

# FY2014 Third Quarter Consolidated Financial Results

November 5, 2014

Rakuten, Inc.

This presentation includes forward-looking statements relating to our future plans, targets, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this presentation are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strive to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. The Company is under no obligation – and expressly disclaims any such obligation – to update or alter its forward-looking statements. Names of companies, products, and services and such that appear in this material are trademarks or registered marks of their respective companies.

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**A Truly Global Company**

# Business Highlights

## ■ Viber growth

- MAU 209M, Unique IDs 449M

## ■ Launching new services aggressively

- Rakuten Mobile

- R-Point Card

## ■ Ebates GMS: close to 60% growth YoY

# Financial Highlights

- EBITDA: +20.0% YoY
- Operating income: +20.9% YoY
- Global E-Commerce GMS: +27.2% YoY
- Domestic E-Commerce GMS: +11.3% YoY
- Shrinking loss at Other Internet Services:  
JPY 3.6 bn EBITDA improvement YoY
- Internet Finance OI: +22.1% YoY

# 1 FY2014/Q3 Financial Results

- Rakuten started to report quarterly financial results based on IFRS from Q1/13, versus J-GAAP up to Q4/12.
- Numbers for FY2012 in this presentation are retrospectively stated based on IFRS basis.
- Numbers are rounded to the nearest million, etc.

# Q3/14 Results Summary

(JPY bn, IFRS)

	Q3/13	Q3/14	YoY
Revenue	128.8	147.6	+14.6%
Operating Income	23.4	28.3	+20.9%
EBITDA	30.2	36.3	+20.0%
Net Income Attributable to Owners of the Parent Company	10.7	19.2	+79.4%

# Q3/14 Revenue/EBITDA Breakdown

(JPY bn, IFRS)

	Q3/13	Q3/14	YoY
<b>Rakuten Ichiba and Rakuten Travel</b>			
Revenue	44.0	46.6	+6.0%
EBITDA	22.4	24.1	+7.9%
<b>Other Internet Services</b>			
Revenue	34.4	40.1	+16.8%
EBITDA	-6.5	-2.9	+3.6 bn
<b>Internet Finance Segment</b>			
Revenue	49.9	60.7	+21.6%
EBITDA	12.6	15.2	+20.3%
<b>Others Segment</b>			
Revenue	9.9	11.9	+20.4%
EBITDA	2.7	0.6	-79.0%
<b>Adjustments</b>			
Revenue	-9.3	-11.7	-2.5 bn
EBITDA	-1.0	-0.7	+0.3 bn
<b>Consolidated</b>			
Revenue	128.8	147.6	+14.6%
EBITDA	30.2	36.3	+20.0%

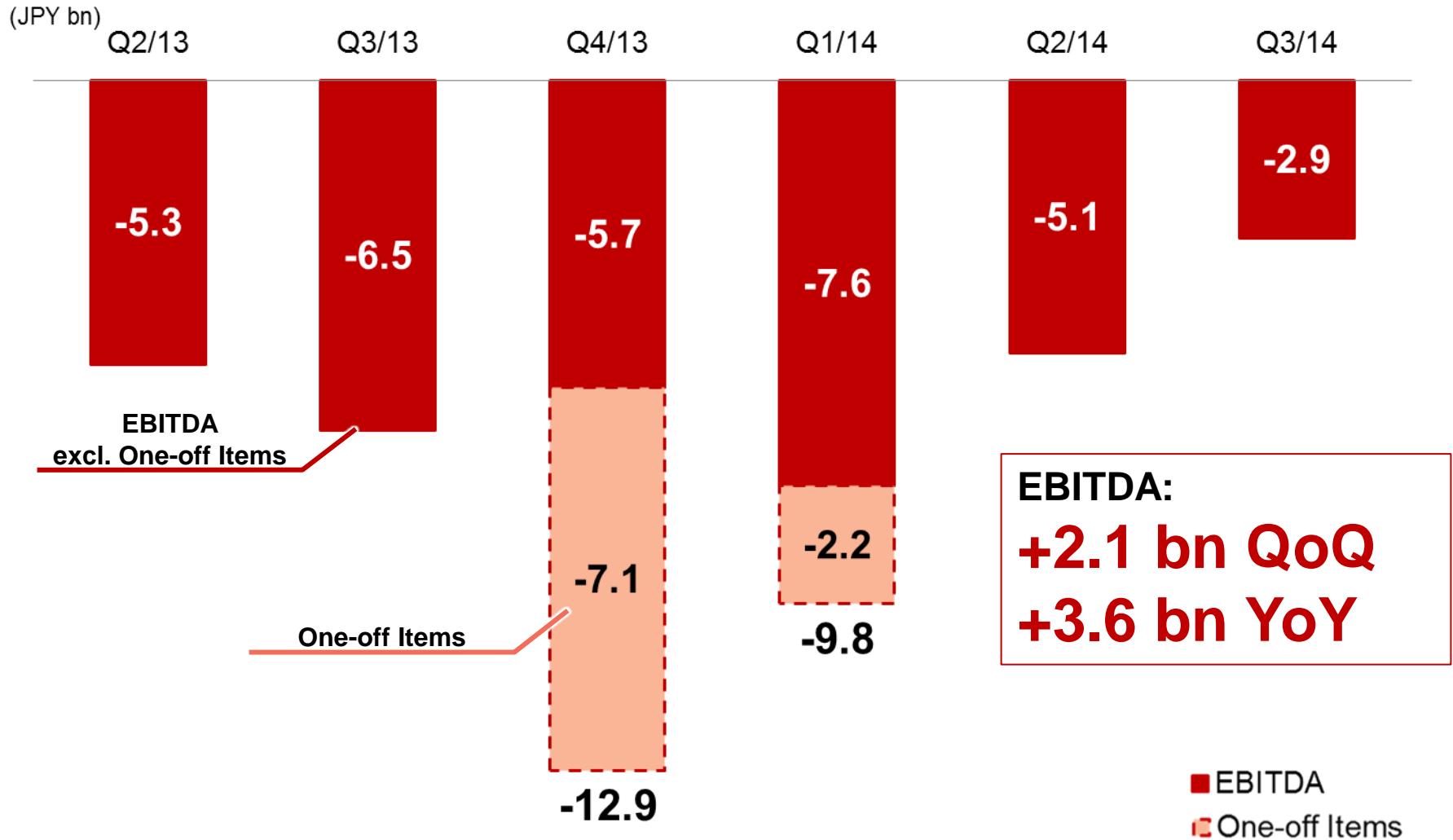
# Q3/14 Revenue/Operating Income Breakdown

(JPY bn, IFRS)

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Operating Income	21.4	23.3	+8.6%
<b>Other Internet Services</b>			
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Operating Income	-9.5	-7.1	+2.4 bn
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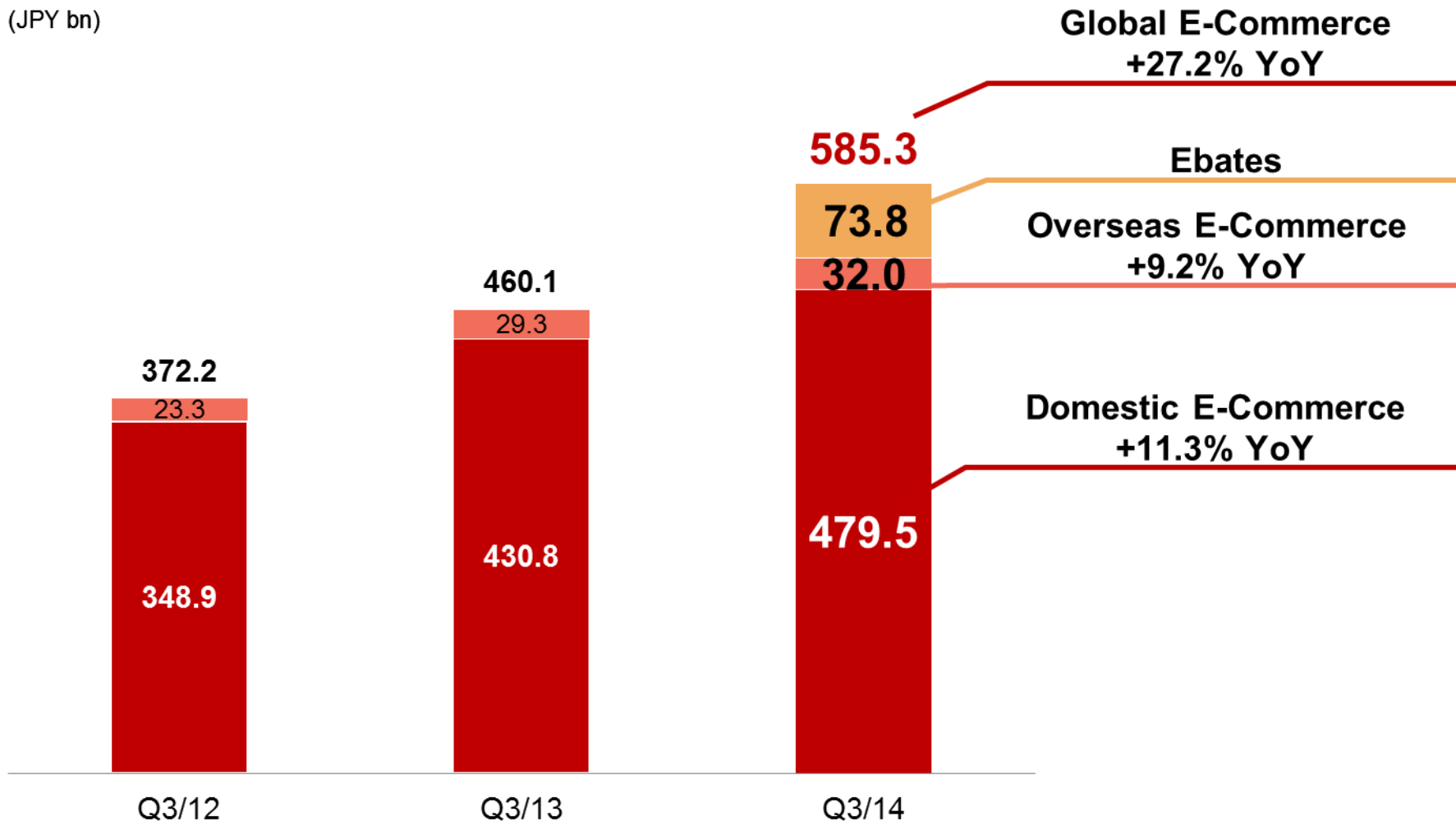


# Shrinking Other Internet Services Loss (EBITDA)



# Global E-Commerce GMS

(JPY bn)

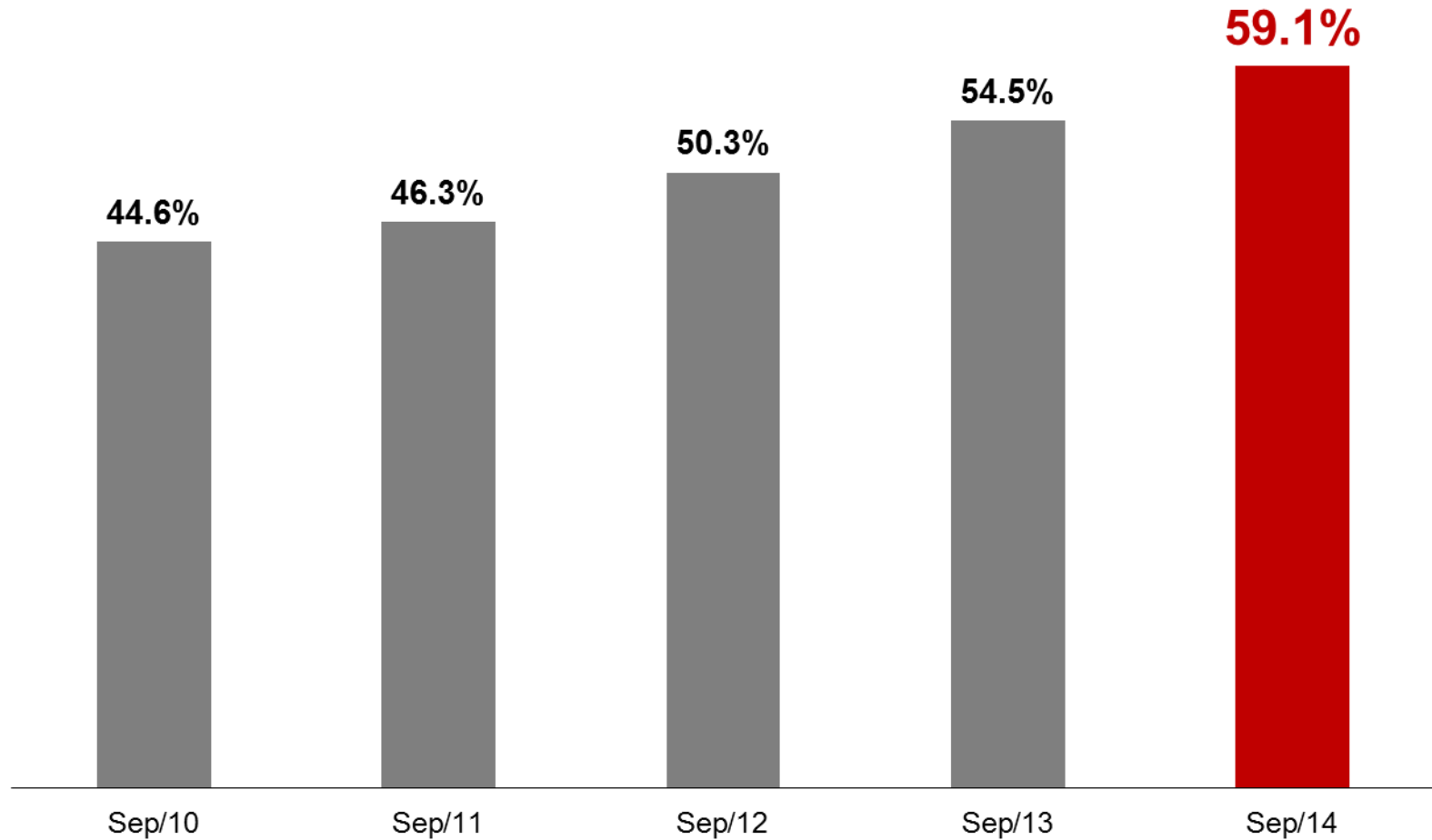


\*FX adjusted growth rates: Global E-Commerce: +26.6% YoY, Overseas E-Commerce: +1.3% YoY

# Ebates GMS Growth

**+58.3% YoY**

# Advancing Cross-use Ratio\* in Japan



\* Purchasing ratio of Rakuten Members who have utilized two or more Rakuten services during the past 12 months of the listed month.  
Applicable services are limited to those which can earn Rakuten Super Points.

# Rakuten Ichiba Mobile Ratio\*

43%

\* Mobile Ratio = Ichiba mobile GMS / total Ichiba GMS  
Mobile GMS is preliminary data and includes feature phones, smartphones and tablets

## 2 Viber

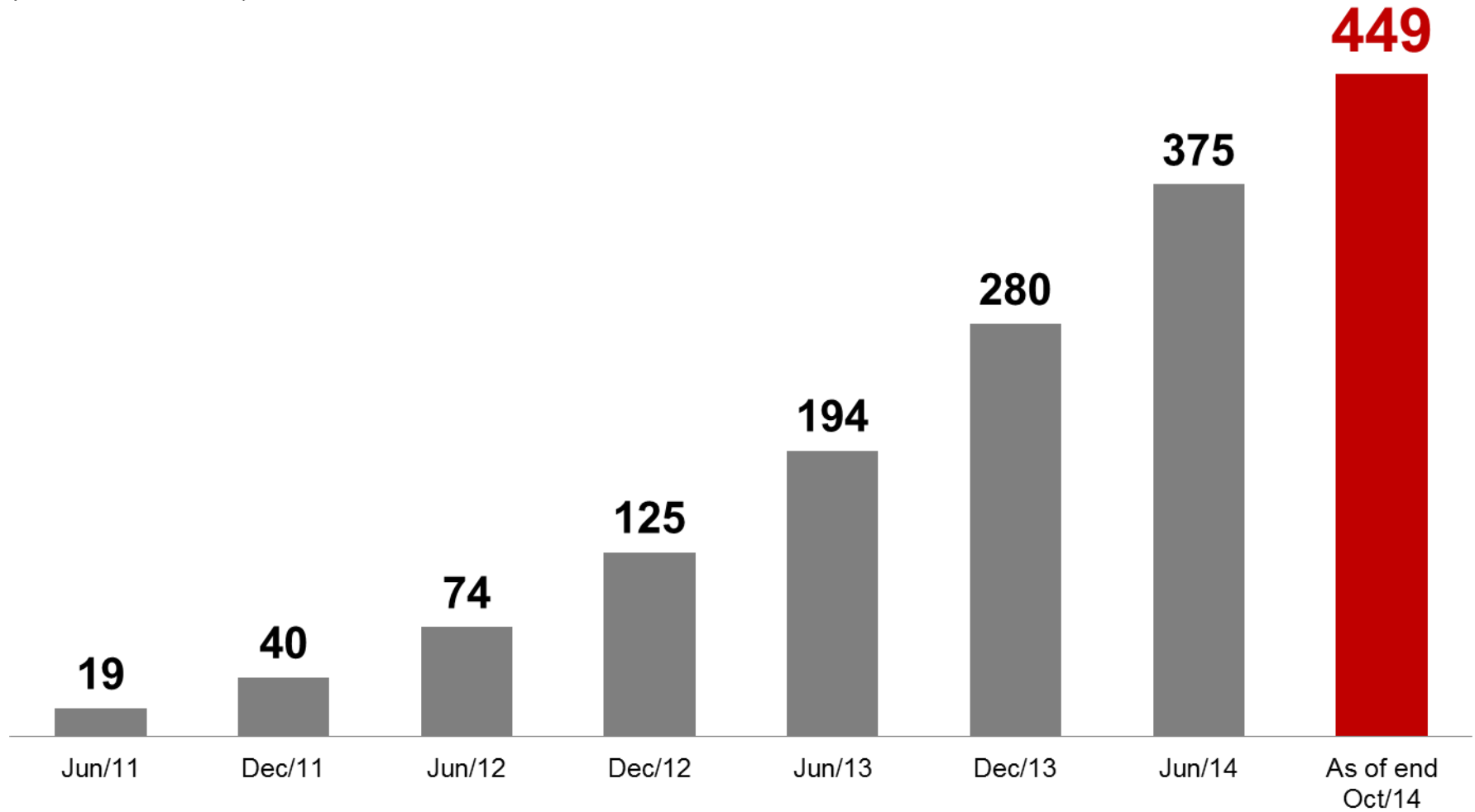
# Viber Monthly Active Users\*

**MAU:**  
**209 million**

\* October 2014

# Viber Unique IDs

(Millions of Persons)

