Rakuten Securities is currently focusing on asset building services, with the aim of diversifying its sources of revenue. Rakuten Securities is seeing steady growth, and the number of Tsumitate NISA accounts increased to approximately 1.2 million at the end of March 2021 while its domestic share of Tsumitate NISA accounts reached 29.0% *6 as of the end of December 2020.

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 non-life insurance services, while insurance premium income has decreased due to measures to strengthen underwriting for risk control, through the effective use of reinsurance, operating income increased due to a decrease in net incurred insurance claims.

Rakuten Payment

- Rakuten Payment has worked to expand the features offered by the Rakuten Pay app, which combines QR code payments, barcode payments, e-money and Rakuten Points in one payment app, and provide greater convenience to users. New features released include a function enabling on-the-spot payments from Rakuten Bank accounts through the Rakuten Pay app introduced in January 2021 and new functionality released in February 2021 that enables customers to charge their Rakuten Cash balance using Bitcoin and other crypto assets supported by Rakuten Wallet without charging handling fees.
- Despite decreasing trends in some in-store transactions due to the pandemic, an increase in transaction volume for app payments and Point Card payments contributed to growth in revenue.

Mobile

- Revenue for the Mobile segment rose to 68,631 million yen, an increase of +38.6% YoY, but segment losses reached 97,245 million yen, compared to 36,593 million yen in the same period in the previous year.

(JPY mm)	Revenue	YoY	Operating Income	YoY
Former Mobile Segment	56,723	+44.6%	-94,073	-62,245
Others	11,908	+15.7%	-3,172	+1,594
Mobile Total	68,631	+38.6%	-97,245	-60,652

- In the mobile carrier service, Rakuten UN-LIMIT VI, the new service plan announced in January 2021 which features a simple fee structure that flexibly adjusts in line with customer data usage, has been well received by customers, with the total cumulative number of applications reached 4.1 million as of May 11, 2021.
- Rakuten Mobile is accelerating the buildout of base stations and making efforts to expand its network coverage while improving network quality, and 4G population coverage achieved the target of 80% as of the end of March 2021. Costs related to base station construction have increased along with the expansion of the Rakuten network area, and costs related to domestic roaming outside the Rakuten network area have increased due to the increase in subscribers.

**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 March 2021). Limited to the use of services that can earn Rakuten Points.*

**2 Comparison of average monthly active users during January to March 2020 versus January to March 2021.*

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

**4 As of January 19, 2021. Research by Rakuten Bank.*

**5 Aggregated by Rakuten based on public information available on each company's website.*

**6 Calculated based on the NISA / Junior NISA account usage survey conducted by the Financial Services Agency (as of the end of December 2020).*