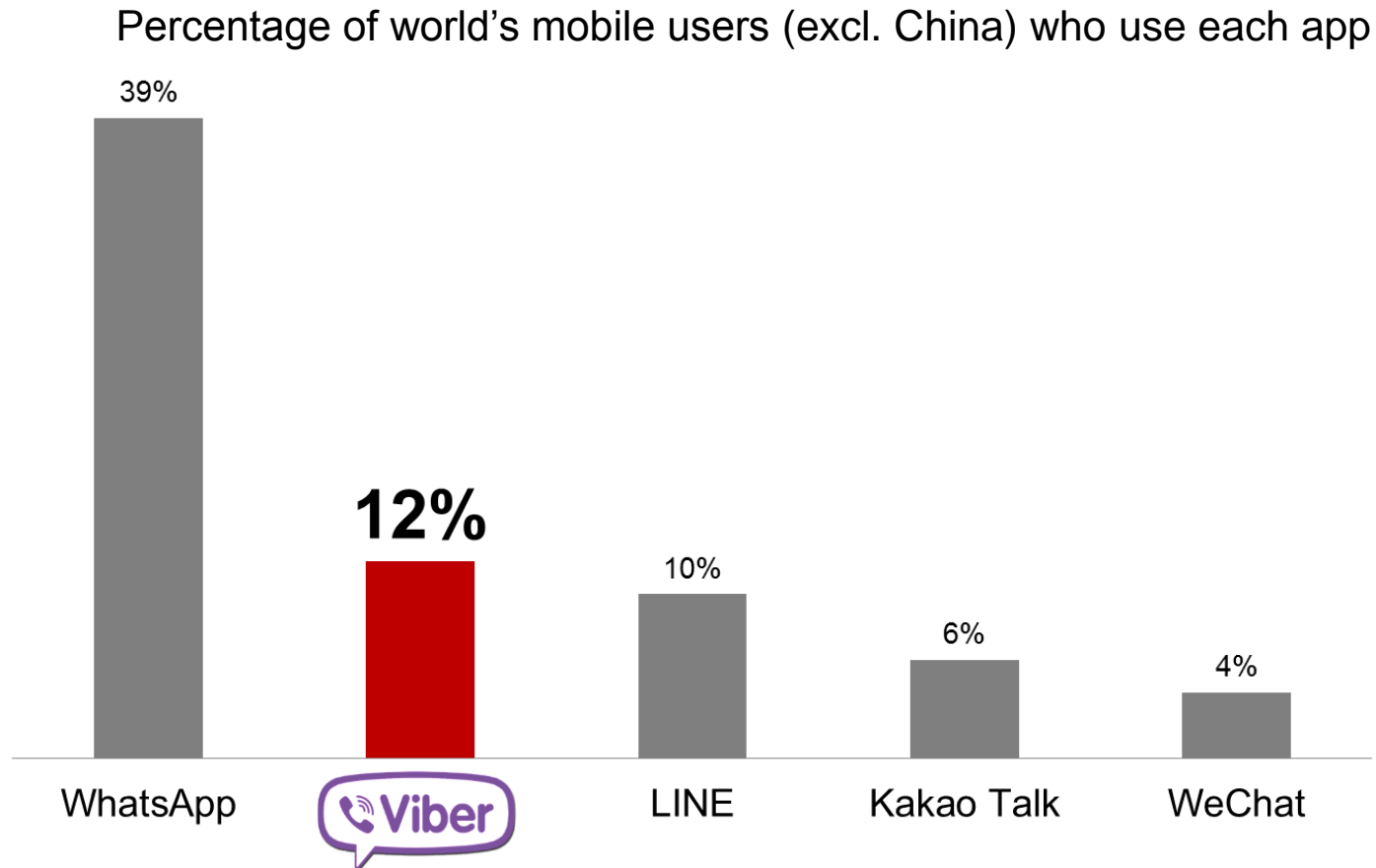


\* Unique IDs: Unique phone numbers excluding deactivations



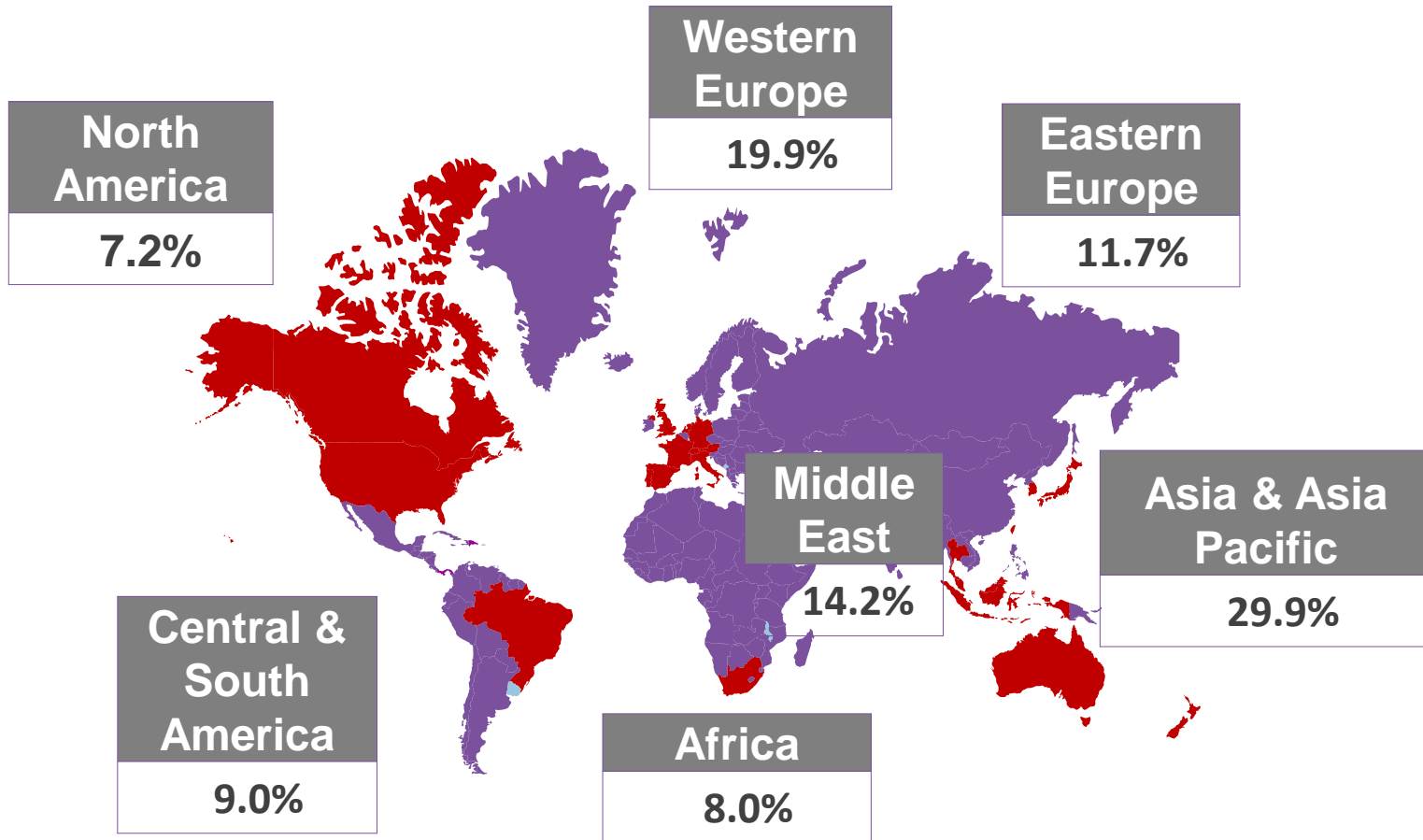
# Viber Global Penetration

- Viber is used by 12% of the world's mobile device owners



**Source:** GlobalWebIndex Q2 2014, published on Sep 25, 2014. Survey Question: Which of the following mobile / tablet applications have you used in the past month (on any device)? Base: Mobile internet users aged 16-64, excl. China)

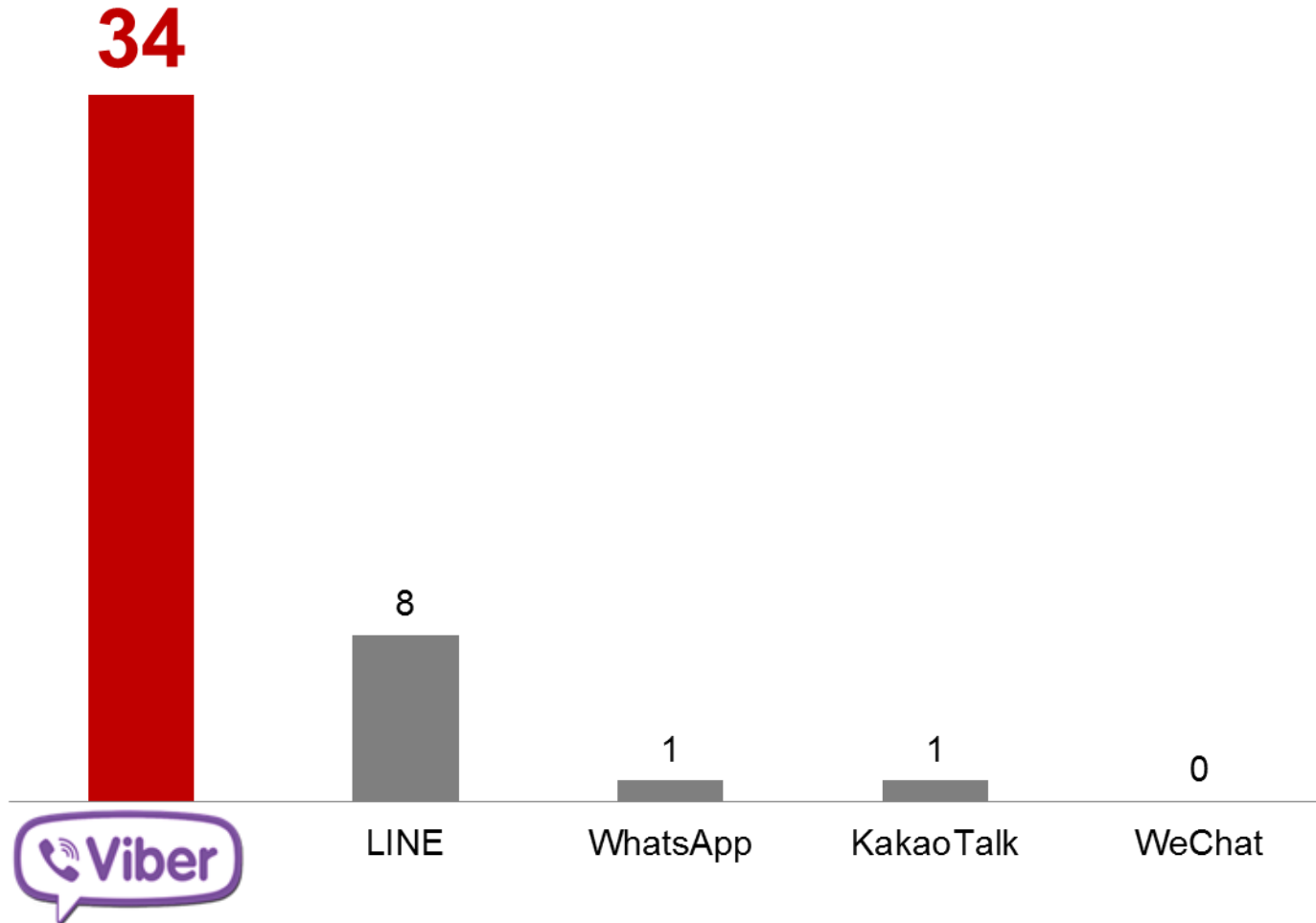
# Viber Global User Breakdown By Region



Source: Viber. Cumulative activated users, percentage share by region. Oct 31, 2014

# Viber Core Paying Services Used Globally

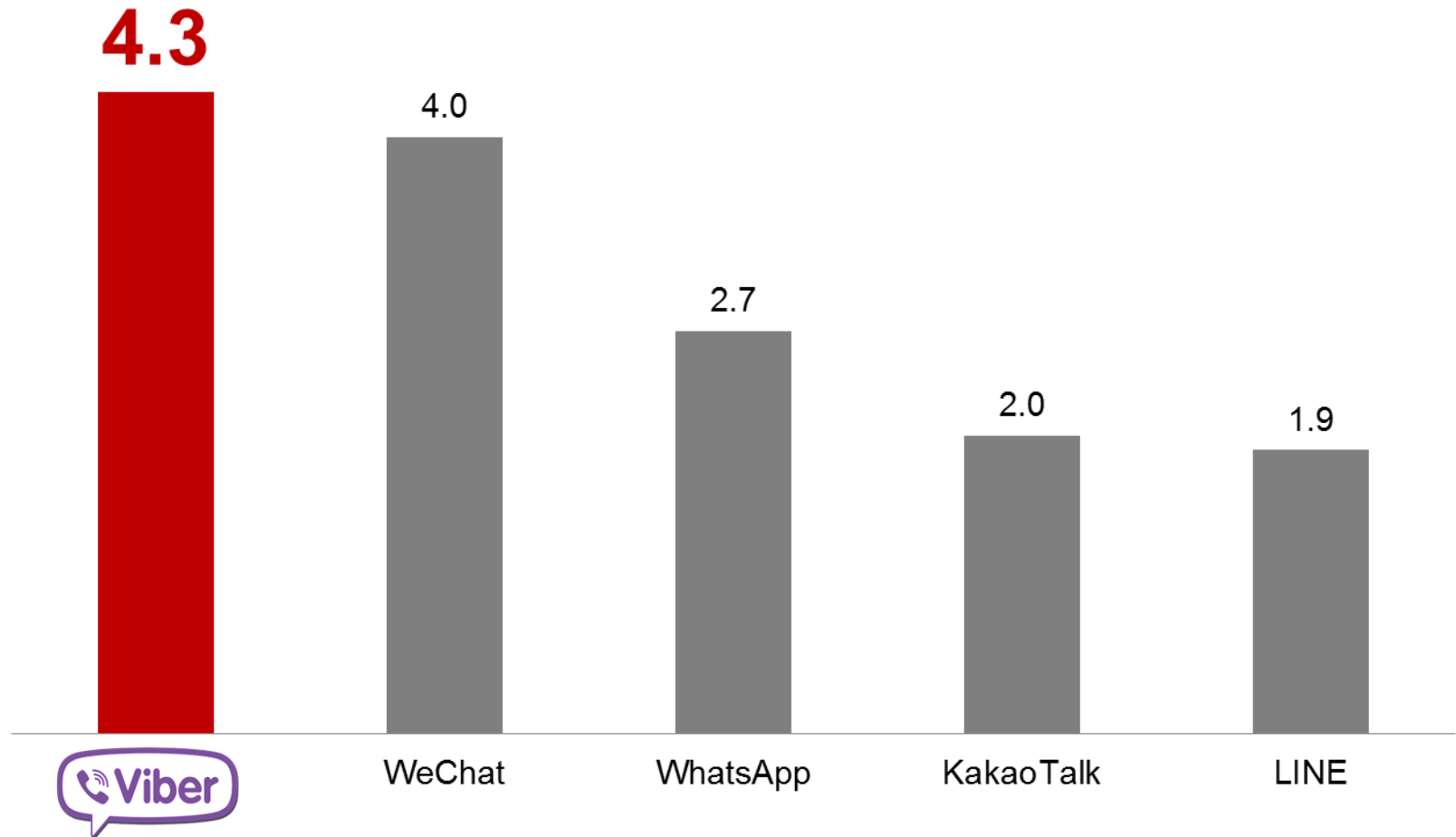
No. of countries ranked no. 1 in grossing (revenue)



\* Source: AppAnnie. Mobile messaging app grossings. iOS. Oct 29, 2014

# Viber Ranks No. 1 in App User Ratings

App Annie messaging app iOS user ratings (1-5 stars)



Source: App Annie, based on average of user ratings for iOS between Aug 2 – Oct 30, 2014

# Viber Global Differentiators

- High Voice/Video Call Quality
- Security
- Cannot be blocked
- Viber Out
- Strong Platform Support



# Viber System Security and Trust

- **Security: military-level encryption standards**
  - Best-in-class encryption for IM and VoIP
  - Viber uses third parties to try to break Viber systems
  
- **Trust: Viber does not allow authorities access to personal data**
  - Popular with users who demand privacy and personal safety

# Viber New Version 5.0

- Mobile Video Calls
- Integrated Rakuten IDs and Viber IDs in Japan



## 3 Rakuten Mobile



**High Quality**  
**Competitive Price**

# Fusion: Rakuten Mobile

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モバイル



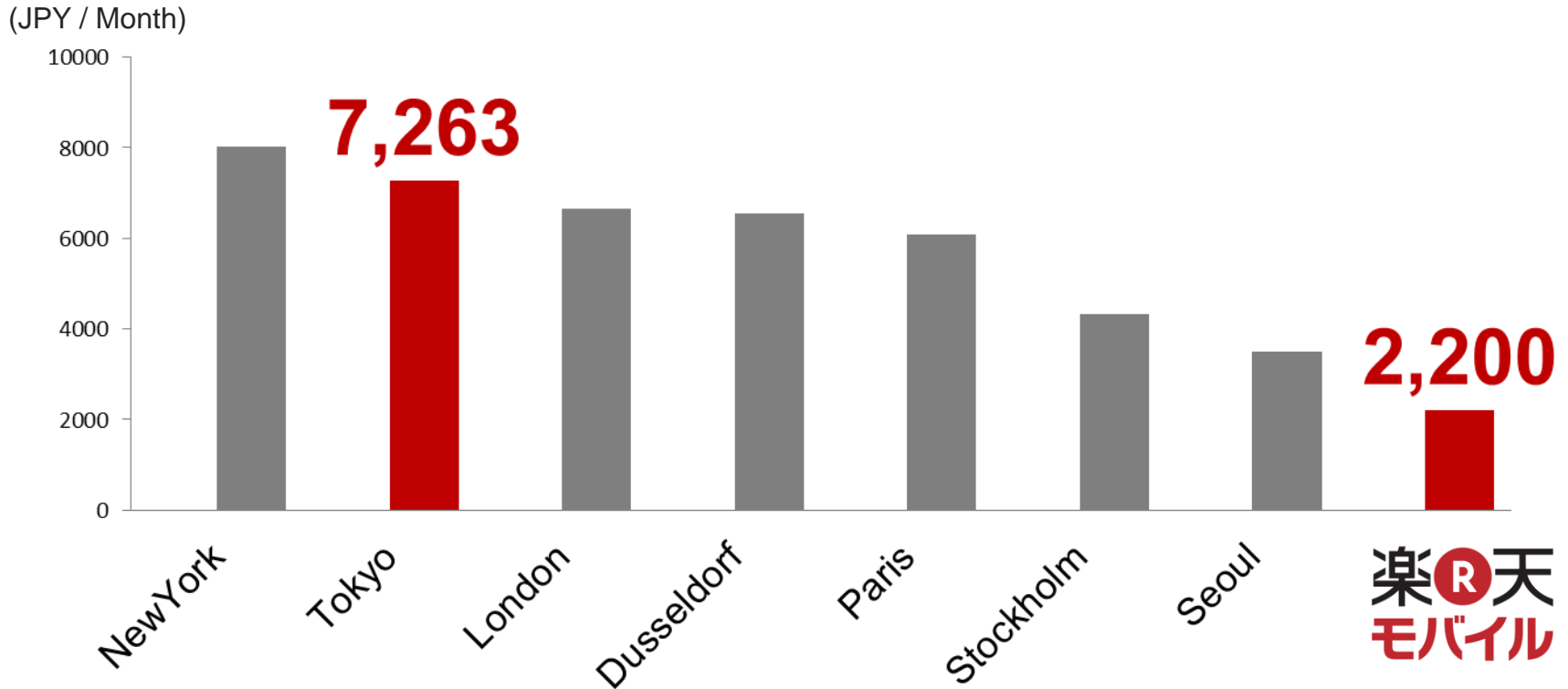
About

1

3

# International Comparison of Mobile Call Rates

■ Mobile calls rates in Japan are second most expensive among major cities



\*1: 2013 Ministry of Internal Affairs and Communications “Survey on disparities between domestic and foreign prices of ICT services, comparison by light user plan”

\*2: All rates above exclude consumption tax

# Competitive Price

Major Mobile Carrier

JPY 6,500<sup>\*1</sup>

Flat rate plan  
for calls  
(2GB data  
communications)

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If you use Rakuten Denwa service

JPY 2,200<sup>\*2</sup>

Rate for Calls  
(2.1GB Plan)



\*1: NTT Docomo: Total rate of two years flat contract plan with Kakeho-dai plan for smartphone (dialing charge discount service), SP mode, 2GB data communications under the condition that continues using the same line for a period of five years.

\*2: Rakuten Mobile: 2.1GB plan for JPY10 per 30 seconds using 30 minutes per month

\*3: All rates above excluded consumption tax

# Annual Cost Savings for Family of Four

A family of four (a man, a woman, and two children) is running together in a grassy field. The man is on the right, leading the group. The woman is in the middle, and the two children are on the left. They are all wearing light-colored clothing and dark shoes. The background shows a city skyline under a bright sky.

# JPY 200,000

Assuming cost saving is  
JPY 4,300 per month per person

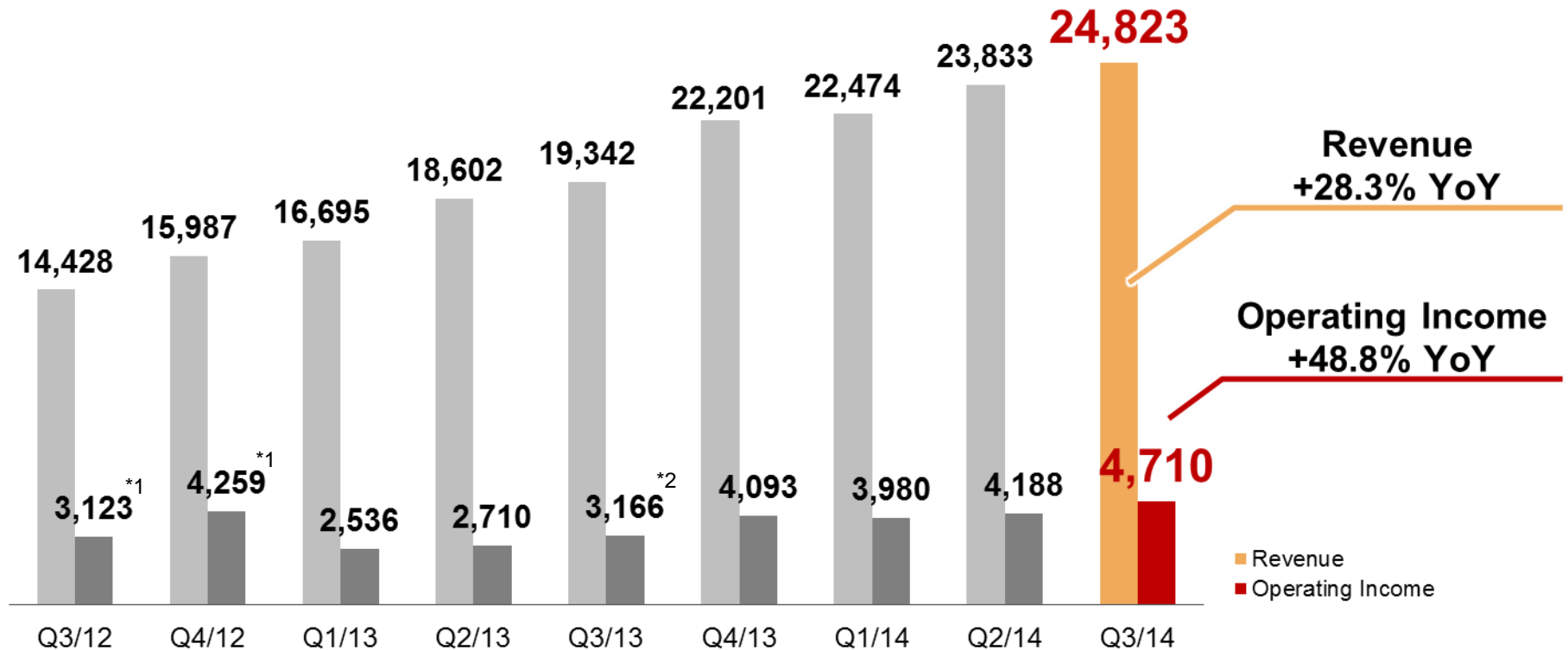
## 4 Internet Finance

# Rakuten Card Results

■ Operating income +48.8% YoY

## Credit Card Business Quarterly Results

(JPY mm)



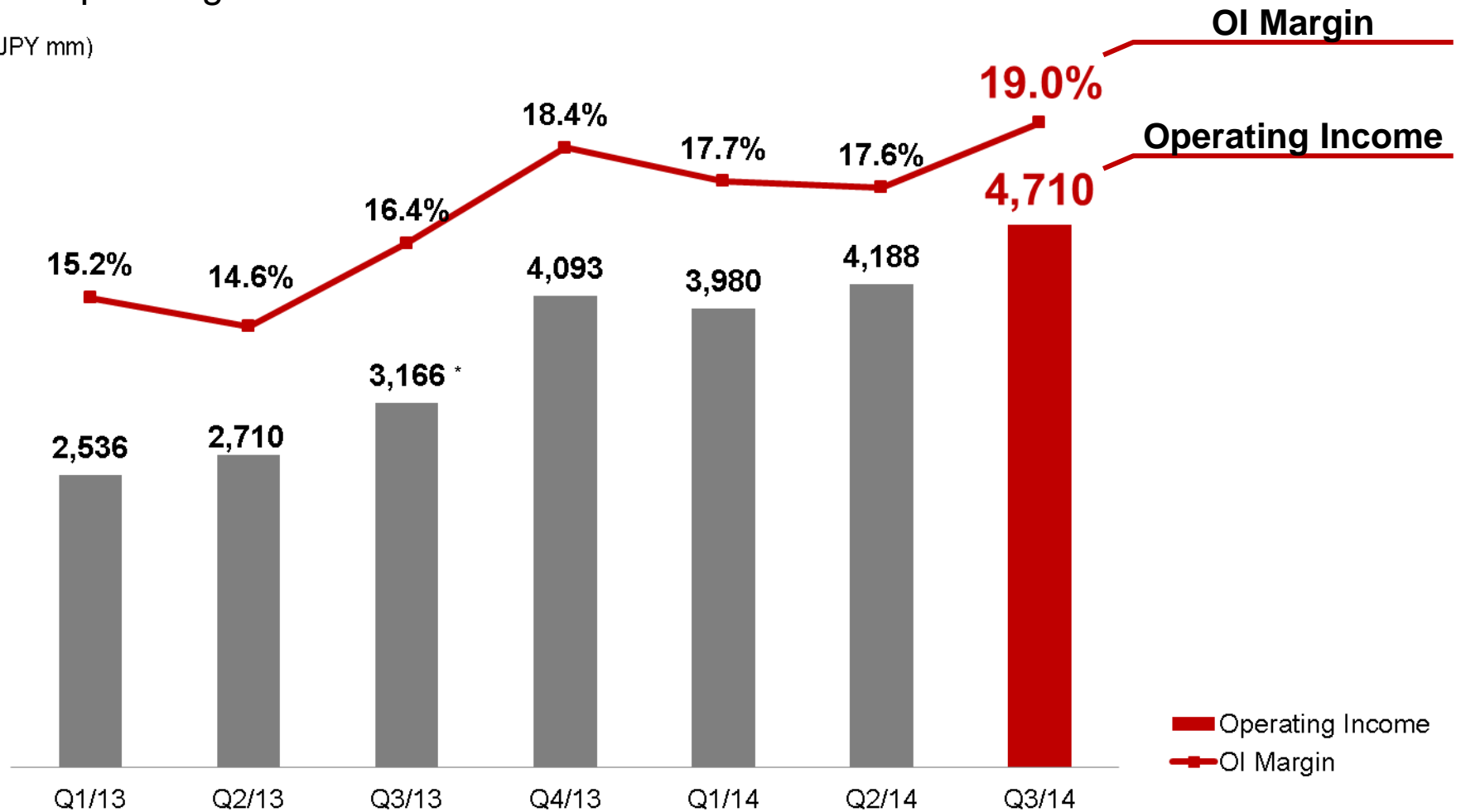
\*1: Reversal of earthquake disaster reserve (decrease in expense): Q3/12 JPY 249 mm, Q4/12 JPY 340 mm

\*2: Q3/13 JPY102 mm additional provision to reserve for retirement benefits due to the termination of the plan (increase in expense)

# Rakuten Card OI & Margin growth

■ Operating income base has been raised to a new level

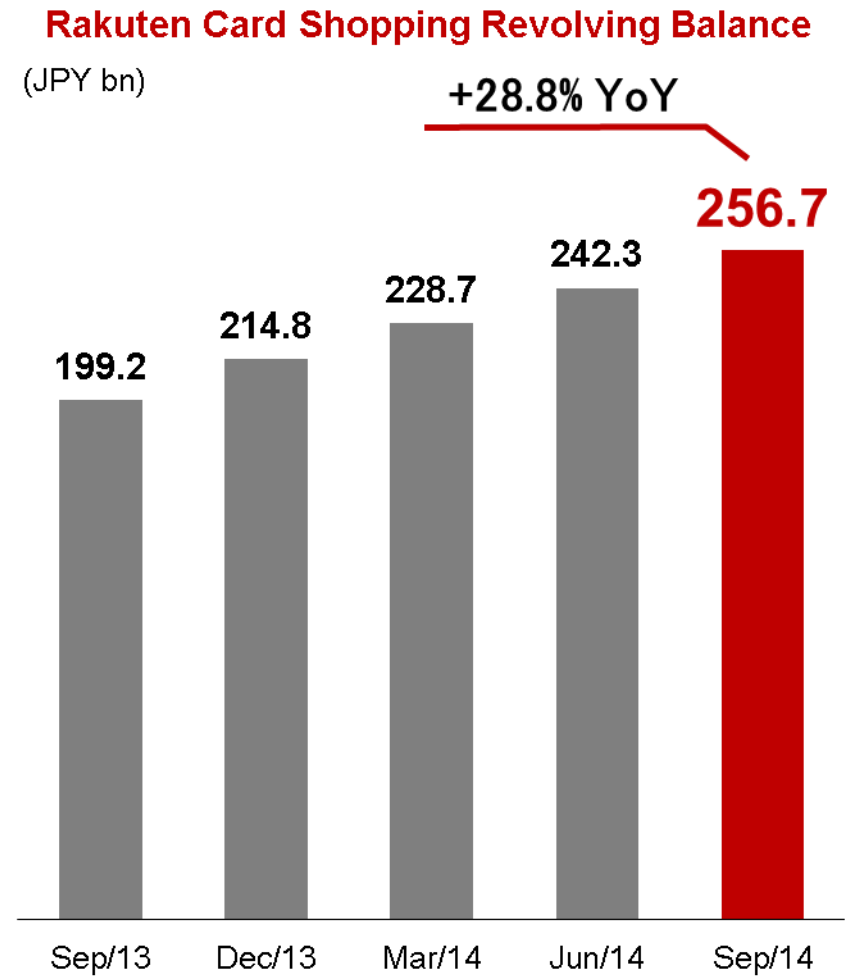
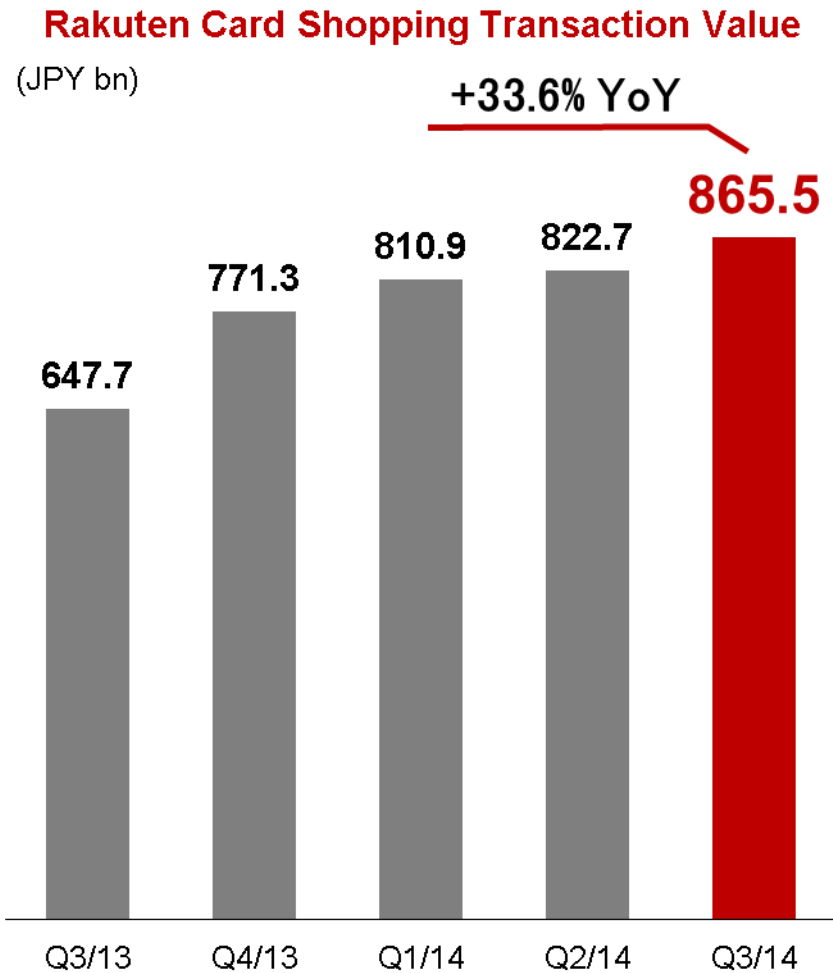
(JPY mm)



\* Q3/13 JPY102 mm additional provision to reserve for retirement benefits due to the termination of the plan (increase in expense)



# Rakuten Card Shopping Transaction Value and Shopping Revolving Balance\*



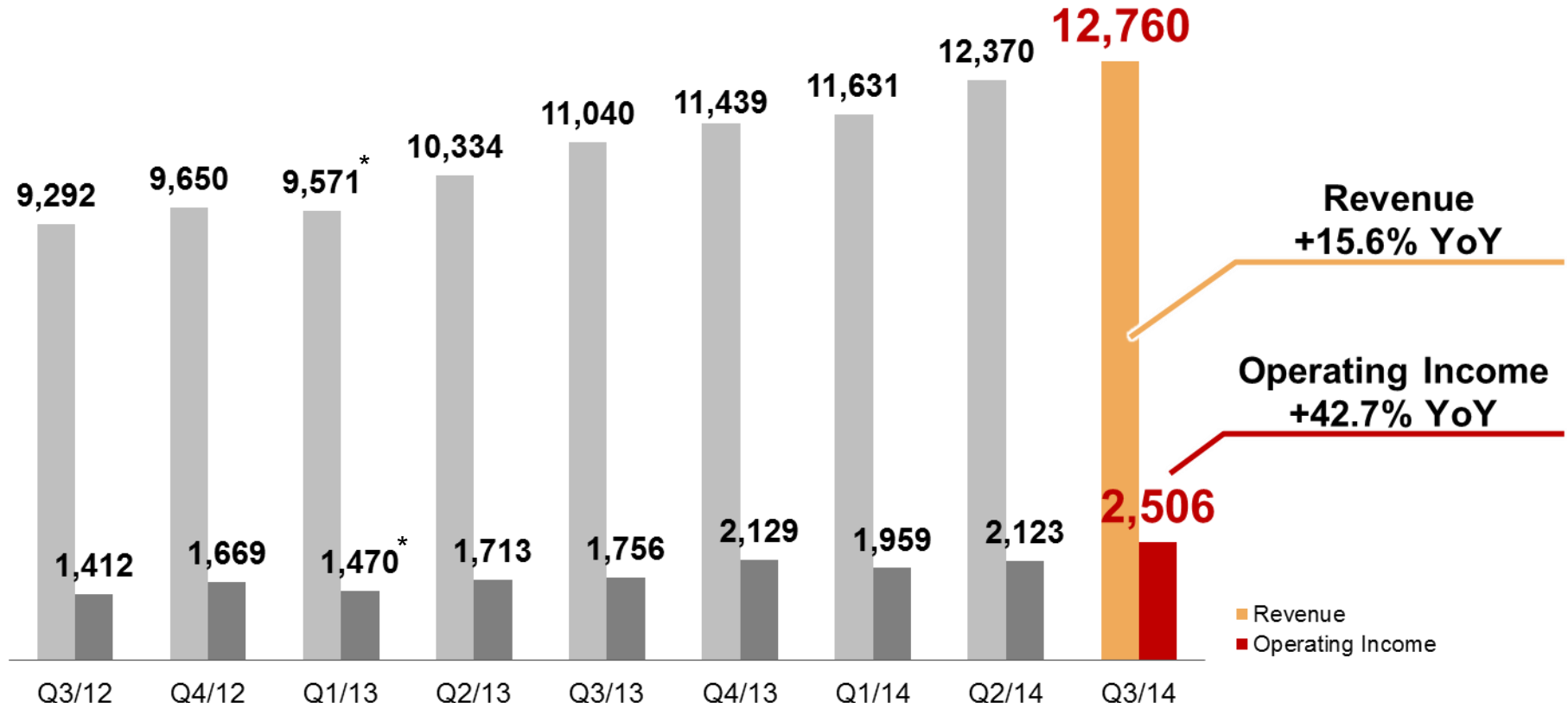
\* Managerial accounting basis and using different definition from Appendix. Total credit card data are shown in Appendix

# Rakuten Bank Results

- Steady growth of Rakuten Bank Super Loans resulted in Operating Income +42.7% on YoY

## Banking Business Quarterly Results

(JPY mm)

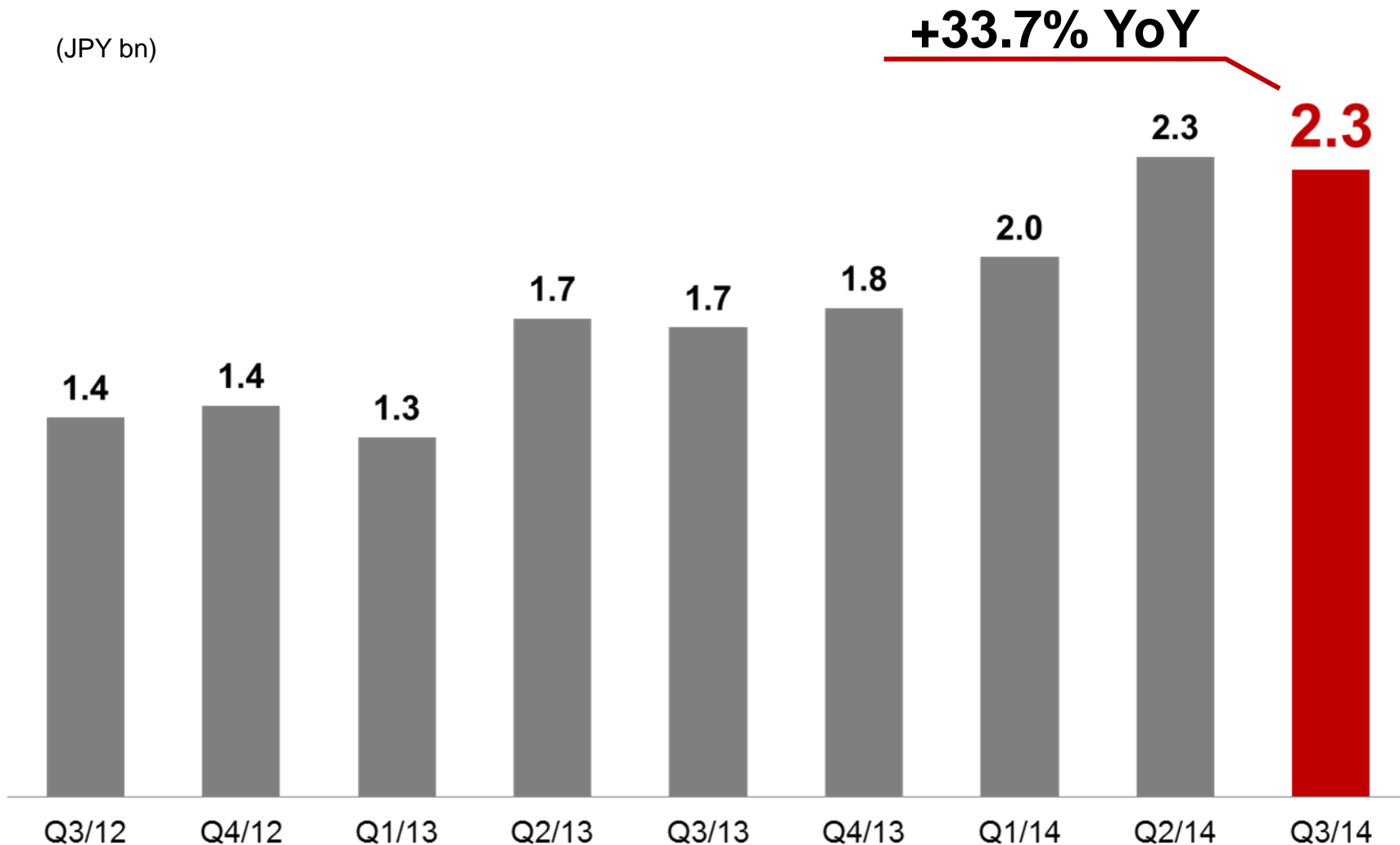


\* Revenue and Operating income in Q1/13 are adjusted for transfer gain (JPY1.5bn) of investment trust business to Rakuten Securities.

Rakuten Bank recognizes transfer gain as extraordinary profit under J-GAAP, while consolidated Rakuten group eliminates it in "Adjustments" as group transaction

# Rakuten Bank: Core Net Business Profit

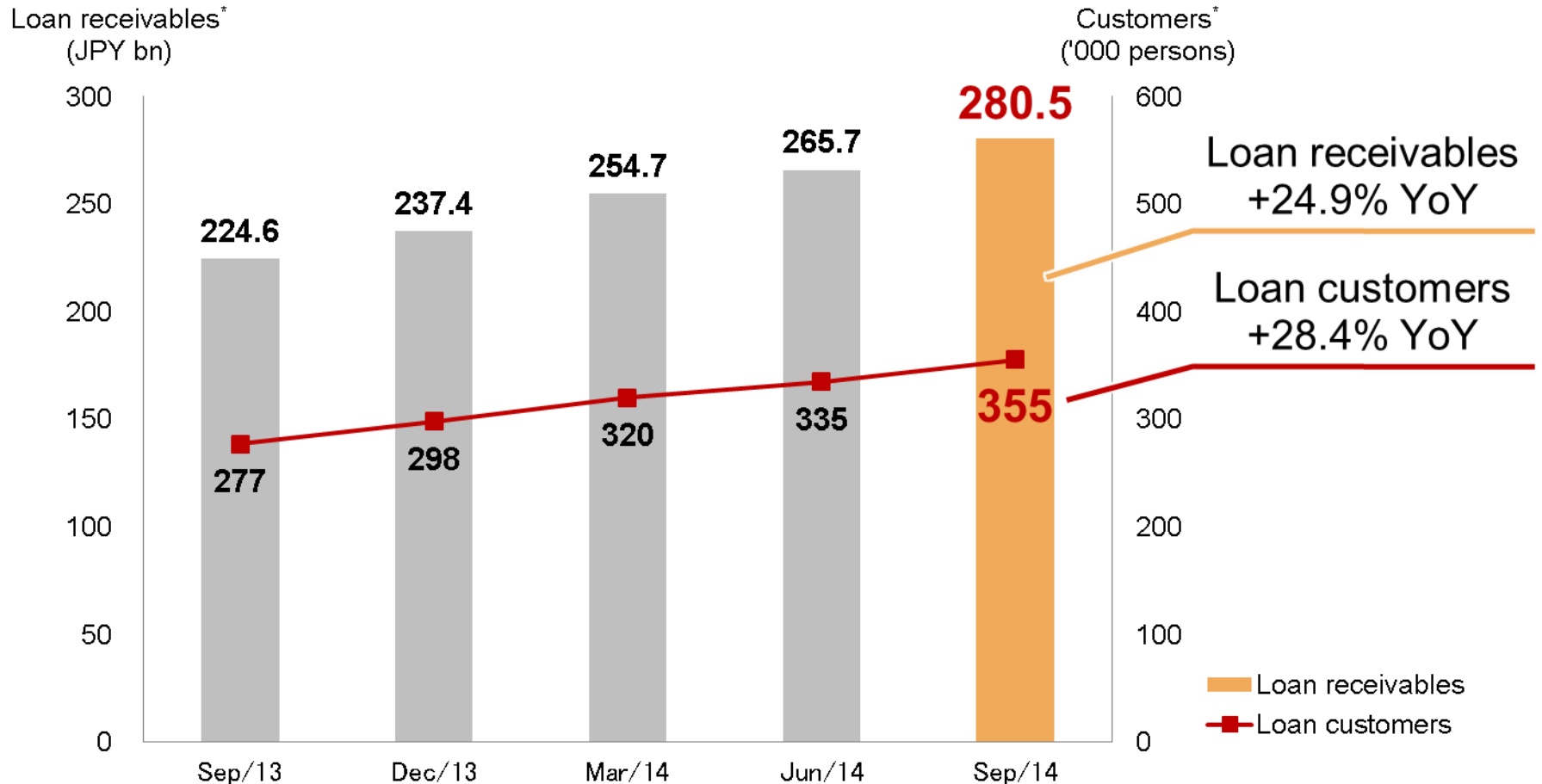
(JPY bn)



Core net business profit = Net business profit (before provision of general allowance for loan losses) – Gains (losses) related to bonds

# Rakuten Bank Super Loans

■ Steady growth of loan receivables (+24.9% YoY)



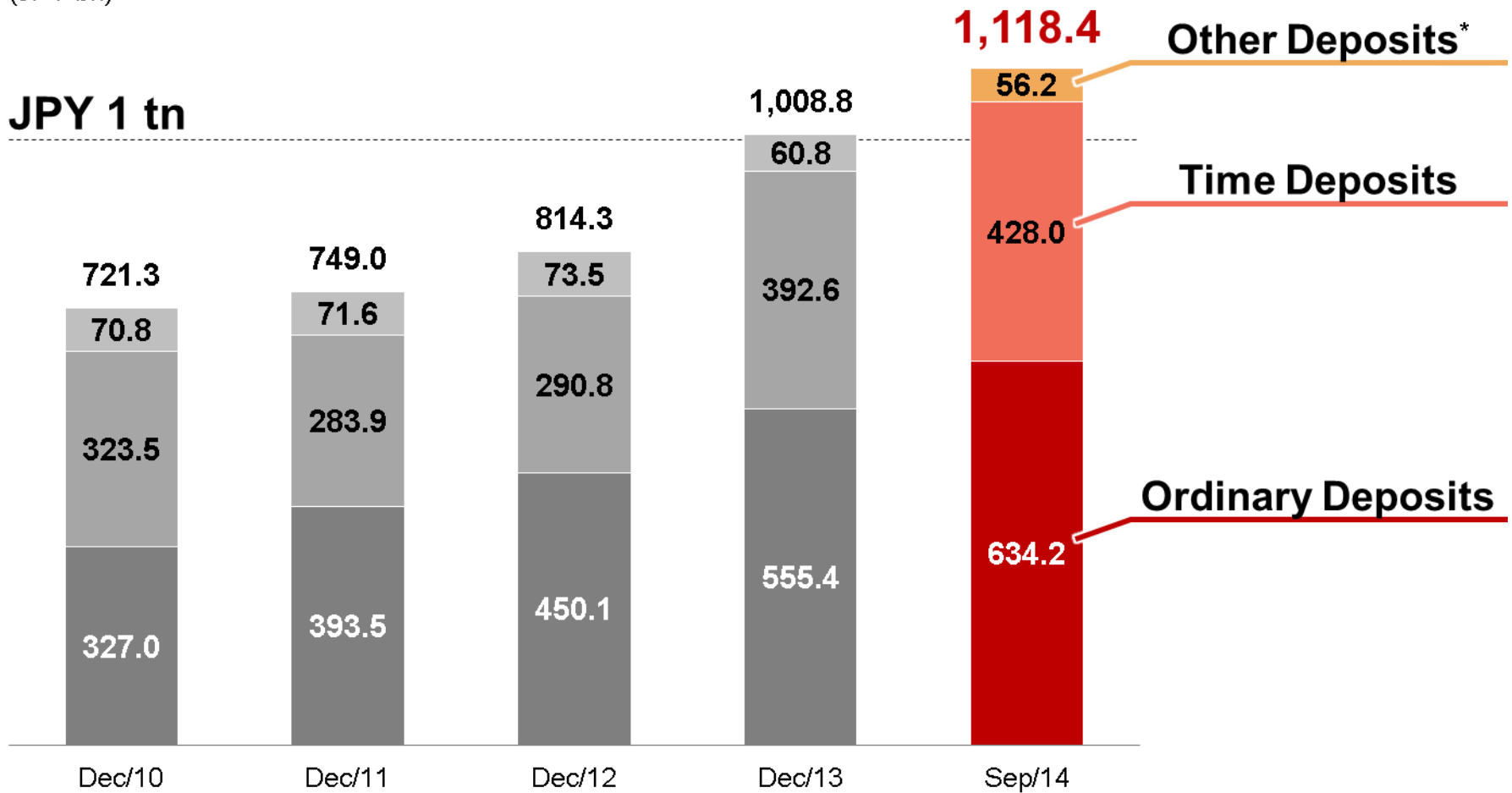
\* Loan receivables and loan customers are total of Rakuten Bank and credit guarantees of Rakuten Card Co., Ltd

# Rakuten Bank Deposits

■ Deposits steadily increased: +20.5% on YoY

(JPY bn)

JPY 1 tn



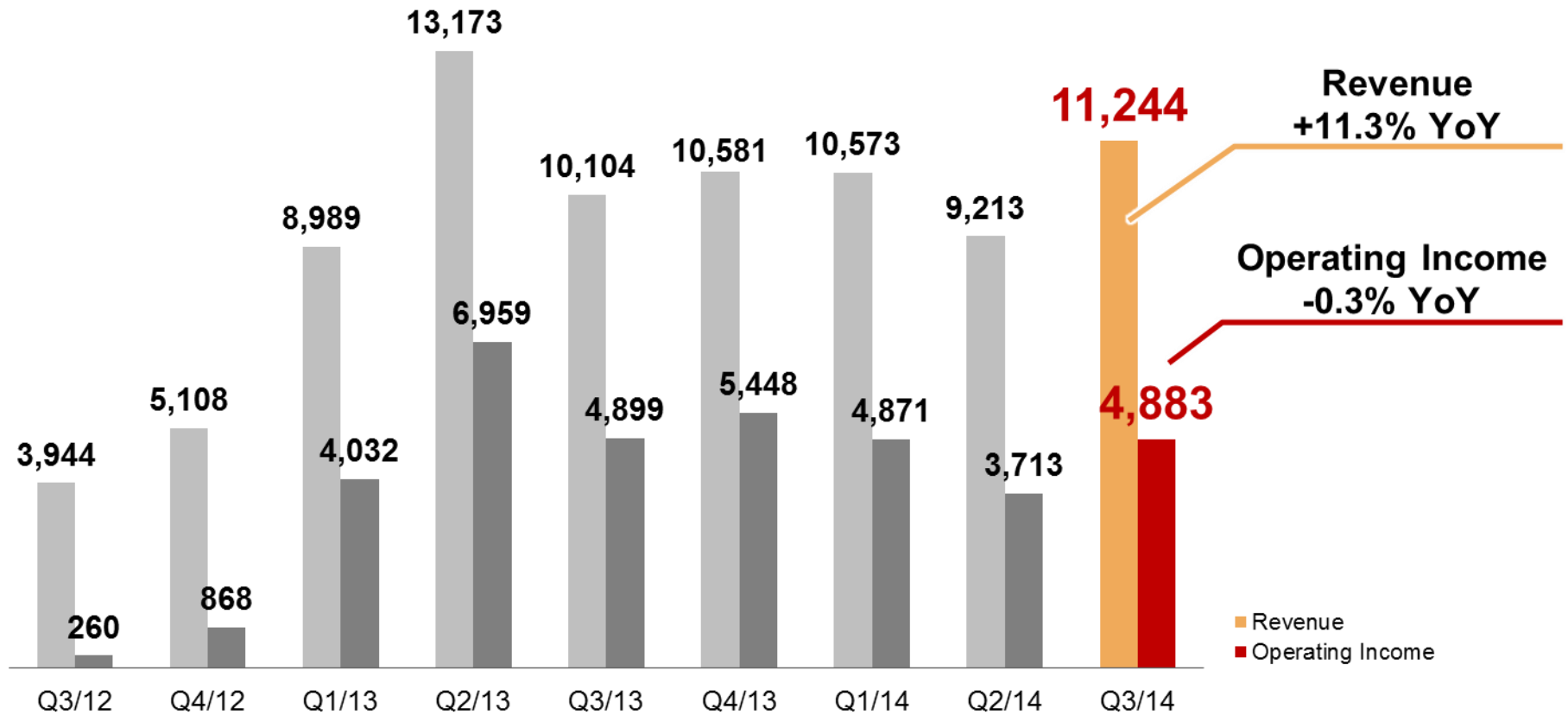
\* Other deposits include deposits in foreign currencies and others

# Rakuten Securities Results

- Revenue steadily increased and rebounded back over JPY10 billion

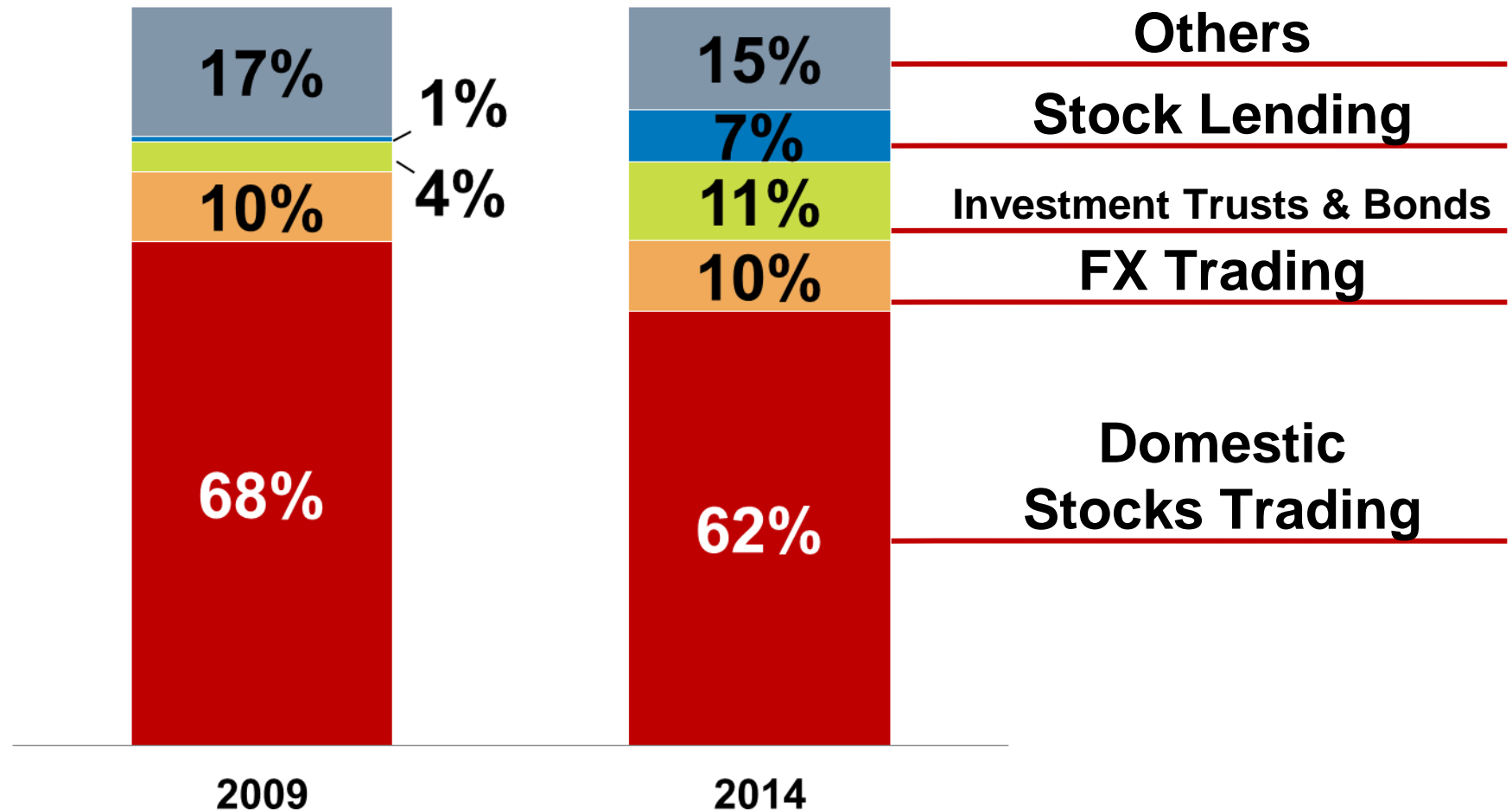
## Securities Business Quarterly Results

(JPY mm)



# Rakuten Securities: Revenue Structure

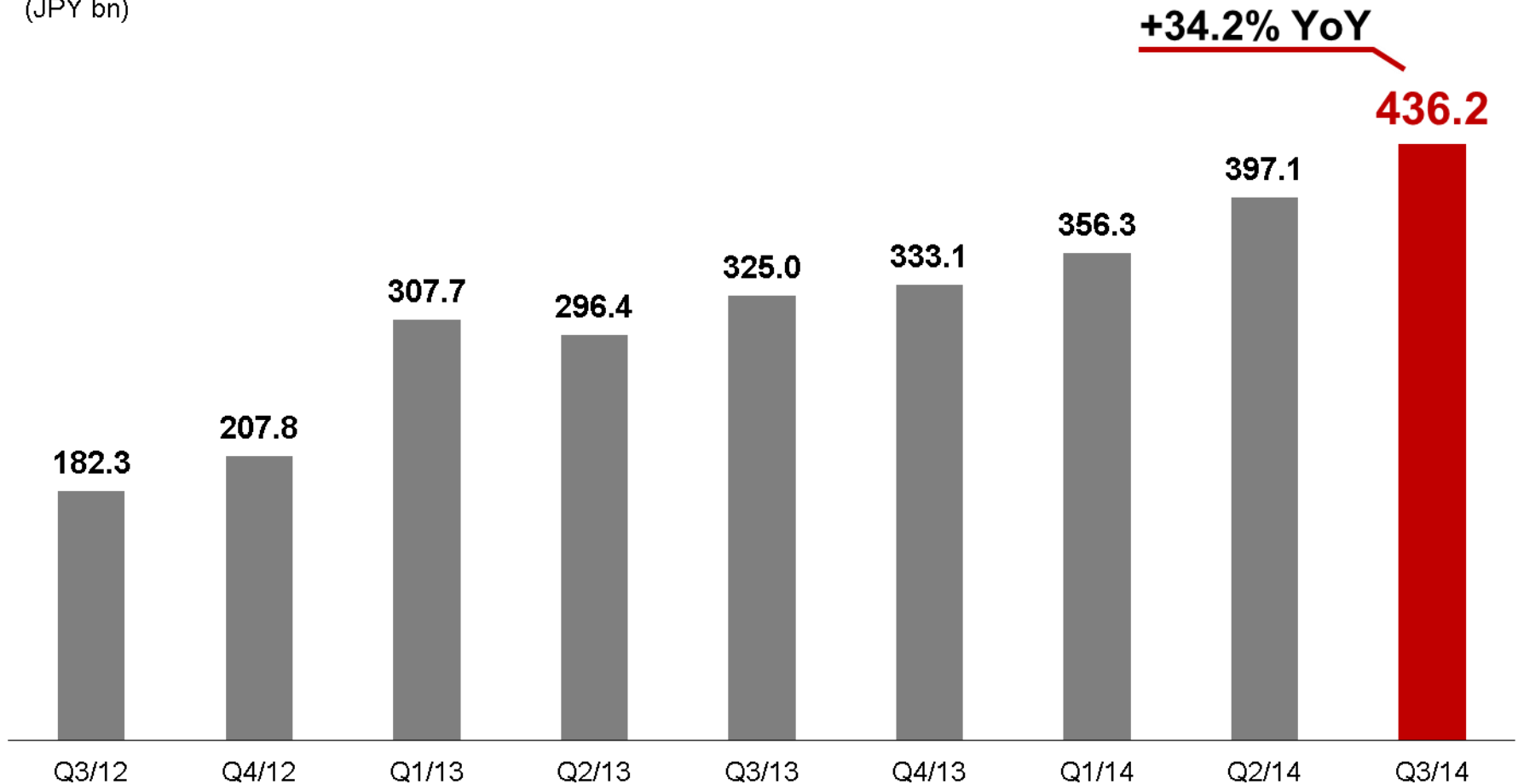
- Rapid growth in revenue contribution of investment trusts and bonds



# Rakuten Securities Investment Trust Asset Balance

- Asset balance of Investment trusts exceeded JPY 430bn, achieved a record high for 5 consecutive quarters

(JPY bn)

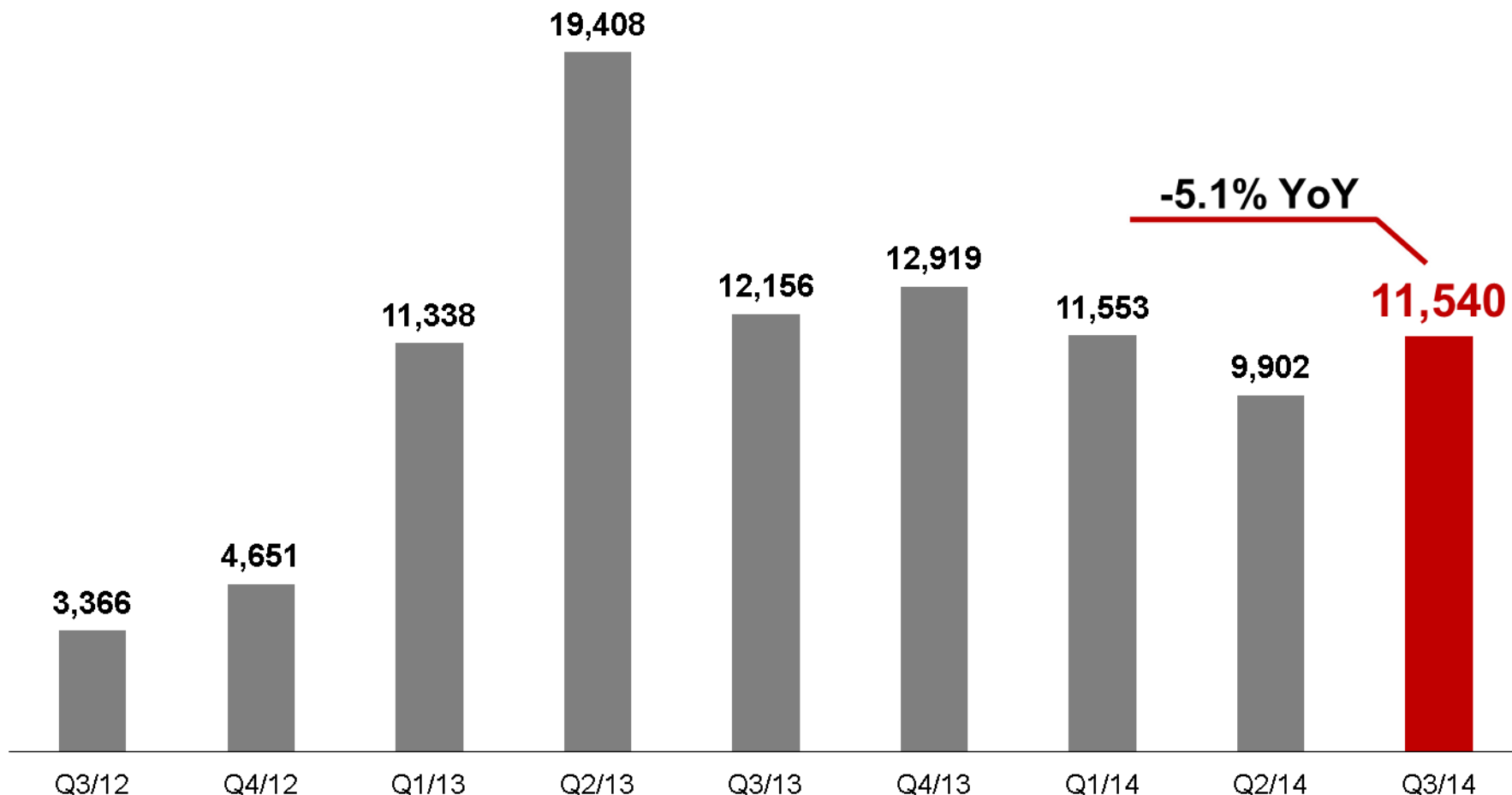




# Rakuten Securities Stock Brokerage Trading Value

■ With a recovery in the domestic market, trading value stayed above JPY 10tn

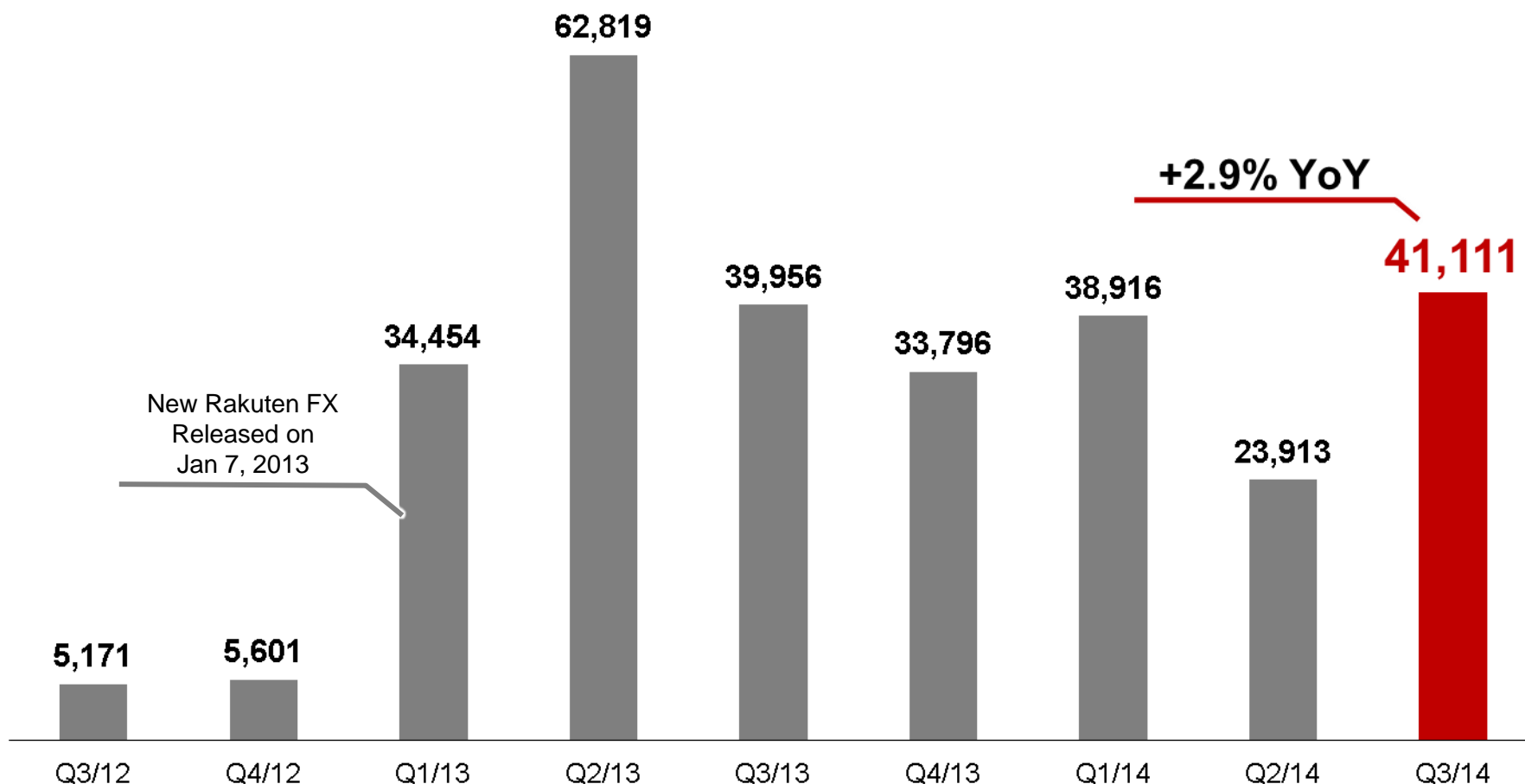
(JPY bn)



# Rakuten Securities FX Trading Value

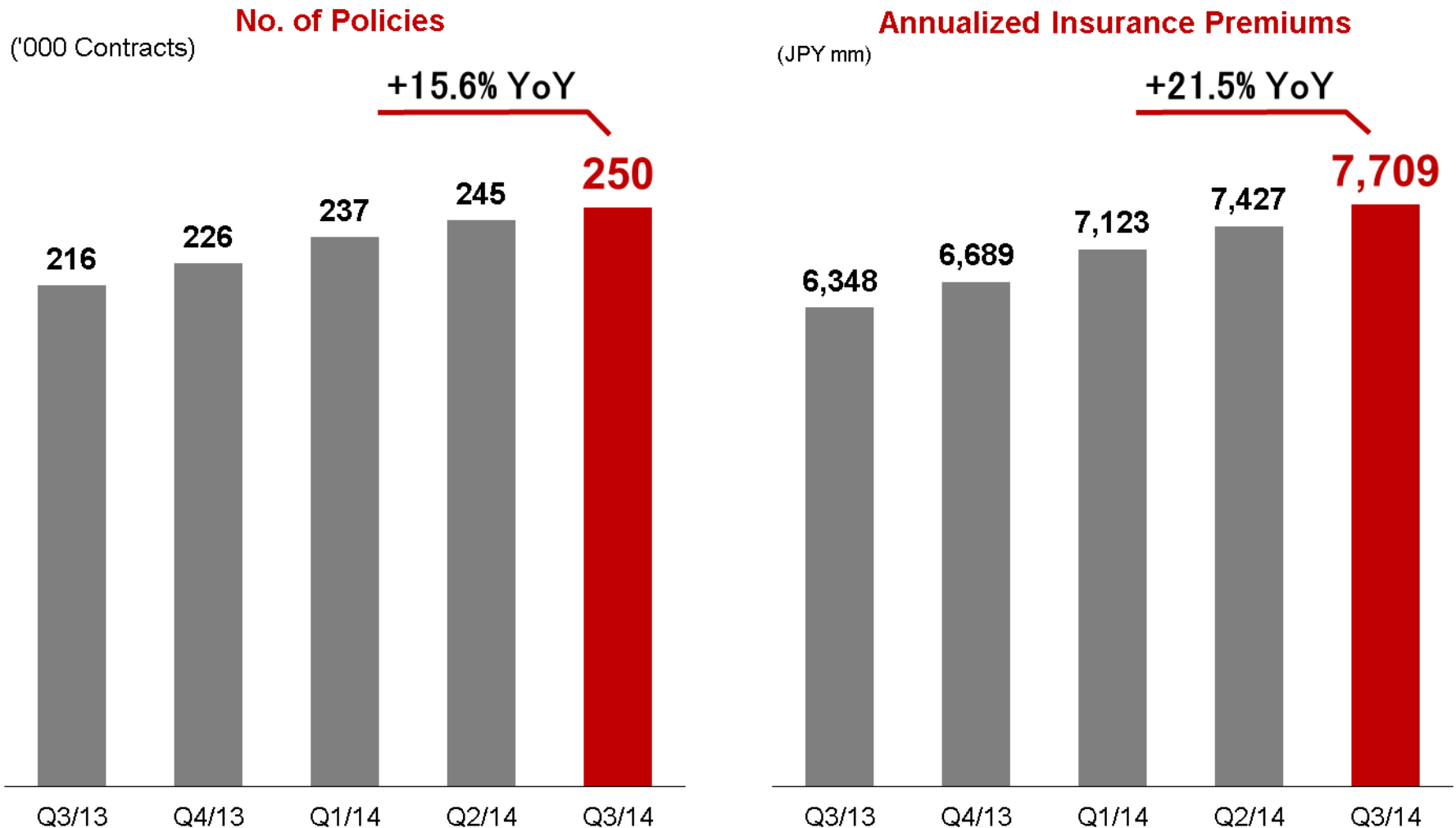
- Trading value increased due to high volatility in September

(JPY bn)



# Rakuten Life Insurance

## Life Insurance Contracts (excl. mutual aid association)



## 5 Overseas E-Commerce

# Overseas E-Commerce Summary

- **Global Yokoten  
(transferring know-how)**
- **Global migration to RMSg\* platform**
- **Evolving with Ebates and Slice**

\* Rakuten Merchant Server global

## ■ Rakuten Merchant Sever global

- Cost efficient
- Strong GMS growth after launch

1

Malaysia

2

Indonesia

3

Singapore

4

Global

5

Spain

6

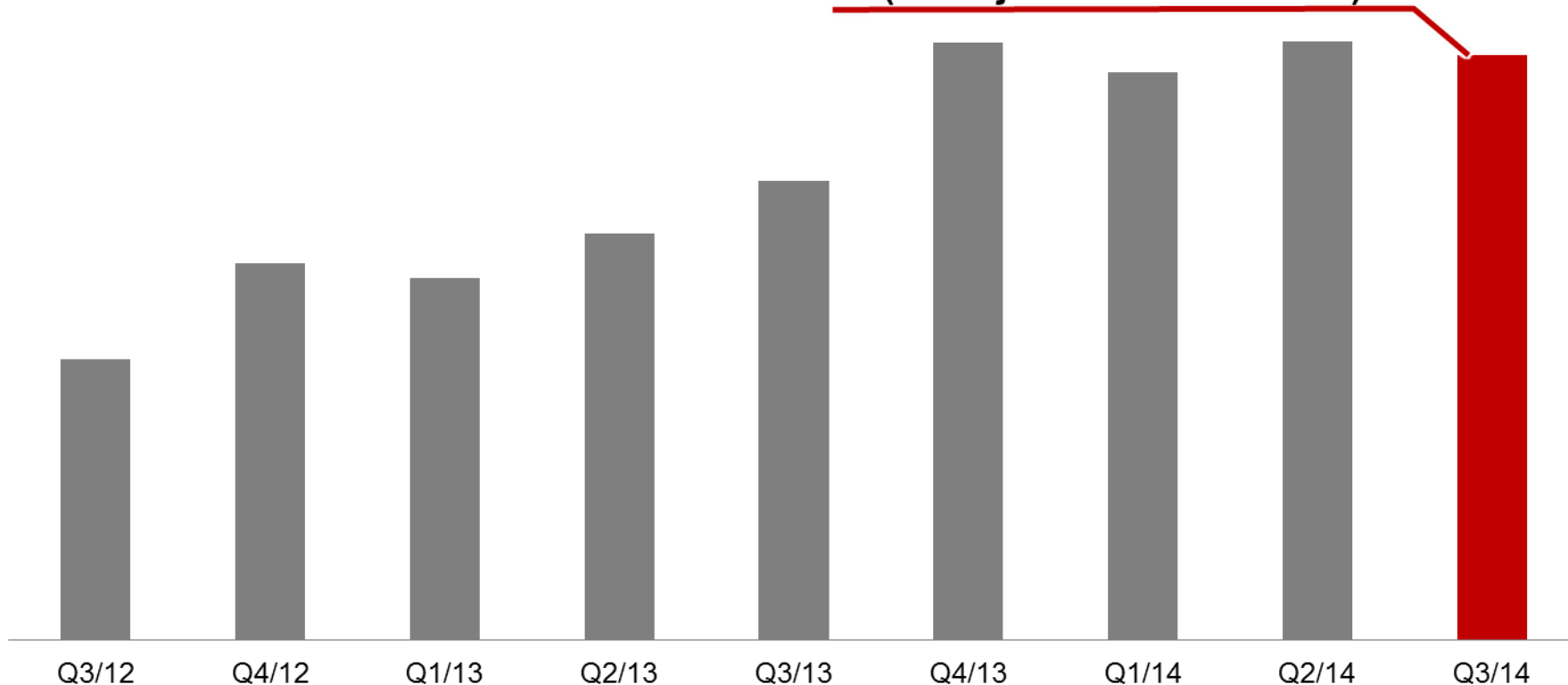
UK

# Marketplace GMS Overseas Companies

- Marketplace GMS growth excluding UK which is under site transition:  
+27.4% YoY (+16.8% YoY forex adjusted)

(JPY)

Marketplace excl. Play.com  
+27.4% YoY  
(FX adjusted: +16.8% YoY)



\*1: Marketplace = Taiwan Rakuten Ichiba + Tarad Premium Mall + Rakuten.com Shopping + PriceMinister + Rakuten Belanja Online + Rakuten Deutschland + Rakuten Brasil + Rakuten Malaysia + Rakuten Spain + Rakuten Austria + Rakuten Singapore

# Rakuten UK Launch

**Rakuten.co.uk**  
Shopping is Entertainment!

Rakuten Super Points   Shopping Guide   Open Your Online Store

All Categories ▾   Search by keywords      Sign In or Register

**Shop by Categories**

- Baby
- Books & Audiobooks
- Computing
- DVD & Blu-ray
- Fashion & Accessories
- Gifts & Gadgets
- Groceries
- Health & Beauty
- Hobbies & Crafts
- Home & Garden
- Motoring
- Music
- Musical Instruments & DJ Equipment
- Pets
- Sports & Outdoor
- Technology
- Toys
- Video Games

**Our Featured Products**

4 x 71007 Lego Minifigures Series 12	Retro Cotton Candy Machine	Canon EOS 700D Digital SLR Camera	Cooking Kit - Complete Japanese Set	Joe & Sephs Gourgin and Tonic Popcorn
£ 8.97	£ 56.38	£ 470.00	£ 34.99	£ 4.95
by ToyGalaxy	by findmeagift	by SpencerMann	by TheMarvellousGroup	by Gourmet Delight

**“Welcome to our brand new Marketplace!**

A place to discover & buy fantastic **products”**

The Rakuten.co.uk Team

## The Rakuten Experience

**The Rakuten Experience**

- Trust** (Globe icon): Rakuten is a
- Discovery** (Shopping bag icon): Discover 1000s
- Passion** (Person icon): Our Merchants are
- Experience** (Hand icon): Feel confident
- Rewards** (Gold coin icon): Earn SuperPoints

楽天 **R** Rakuten

48





**+40.8%** QoQ

# Spain Super Sale TV Commercial

Watched over 1 million times on Youtube

[https://www.youtube.com/watch?v=B93\\_YKCSGeA](https://www.youtube.com/watch?v=B93_YKCSGeA)



# Rakuten Brand Awareness in Spain



**Jul 2014**

**Oct 2014**

**12.9%**



**57.3%**

\* Survey Method: Aided Awareness among Internet users. Internet survey (panel sampling) by third party.

# Ebates and Slice Featured in the App Store



# Global M&A Success Case: LinkShare

USD MM

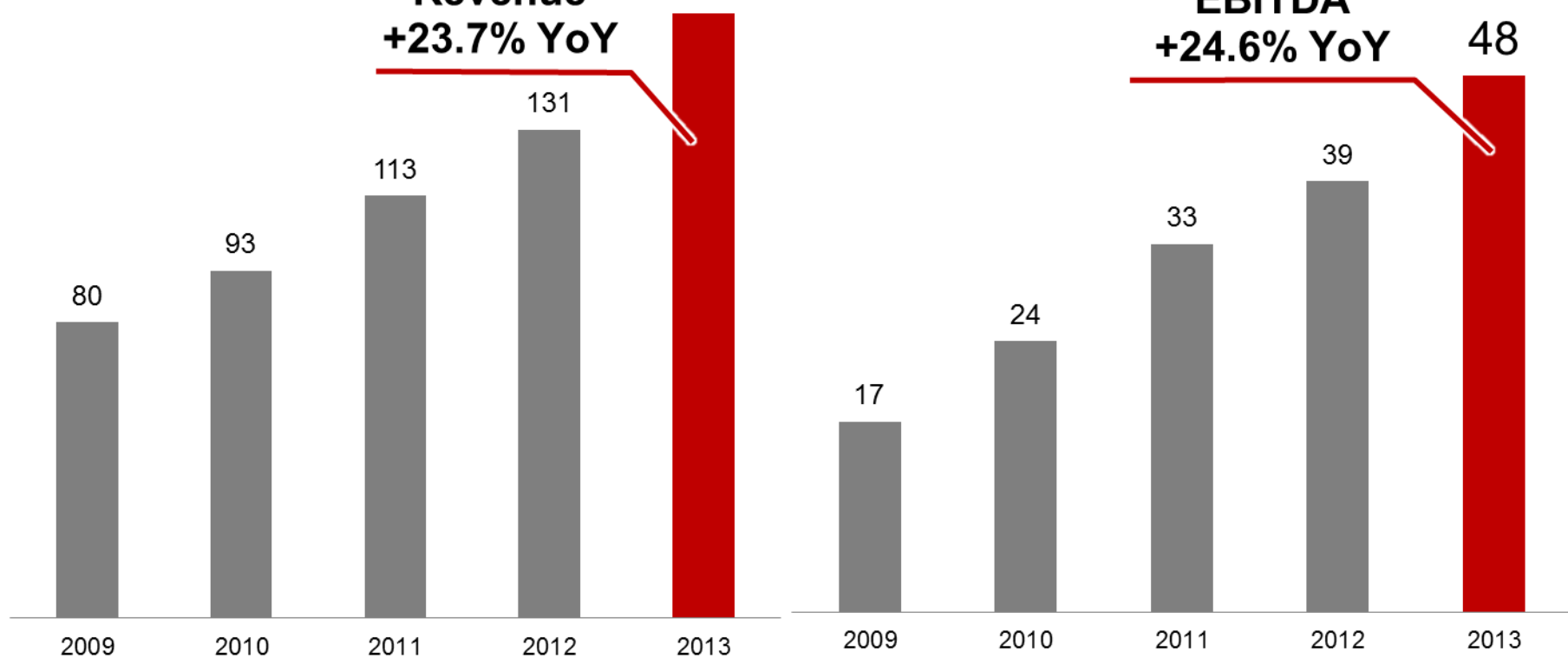
**Revenue**  
**+23.7% YoY**

162

USD MM

**EBITDA**  
**+24.6% YoY**

48



\*: LinkShare Corporation plus LinkShare Japan

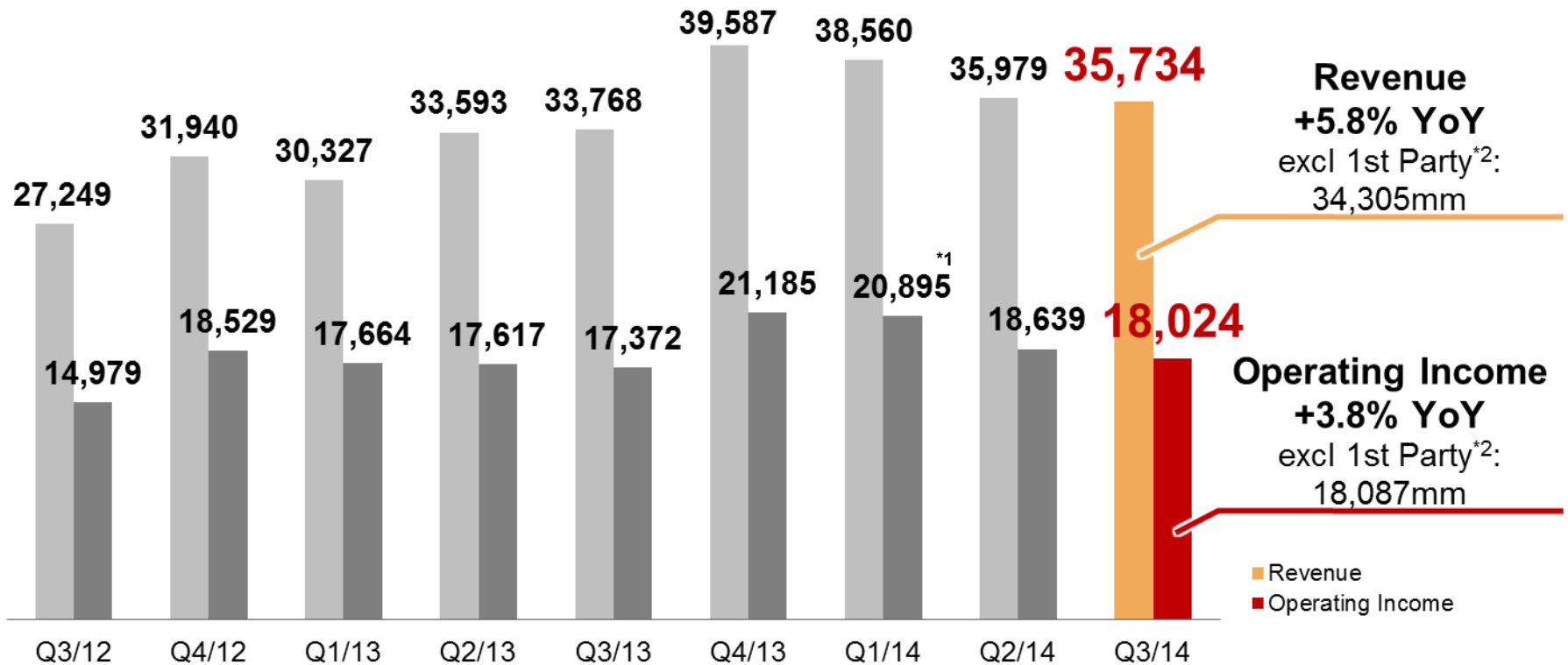
## 6 Domestic Internet Services

# Rakuten Ichiba Results

- OI growth: +3.8% YoY
- OI margin excluding first party: 52.7%

(JPY mm)

## Ichiba Business Quarterly Results



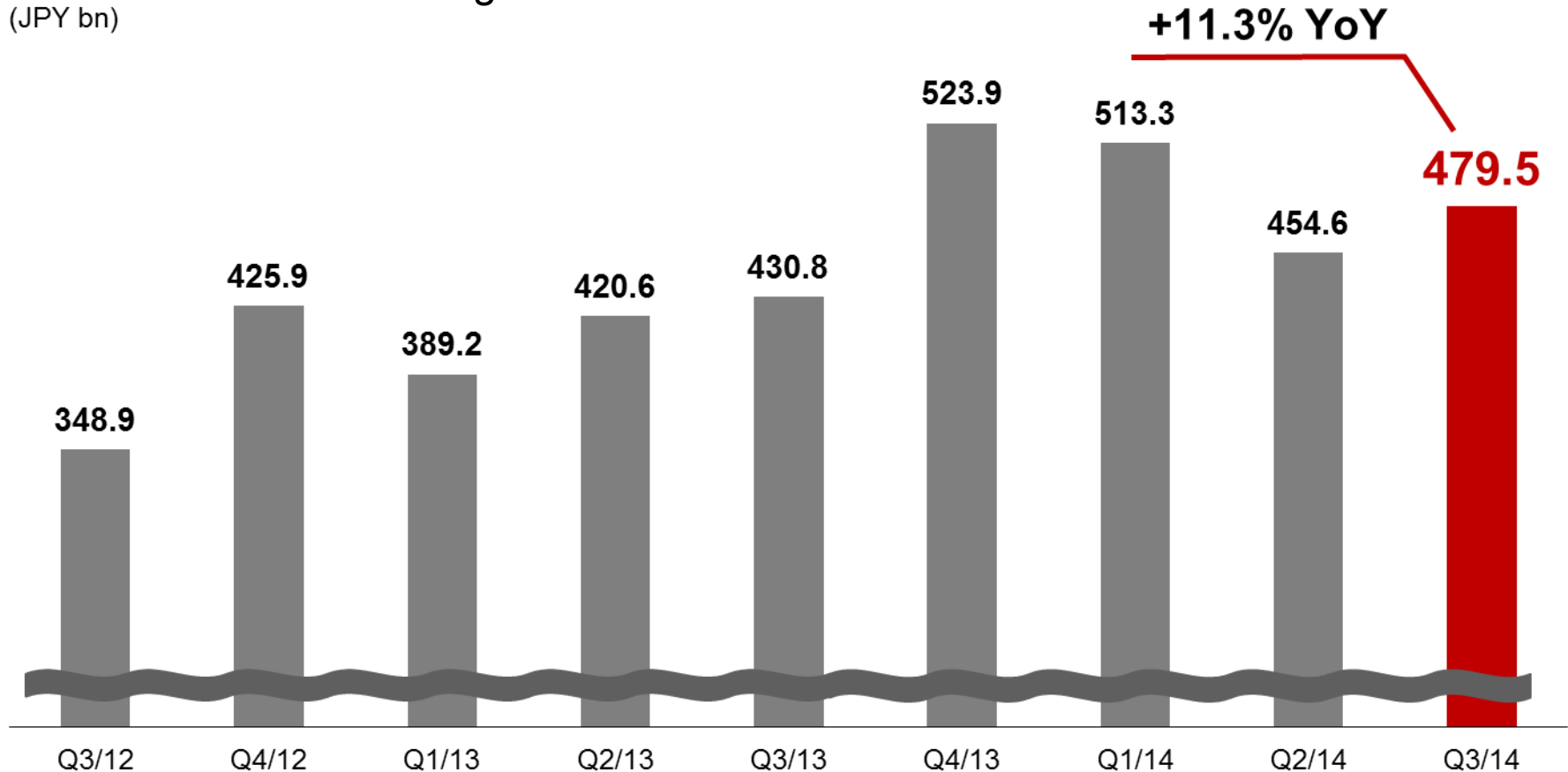
\*1: Adjusted for reversal of point allowance due to the change of consumption tax rate

\*2: Stylife (1st Party Business) was consolidated from Q2/13

# Domestic E-Commerce GMS

- Domestic E-Commerce GMS: +11.3% YoY despite lack of 'Rakuten Victory Sale' which made huge contribution in Q3/13

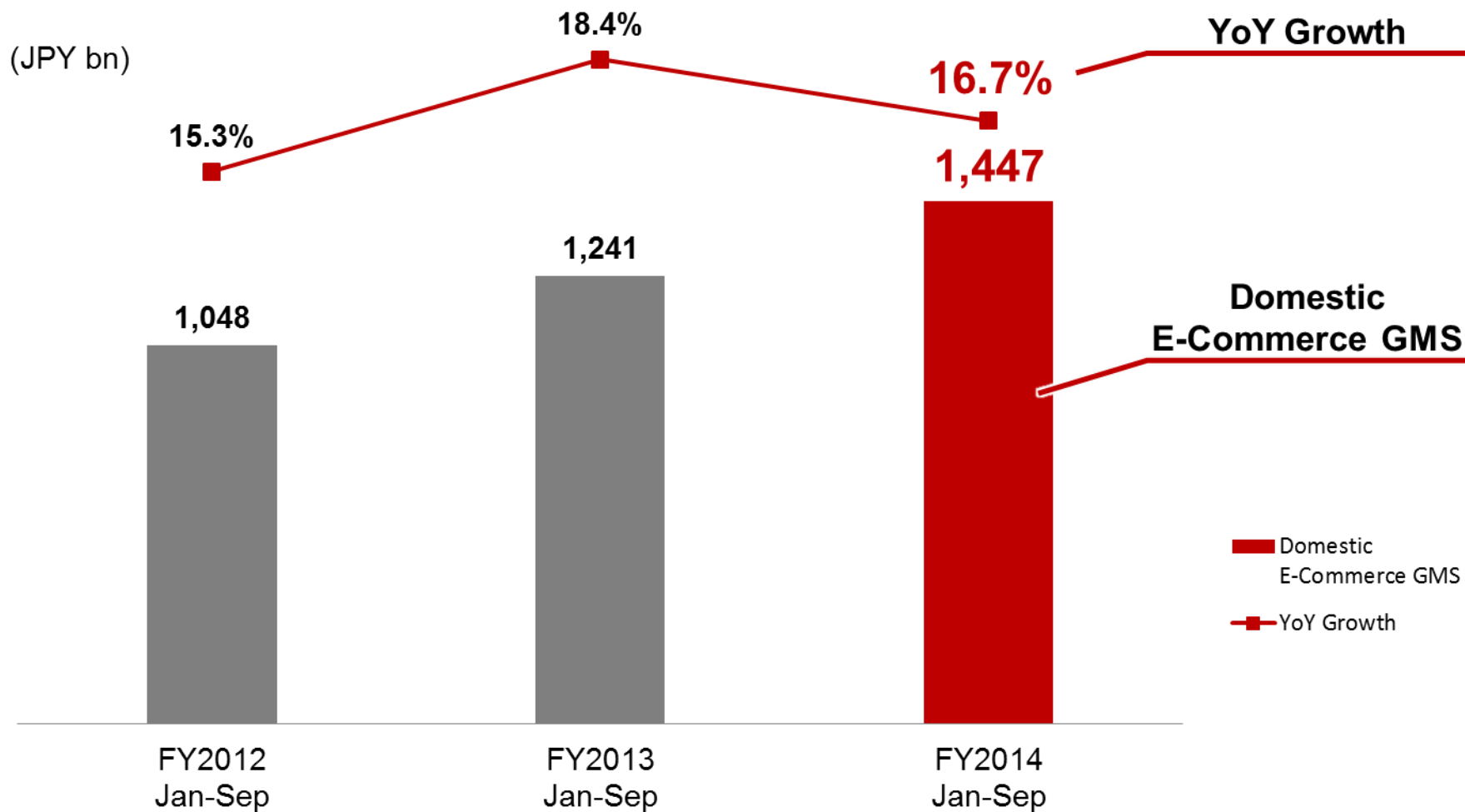
(JPY bn)



\* Domestic E-Commerce GMS includes consumption tax. Businesses not requiring consumption tax payment are GMS excluding consumption tax  
GMS = Ichiba, Package Media, Auction, Golf, Business, Download, Tickets, Internet Supermarket, Check Out, Off-track betting, toto, Showtime, Media rental, Dining, Salon, Mart, Kenko.com, Energy, Smart pay and Stylife

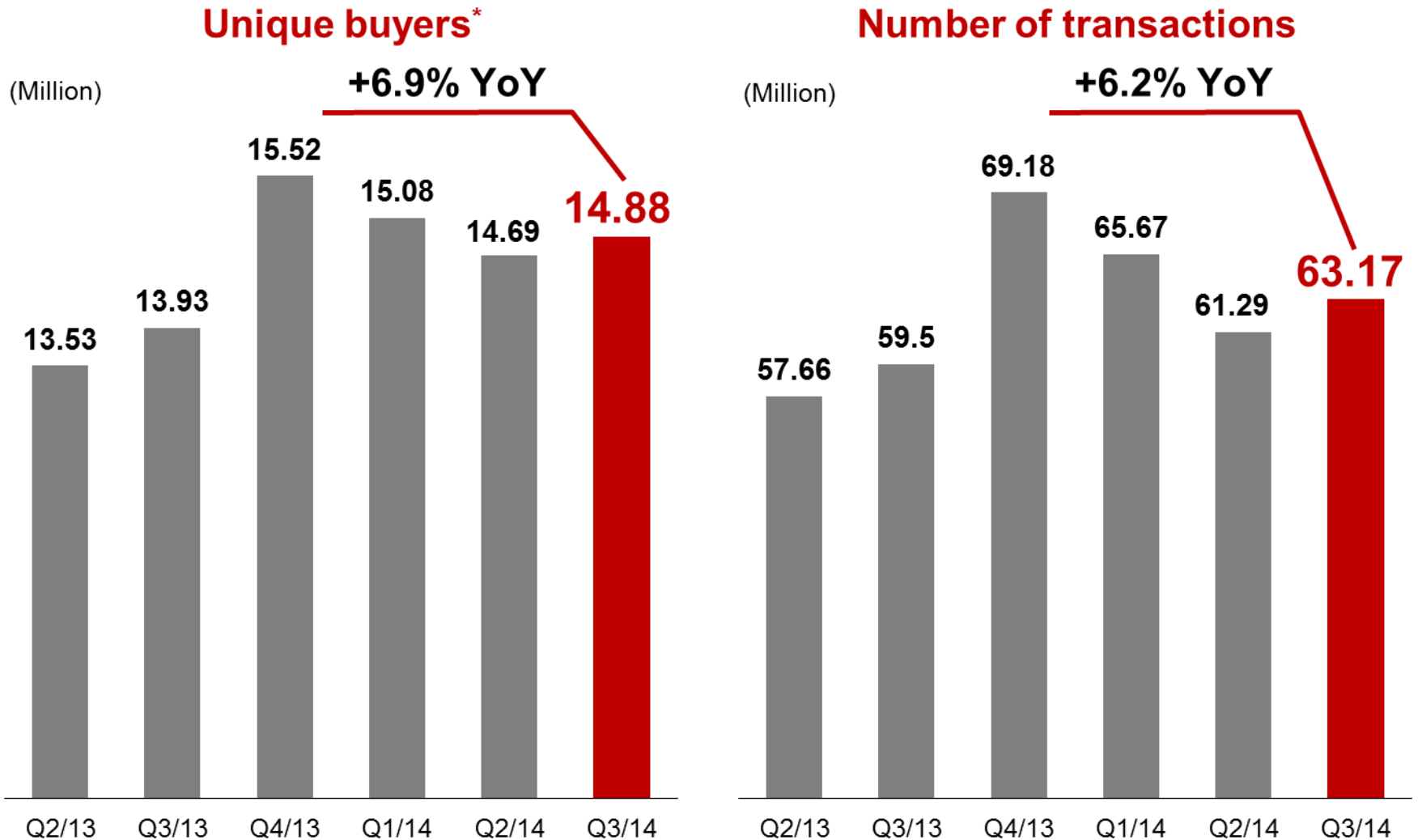


# Domestic E-Commerce GMS 9 Months Cumulative Total



\* Domestic E-Commerce GMS includes consumption tax

# Rakuten Ichiba Unique Buyers\* and Transactions



\* Unique Buyers: Number of buyers sorted by e-mail address with purchasing records during the listed 3 month period

# Rakuten Ichiba: Number of Merchants

- GMS per merchant accelerating
- Number of items: over 150 million SKUs, biggest in Japan

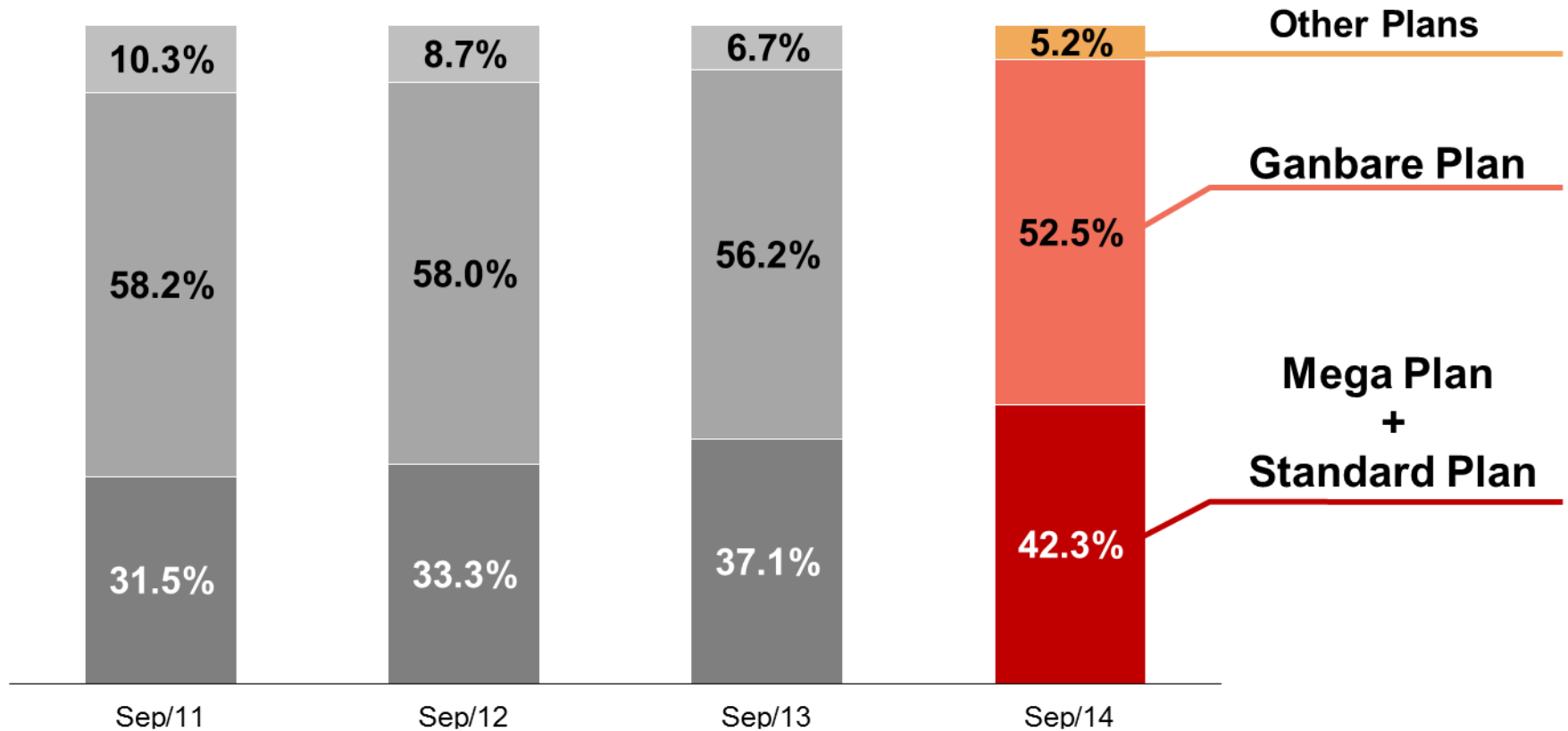
	Sep/12	Sep/13	Sep/14
<b>Number of Merchants</b>	<b>40,520</b>	<b>41,933</b>	<b>41,718</b>
<b>Domestic E-Commerce GMS</b> (JPY bn, LTM <sup>*1</sup> )	<b>1,416.8</b>	<b>1,666.5</b>	<b>1,971.3</b>
<b>Domestic E-Commerce GMS</b> <b>Per Ichiba Merchant</b> <sup>*2</sup> (JPY mm, LTM <sup>*1</sup> )	<b>35.9</b>	<b>40.4</b>	<b>47.1</b>

\*1: LTM: Q4/13 – Q3/14

\*2: Number of merchants is average of two most recent September ends

# Distribution of Merchant Plans

- For attractive and safe shopping mall for users and merchants, focusing on nurturing merchants who chose Standard/Mega shop plans



\* Rakuten Ichiba's main merchant plans are below

- Ganbare Plan (Monthly fee: JPY 19,500, Commission on GMS: 3.5-6.5%, Listable items: Up to 5,000 items)
- Standard Plan (Monthly fee: JPY 50,000, Commission on GMS: 2.0-4.0%, Listable items: Up to 20,000 items)
- Mega Shop Plan (Monthly fee: JPY 100,000, Commission on GMS: 2.0-4.0%, Listable items: No limit)

Smaller-sized merchants typically choose Ganbare plan. Larger-sized merchants typically choose Standard or Mega plans.

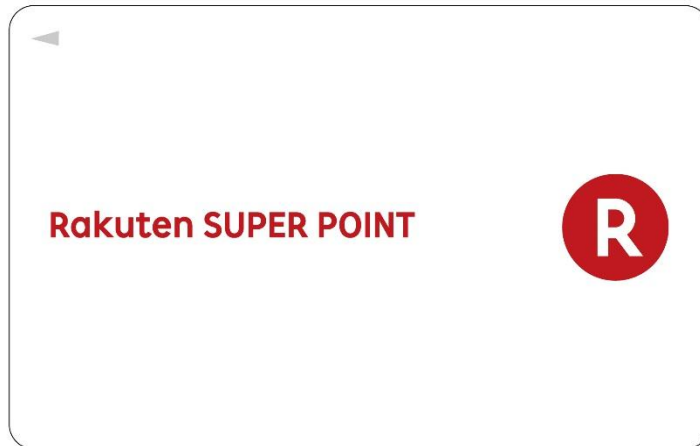
# Ichiba Initiatives

- **New services for a safe, secure shopping mall**
- **Complete reform of fee structures**

\* New fee structures would be introduced in stages from November 2014. Please refer to the Appendix for details

# R-Point Card Started

## App Screen Shot



# R-Point Card

- Rakuten Super Points can now be used in real shops

**12,600\*** Real Shops



\* Planning to expand further

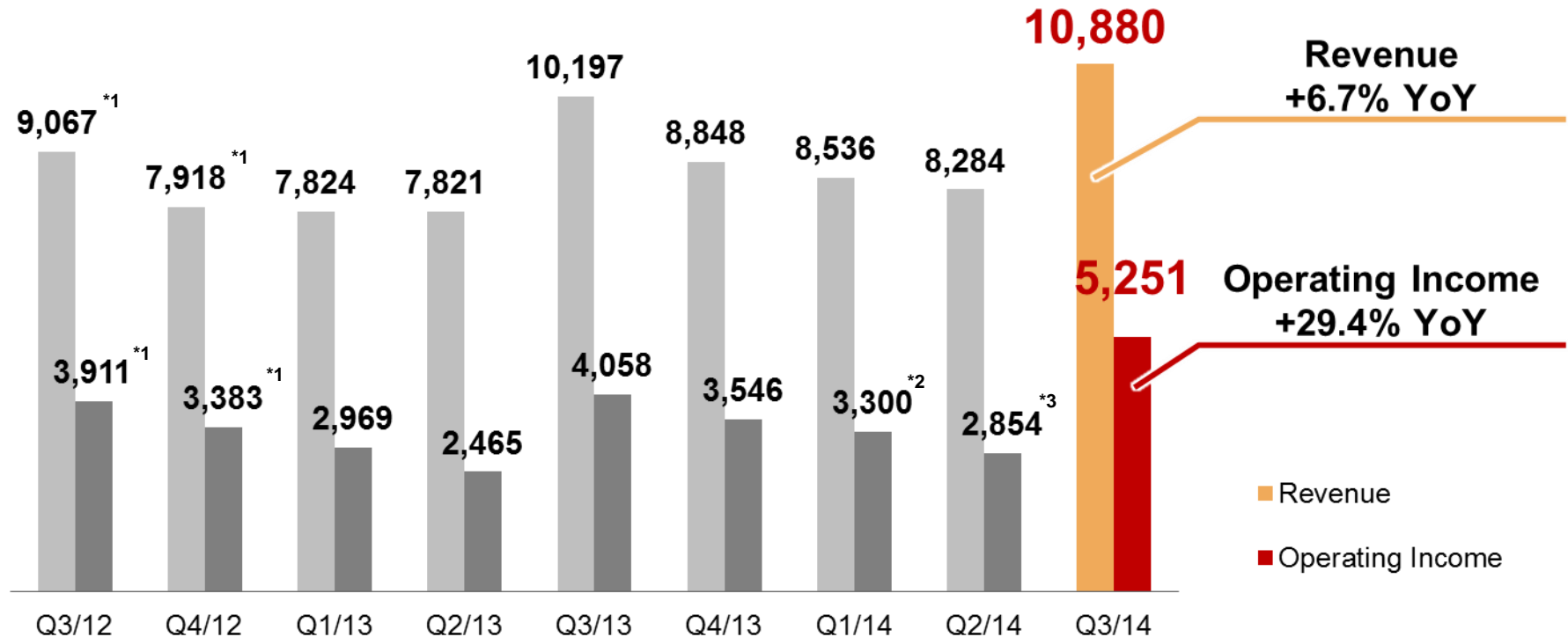
# Rakuten Travel Results

■ Operating Income +29.4% YoY:

Mostly due to improved overseas operations and foreign exchange gain

(JPY mm)

## Travel Business Quarterly Results



\*1: FY2012 revenue and operating income: Adjusted for correction of costs recorded in Q4/12 regarding dynamic package transactions

\*2: Operating Income in Q1/14 : Adjusted for impairment loss of goodwill and intangible assets of Etpass (China)

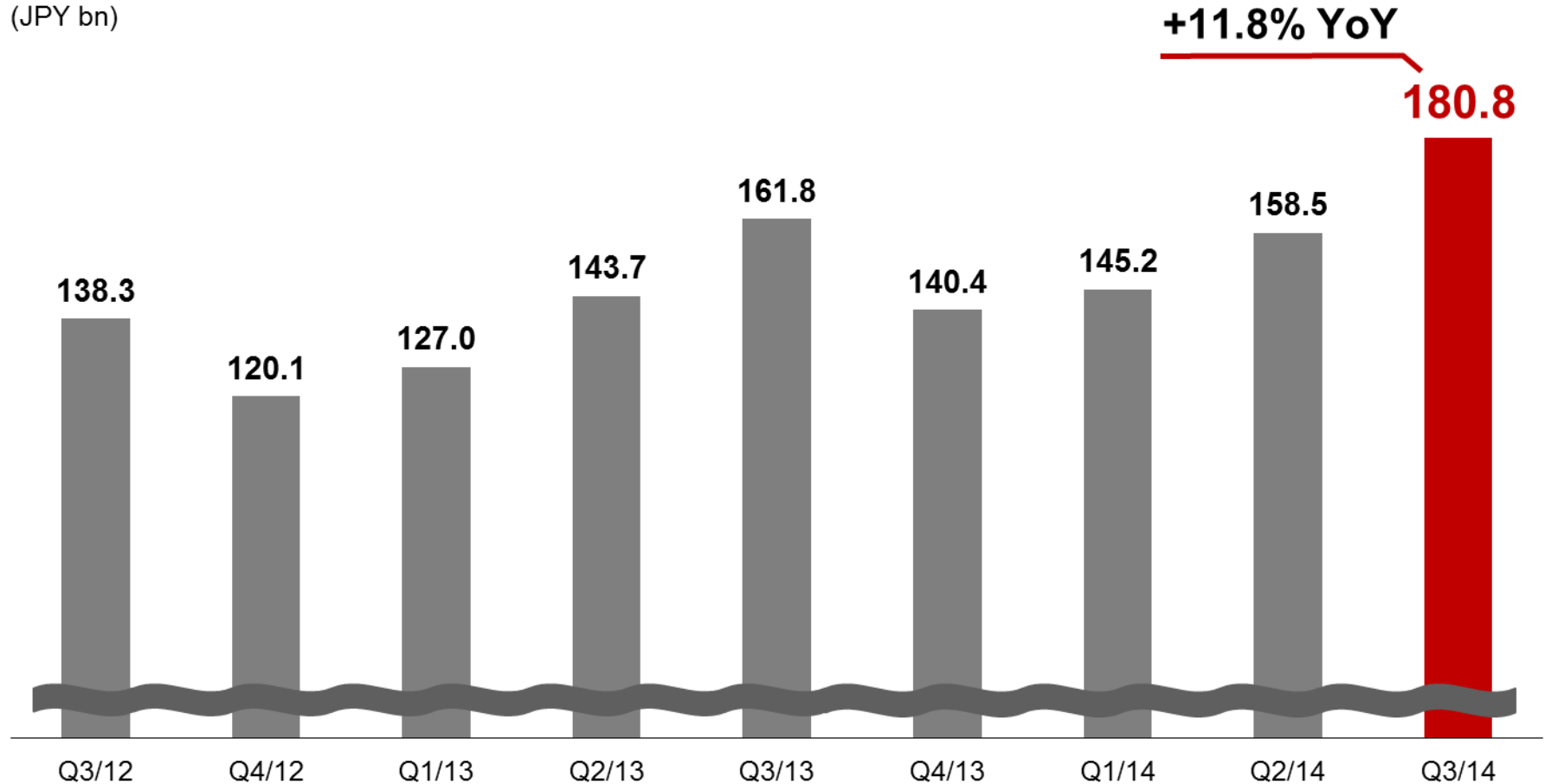
\*3: Operating Income in Q2/14 : Adjusted for impact of accounting error mainly related to coupons



# Travel Business Gross Booking Transaction Value

■ Gross bookings: +11.8% YoY

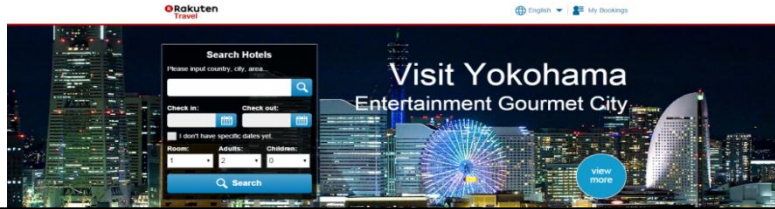
(JPY bn)



\* Travel gross booking transaction value is before cancellation and includes consumption tax.

Travel GTV = Transactions of Domestic / International accommodation booking, International air tickets, Domestic / International Dynamic Package, Bus, Rent-a-car and pet hotel services

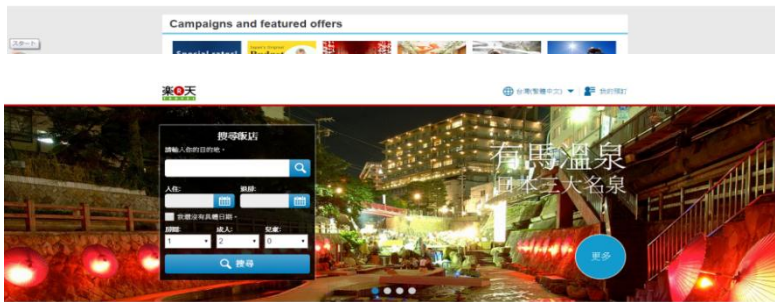
# Rakuten Travel Site Renewal – Additional Languages



English: Jul 11



Korean: Aug 28



Traditional Chinese (Taiwan): Aug 28



Traditional Chinese (HK): Aug 28



Simplified Chinese: Sep 24



Thai: Oct 25

# Asia Media Exposure

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**LIFESTYLE**  
**The hunt for Japan's top breakfast chef**

By Japan Bureau Chief Michiyo Ishida  
 POSTED: 13 Sep 2014 00:11  
 UPDATED: 13 Sep 2014 00:12

**MORE LIFESTYLE NEWS**

- Crisis pulls 2.6 million children below poverty line: UNICEF (18 hours ago)
- Mahjong faces endgame in China (1 day ago)
- Gender equality at work more than 60 years off (1 day ago)
- Ebola virus spreads to Halloween outfits
- Off-grid German village banks on wind, sun, pig manure
- Paris's Picasso Museum re-opens after long-delayed reft

Breakfast is often a simple meal to start the day but hotels in Japan are going big on breakfast to attract more visitors, with a nationwide competition held on Friday (Sep 12) to choose Japan's top breakfast chef.

**PHOTOS**

The winning entry of medicinal congee paired with fresh abalone, scallops and wolfberry.

\*Channel News Asia

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\*wabisabijp.com

**Asagohan Festival 2014**  
 เทศกาลอาหารเช้า  
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**Rakuten Travel**

<http://travel.rakuten.co.th>

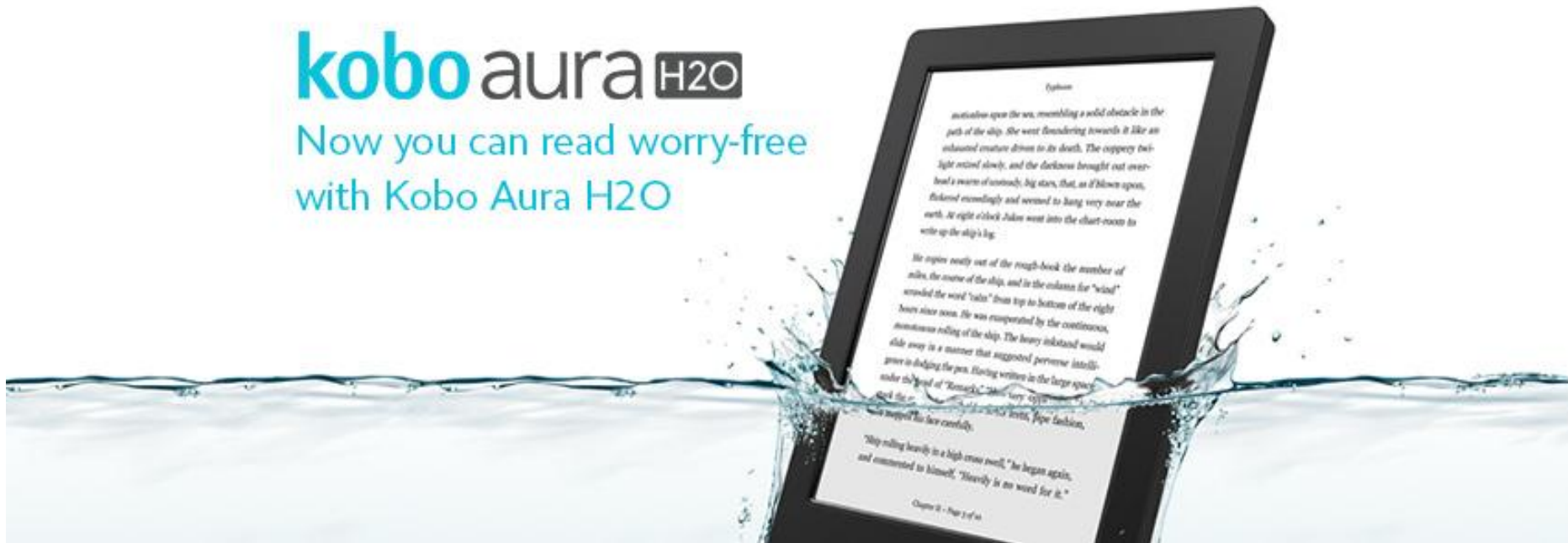
## 7 Digital Content

# Kobo: New Device Aura H2O

## Waterproof EPD

kobo aura H2O

Now you can read worry-free  
with Kobo Aura H2O



## Kobo: Q3/14 Updates

### ■ Huge EBITDA improvement

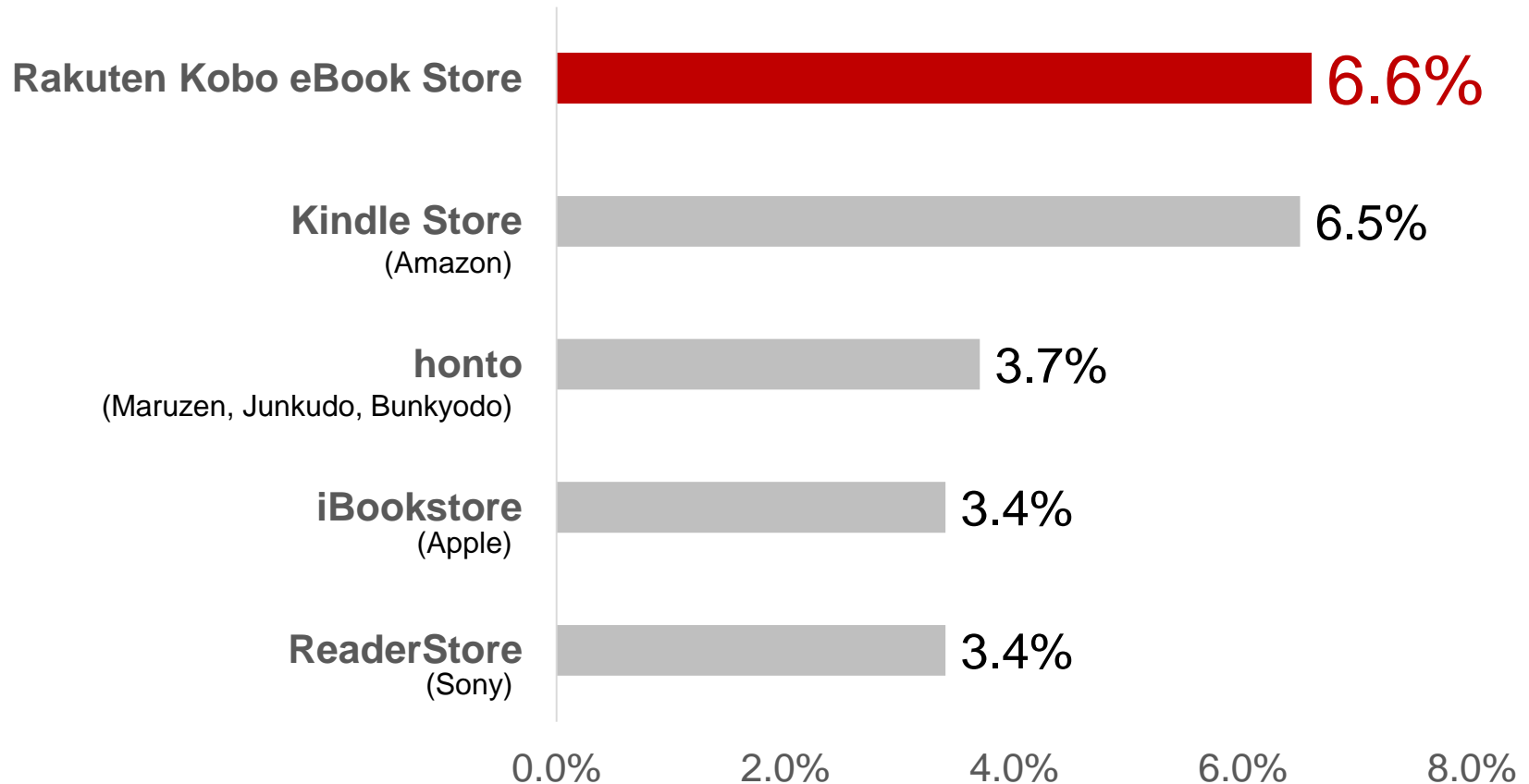
- Over JPY 2bn QoQ
- Over JPY 3bn YoY

# Kobo: Partnership with Bol of the Netherlands



# Rakuten Kobo Usage No.1 in Japan

eBook Usage Ratio in Japan



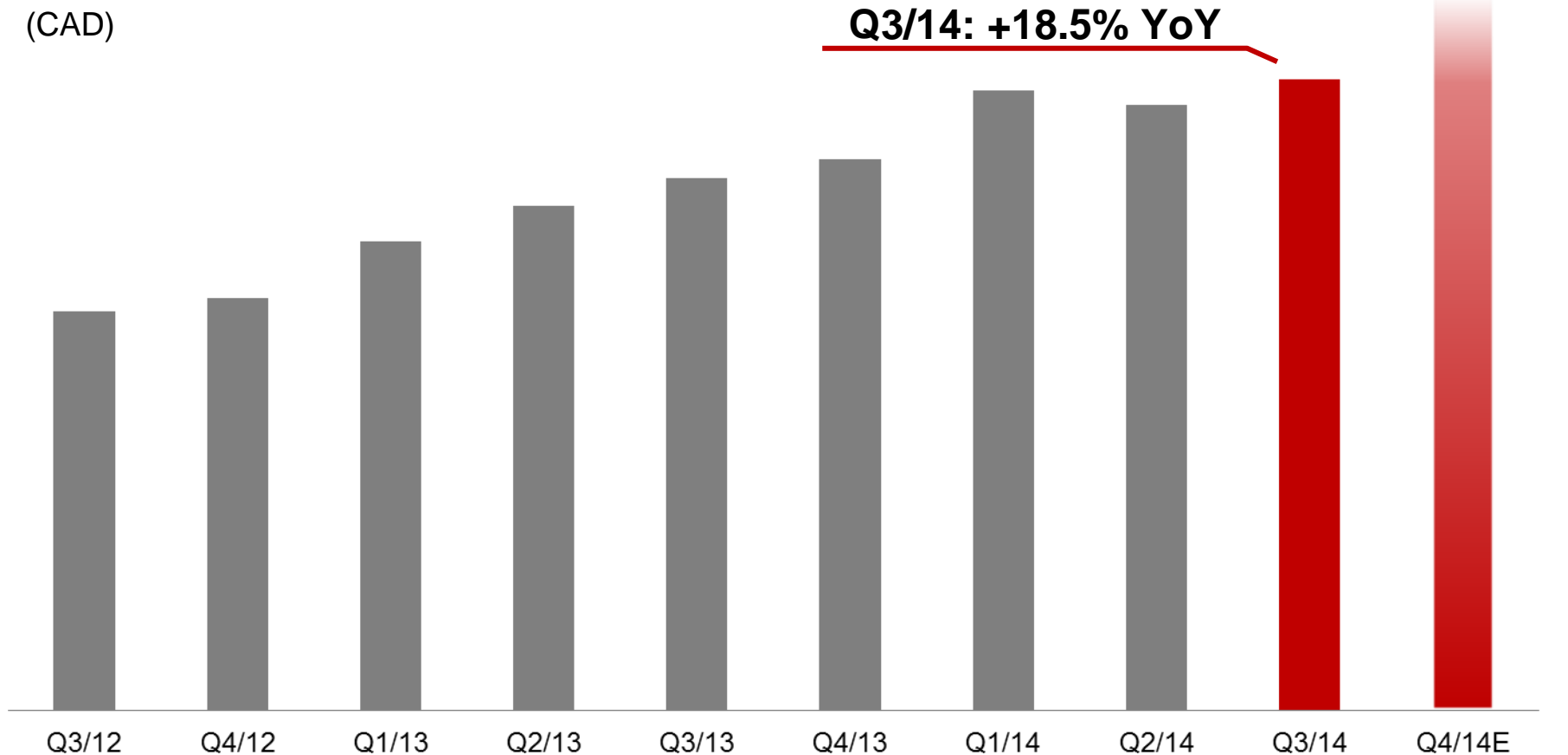
\* Source: eBook contents market survey in 2014 by ICT Research & Consulting



# Kobo Quarterly Content GMS

- Q3/14 global content GMS: +18.5% YoY
- Expecting around +30.0% YoY in Q4/14

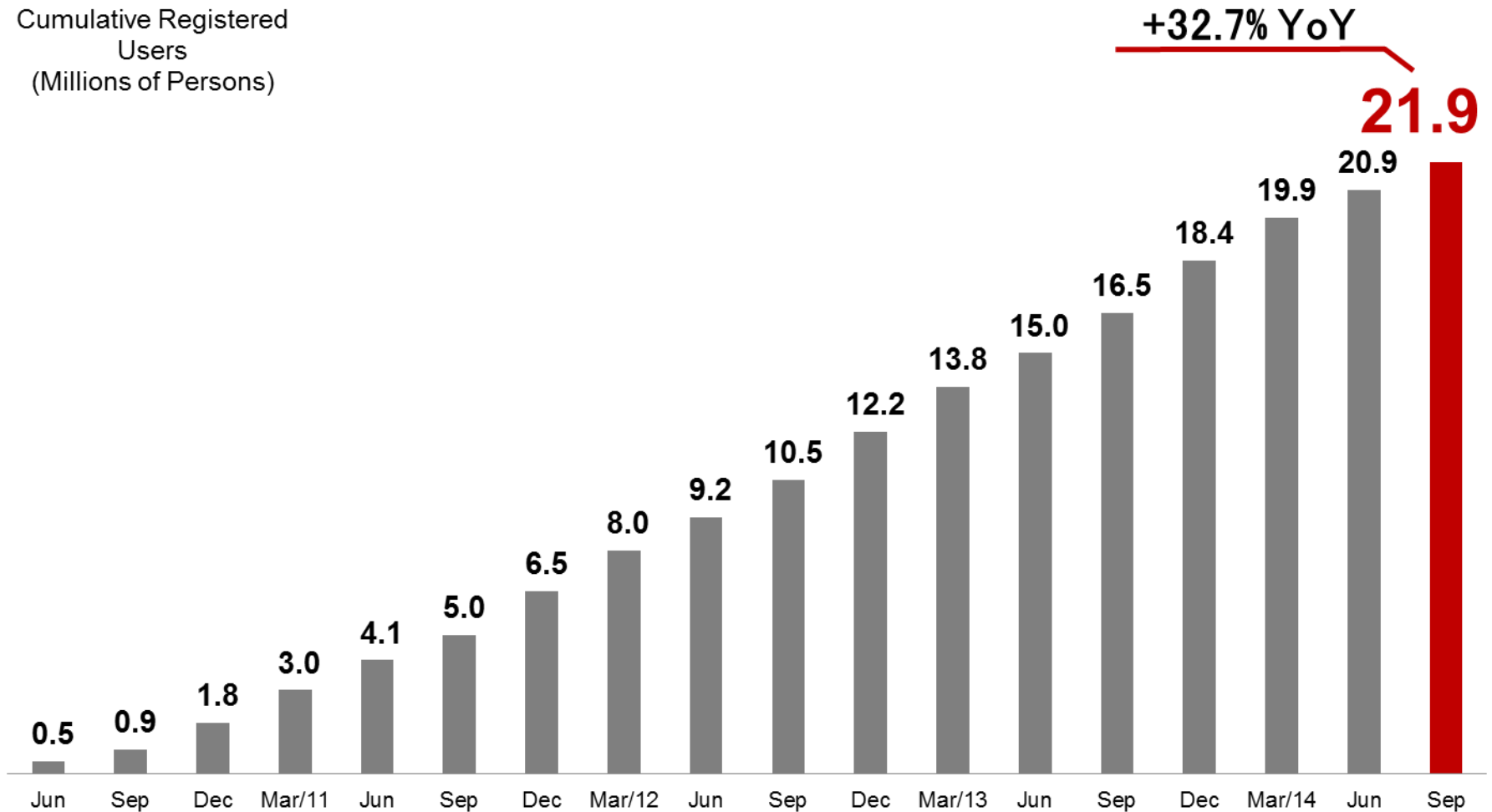
(CAD)



# Kobo Registered Users

■ Kobo registered users as of September 2014: +32.7% YoY

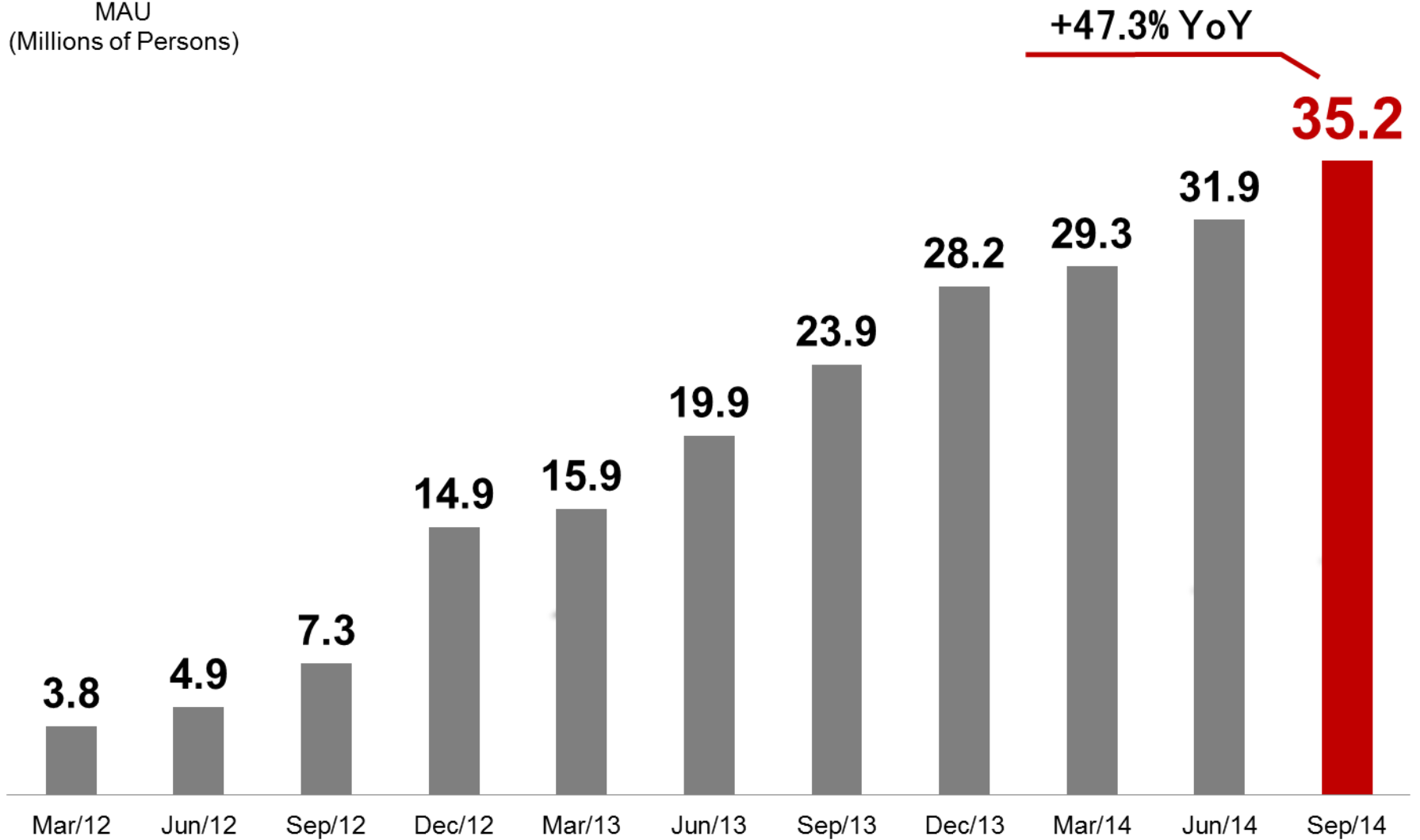
Cumulative Registered  
Users  
(Millions of Persons)



\* Kobo Inc. was consolidated from Q1/12

# Viki Monthly Active Users

MAU  
(Millions of Persons)



# Appendix

- Financial Condition
- Other Information

# Financial Condition

# Rakuten Group : Balance Sheets (As of September 30, 2014, JPY bn)

Cash and cash equivalents 397.6	Bonds and borrowings 501.0
Financial assets for securities biz 1,091.2	Financial liabilities for securities biz 1,002.7
Investment securities and loans for banking biz 528.2	Deposits for banking biz 1,038.3
Loans for credit card biz 612.0	Other liabilities 426.6
Other assets 694.4	Total net assets 354.6

Total assets 3,323.3

**Rakuten Group  
(Consolidated)**

Cash and cash equivalents 53.7	248.4
734.3	153.0
	386.5

Total assets 787.9

**Rakuten, Inc.**

221.0	Bonds and borrowings 8.5
Investment securities and loans for banking biz 942.9	Deposits for banking biz 1,120.6
71.2	40.6
	65.4

Total assets 1,235.1

**Rakuten Bank, Ltd.**

54.5	
Loans for credit card biz 612.0	534.0
100.0	176.2
	56.4

Total assets 766.5

**Rakuten Card Co., Ltd.**

68.1	118.8
Financial assets for securities biz 1,091.3	Financial liabilities for securities biz 1,002.7
35.4	61.8
	11.5

Total assets 1,194.8

**Rakuten Securities, Inc.**

1.1	23.2
43.5	21.5

Total assets 44.6

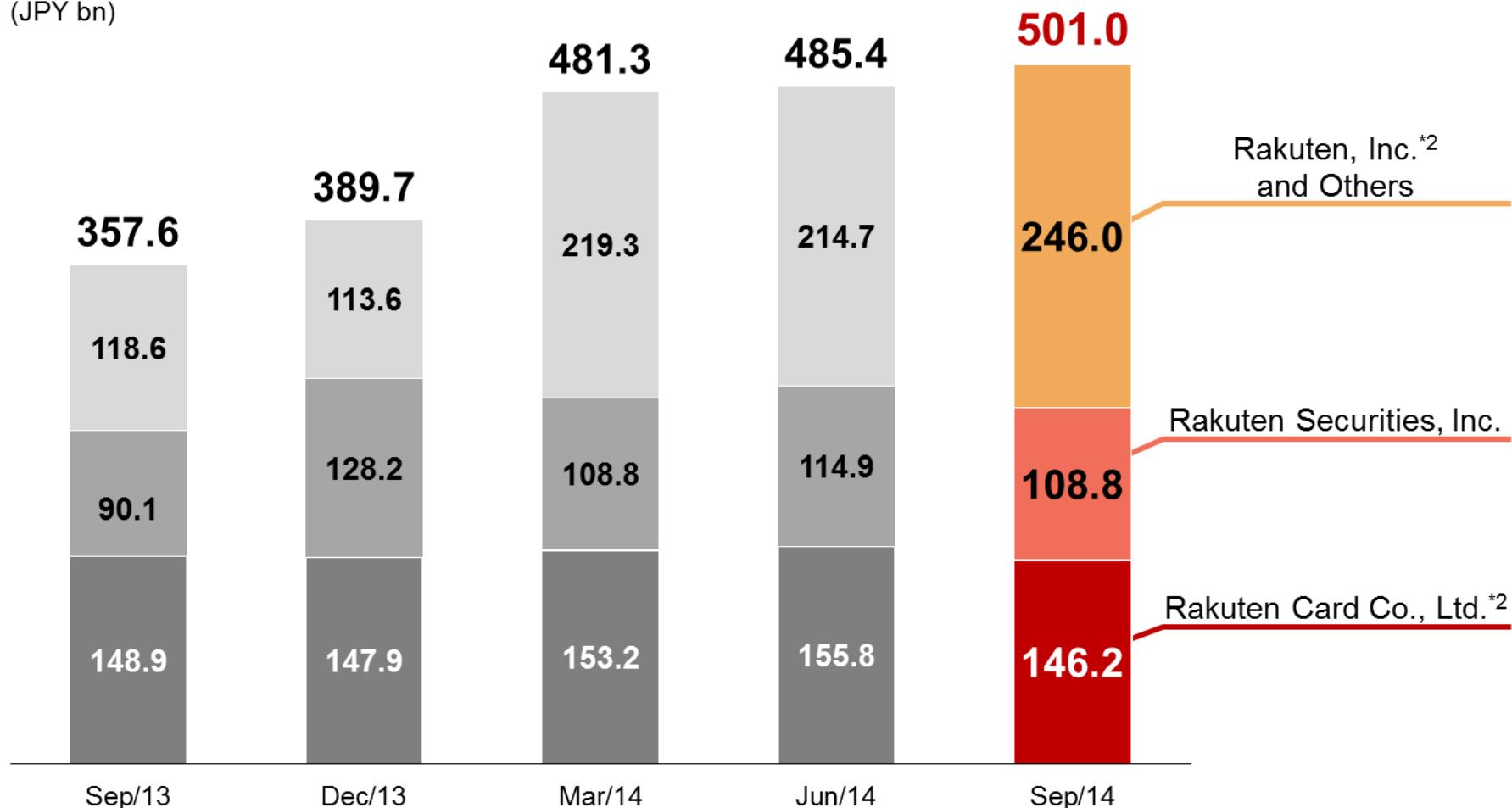
**Rakuten Life Insurance Co., Ltd**

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

\*2: Debt = Corporate bonds + CP + Borrowings

# Debt from Outside Financial Institutions\*1

(JPY bn)



\*1: Debt from outside financial institutions = Corporate Bonds + CP + Borrowings

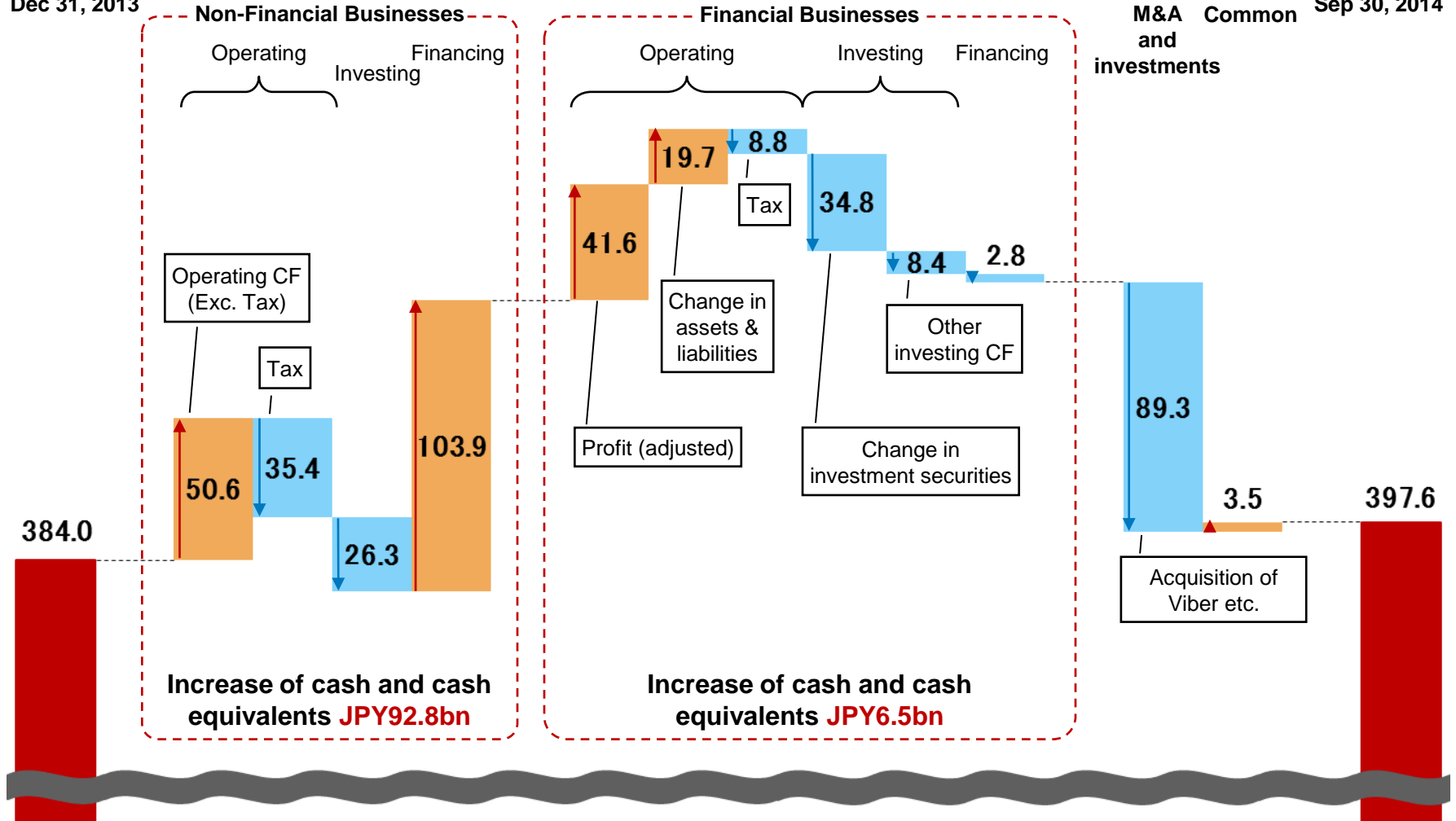
\*2: Debt subleased from Rakuten, Inc to Rakuten Card Co., Ltd. is part of the debt of Rakuten Card.

# Breakdown of Cash Flows: Jan – Sep, 2014

(JPY bn)

Balance of cash  
Dec 31, 2013

Balance of cash  
Sep 30, 2014





# Breakdown of Cash Flows by Financial Businesses and Non-financial Businesses: Jan – Sep, 2014 (1)

(JPY bn)

Overview of cash flows for nine months ended Sep. 30, 2014	Consolidated	Financial	Non-Financial	Common
Income before income tax	71.6	35.0	36.6	-
Depreciation and amortization	21.7	6.6	15.1	-
Other loss (profit)	3.3	-	-	3.3
Decrease (Increase) in operating receivables	7.0	0.0	6.9	-
Decrease (Increase) in loans for credit card biz	(67.7)	(67.7)	-	-
Increase (Decrease) in deposits for banking biz	78.4	78.4	-	-
Decrease (Increase) in call loans for banking biz	26.0	26.0	-	-
Decrease (Increase) in loans for banking biz	(59.2)	(59.2)	-	-
Increase (Decrease) in operating payables	(18.5)	(8.5)	(10.0)	-
Decrease (Increase) in financial assets for securities biz	152.5	152.5	-	-
Increase (Decrease) in financial liabilities for securities biz	(99.3)	(99.3)	-	-
Others	(0.6)	(2.6)	1.9	-
Income tax paid	(44.2)	(8.8)	(35.4)	-
<b>Net cash flows from operating activities</b>	<b>71.0</b>	<b>52.5</b>	<b>15.2</b>	<b>3.3</b>

\* Breakdown between financial and non-financial businesses are based on internal estimation and not reviewed by independent auditors.

# Breakdown of Cash Flows by Financial Businesses and Non-financial Businesses: Jan – Sep, 2014 (2)

(JPY bn)

Overview of cash flows for nine months ended Sep. 30, 2014	Consolidated	Financial	Non-Financial	Common
Increase in restricted deposits	(8.7)	-	(8.7)	-
Increase in time deposits	(8.9)	(8.6)	(0.4)	-
Decrease in time deposits	7.1	6.5	0.6	-
Purchase of property, plant and equipment	(7.7)	(1.3)	(6.4)	-
Purchase of intangible assets	(18.7)	(6.9)	(11.9)	-
Acquisition of subsidiaries	(89.3)	(0.4)	(88.9)	-
Purchase of investment securities for banking biz	(269.8)	(269.8)	-	-
Proceeds from sales and redemption of investment securities for banking biz	238.8	238.8	-	-
Purchase of investment securities for insurance biz	(6.7)	(6.7)	-	-
Proceeds from sales and redemption of investment securities for insurance biz	4.4	4.4	-	-
Purchase of investment securities	(5.6)	(5.4)	(0.2)	-
Proceeds from sales and redemption of investment securities	9.6	3.9	5.7	-
Other payments	(10.5)	(0.2)	(10.3)	-
Other proceeds	7.2	2.0	5.2	-
<b>Net cash flows from investing activities</b>	<b>(158.8)</b>	<b>(43.5)</b>	<b>(115.3)</b>	<b>-</b>
Net increase (decrease) in short-term borrowings	(7.4)	(10.3)	2.9	-
Increase (Decrease) in commercial papers	(19.8)	(25.8)	6.0	-
Proceeds from long-term debt	174.0	61.2	112.8	-
Repayment of long-term debt	(68.5)	(27.1)	(41.4)	-
Income from bond issuance	29.8	-	29.8	-
Cash dividends paid	(5.3)	-	(5.3)	-
Others	(1.8)	(0.8)	(1.0)	-
<b>Net cash flows from financing activities</b>	<b>101.1</b>	<b>(2.8)</b>	<b>103.9</b>	<b>-</b>
Effect of change in exchange rates on cash and cash equivalents	0.2	-	-	0.2
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13.6</b>	<b>6.1</b>	<b>3.9</b>	<b>3.5</b>
Cash and cash equivalents at beginning of the year	384.0	-	-	-
Cash and cash equivalents at end of September 2014	397.6	-	-	-

\* Breakdown between financial and non-financial businesses are based on internal estimation and not reviewed by independent auditors.

# Balance of Goodwill (as of end of September 2014)

(JPY mm)

	December 31, 2013		September 30, 2014	
	Goodwill	Non-Amortizable intangible assets	Goodwill	Non-Amortizable intangible assets
<b>Internet Services</b>	<b>92,386</b>	<b>7,420</b>	<b>105,096</b>	<b>7,105</b>
PRICEMINISTER S.A.S	15,519	6,462	14,858	6,187
Kobo Inc.	19,766	32	19,690	32
VIKI, Inc.	17,510	-	18,123	-
Slice Technologies, Inc.	-	-	12,904	-
Others	39,591	926	39,520	886
<b>Internet Finance</b>	<b>46,617</b>	<b>-</b>	<b>46,617</b>	<b>-</b>
Rakuten Bank, Ltd.	32,886	-	32,886	-
Others	13,731	-	13,730	-
<b>Others</b>	<b>3,223</b>	<b>-</b>	<b>93,418</b>	<b>-</b>
Viber Group	-	-	90,201	-
Others	3,223	-	3,217	-
<b>Total</b>	<b>142,226</b>	<b>7,420</b>	<b>245,130</b>	<b>7,105</b>

# Rakuten Group's CAPEX\*

(JPY bn)

	FY2013			
	Q1	Q2	Q3	Q4
Property, plant and equipment	1.89	2.92	2.73	3.74
Intangible assets	5.55	6.56	4.78	6.34
<b>Total</b>	<b>7.44</b>	<b>9.48</b>	<b>7.51</b>	<b>10.08</b>

	FY2014			
	Q1	Q2	Q3	Q4
Property, plant and equipment	2.06	2.65	2.66	
Intangible assets	7.11	5.74	8.31	
<b>Total</b>	<b>9.17</b>	<b>8.39</b>	<b>10.97</b>	

\* Acquisition Basis

# Rakuten, Inc. Balance Sheet (Non-consolidated)

As of Sep 30, 2014

(JPY bn, IFRS)

Cash and cash equivalents	53.7	Accounts payable - trade	3.5
Accounts receivable - trade	55.8	Bonds and borrowings	248.4
Property, plant and equipment	10.5	Other liabilities	149.5
Intangible assets	24.5	<b>TOTAL LIABILITIES</b>	<b>401.4</b>
Investment securities and financial assets	618.2	Common stock	111.1
Other assets	25.3	Capital surplus	122.5
		Retained earnings	154.9
		Treasury stock	△3.6
		Other components of equity	1.6
		<b>TOTAL NET ASSETS</b>	<b>386.5</b>
<b>TOTAL ASSETS</b>	<b>787.9</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>787.9</b>

## Other Information

# Rakuten Ichiba: Operating Income Margin

(JPY mm)

	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14 <sup>*1</sup>	Q2/14	Q3/14
Revenue	27,249	31,940	30,327	33,593	33,768	39,587	38,560	35,979	35,734
Revenue excl. 1st Party <sup>*2</sup>	27,213	31,874	30,265	32,264	32,356	37,747	36,754	34,552	34,305
Operating Income	14,979	18,529	17,664	17,617	17,372	21,185	20,895	18,639	18,024
Operating Income excl. 1st Party <sup>*2</sup>	14,996	18,521	17,669	17,696	17,514	21,368	20,881	18,694	18,087
OI Margin	55.0%	58.0%	58.2%	52.4%	51.4%	53.5%	54.2%	51.8%	50.4%
OI Margin excl. 1st Party <sup>*2</sup>	55.1%	58.1%	58.4%	54.8%	54.1%	56.6%	56.8%	54.1%	52.7%

\*1: Adjusted for reversal of point allowance due to the change of consumption tax rate

\*2: Stylife (1st Party Business) was consolidated from Q2/13

# Commission Plan Changes for Merchants\*

- Introducing a new system usage plan to promote a safe and secure environment
- Making some highly useful functions for merchants free
- Revisions related to consumption tax
  - Unify all points awarded to include consumption tax
  - Unify sales to include consumption tax for all applicable items, etc.
- Complete reform of fee structures due to changing environment
  - Charge a system usage fee for sales via mobile devices
  - New e-mail delivery plan

\* To be introduced in stages from November 2014



# Initiatives for a Safe, Secure Shopping mall (1)

- Stricter screening for new merchants
- Establish merchant guidelines for displayed prices and discounts
- Making it mandatory for merchants to register delivery and shipping information
- Expand compensation services for users
  - To also cover delayed or damaged, in addition to not delivered
- Establish a safer payments system
  - Unify bank transfer payments via Rakuten Bank, and strengthen protection for fraud

# Initiatives for a Safe, Secure Shopping mall (2)

- Enhance measures for pirated and branded goods imitations
  - Strengthen alignment with brand owners and associations  
Number of brands/associations covered:150
  - Enforce investigatory purchases by Rakuten, and ejecting merchants handling fake/pirated goods
  - In July, 2014, Rakuten tied-up with the Content Overseas Distribution Association (CODA) to control abuses and copyright infringements



# Rakuten Travel: Accounting Adjustments

(JPY mm)

	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
Revenue (Accounting)	9,371	7,272	7,824	7,821	10,197	8,848	8,536	8,284	10,880
Adjusted Revenue <sup>*1</sup>	9,067	7,918							
Operating Income (Accounting)	4,256	759	2,969	2,465	4,058	3,546	1,471	2,534	5,251
Adjusted Operating Income <sup>*1,2,3</sup>	3,911	3,383					3,300	2,854	

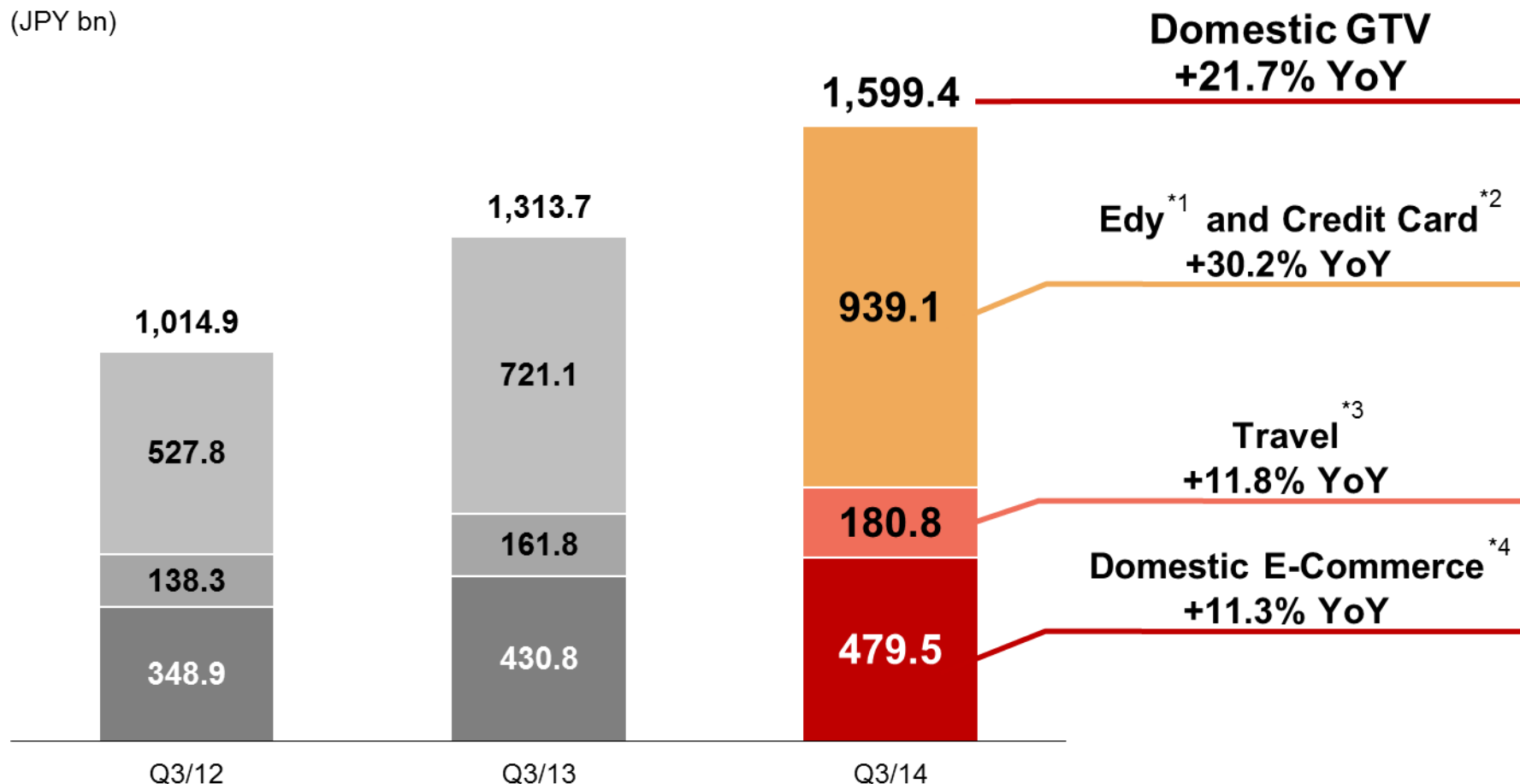
\*1: FY2012 revenue and operating income: Adjusted for correction of costs recorded in Q4/12 regarding dynamic package transactions

\*2: Operating Income in Q1/14 : Adjusted for impairment loss of goodwill and intangible assets of Etpass (China) (One off item)

\*3: Operating Income in Q2/14 : Adjusted for impact of accounting error mainly related to coupons

# Domestic Gross Transaction Value

(JPY bn)



\*1: Edy Transaction Value = Amount settled by E-Money "Rakuten Edy" (including mobile and cards)

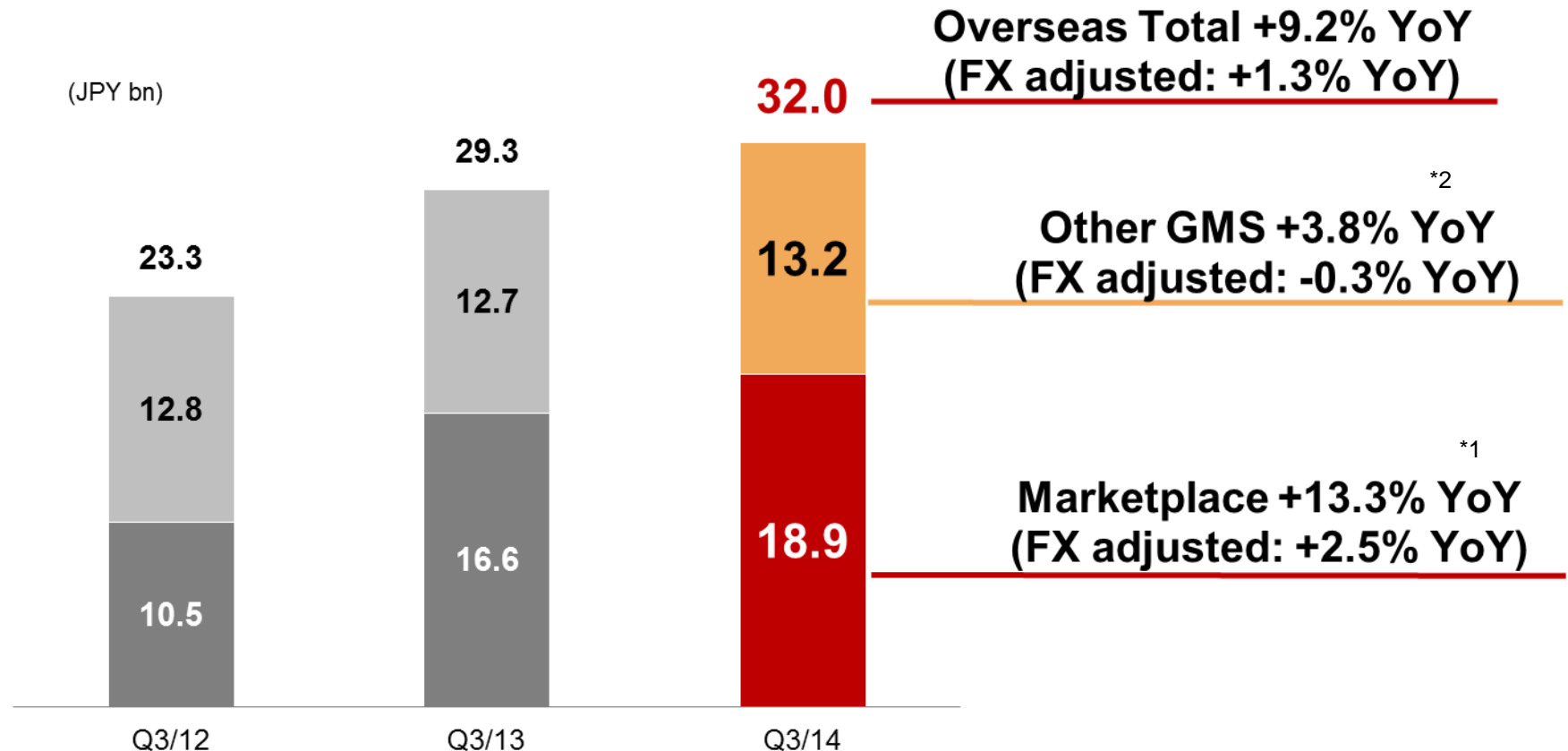
\*2: Credit Card Shopping Transaction Value = Shopping Transaction Value of credit cards (including Rakuten group service use)

\*3: Travel gross booking transaction value is before cancellation and includes consumption tax

\*4: Domestic E-Commerce GMS includes consumption tax. Businesses not requiring consumption tax payment are GMS excluding consumption tax.

# Q3/14 GMS of Overseas Companies

- Marketplace GMS growth: +13.3% YoY (+2.5% YoY forex adjusted)
- Slower growth reflects Play.com site under transition



\*1: Marketplace = Taiwan Rakuten Ichiba + Tarad Premium Mall + Rakuten.com Shopping + PriceMinister + Rakuten Belanja Online + Rakuten Deutschland + Play.com + Rakuten Brasil + Rakuten Malaysia + Rakuten Spain + Rakuten Austria + Rakuten Singapore

\*2: Other GMS = C2C, SaaS and First Party = PriceMinister C2C + Rakuten Brasil SaaS + Buy.com First Party + Play.com First Party

# The World's Leading Content Platform

	<b>Kobo</b>	<b>Viki</b>
Content line-up	4.5 million titles	32,000 videos
Number of Languages	9 (system) 70 (content)	200+ (50 of the languages are endangered)
Words translated	-	660 million
Number of Countries	19	Service used:190+ Content procured: 50+

# Credit Card Business: Revenues and Expenses

(JPY mm)

IFRS	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
Total revenues	19,342	22,201	22,474	23,833	24,823
Shopping	11,585	13,021	13,840	14,857	15,456
Revolving	7,100	7,626	8,177	8,719	9,184
Others	4,485	5,395	5,663	6,137	6,271
Credit guarantee	2,681	2,877	2,957	3,223	3,369
Cash advances	1,617	1,787	1,806	2,017	2,142
Others	3,459	4,516	3,871	3,737	3,856
Total operating expenses	16,176	18,109	18,494	19,645	20,114
Personnel costs	1,725	1,441	1,624	1,807	1,859
General expenses	9,601	11,623	11,312	11,805	11,699
Interest expenses	1,601	1,678	1,748	1,949	1,947
Expenses related to doubtful accounts	3,202	3,314	3,739	4,019	4,533
Others	47	53	71	65	76
Operating income	3,166	4,093	3,980	4,188	4,710

# Credit Card Business: Transaction Volume

(JPY mm)

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
<b>General services</b>	<b>649,382</b>	<b>768,057</b>	<b>808,451</b>	<b>820,081</b>	<b>862,218</b>
Card shopping	648,636	767,314	807,695	819,338	861,399
Others	746	743	757	743	819
<b>Financing</b>	<b>19,783</b>	<b>21,523</b>	<b>23,267</b>	<b>26,030</b>	<b>27,787</b>
Card cash advances	18,905	20,825	22,507	25,306	26,858
Loan cards	878	698	760	724	930
<b>Others *</b>	<b>5,250</b>	<b>5,052</b>	<b>5,223</b>	<b>18,098</b>	<b>21,087</b>
<b>Total transaction volume</b>	<b>674,415</b>	<b>794,632</b>	<b>836,942</b>	<b>864,209</b>	<b>911,092</b>

\* From Q2/14: Increase due to change of contract with a tie-up credit card company



# Credit Card Business: Loan Receivables Balance

(JPY mm)

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
<b>General services</b>	<b>405,638</b>	<b>483,081</b>	<b>526,055</b>	<b>515,201</b>	<b>538,892</b>
Card shopping	405,405	482,823	525,798	514,960	538,621
incl. Revolving balance (principal)	199,467	215,009	228,935	242,461	256,879
Others	234	258	257	241	271
<b>Financing</b>	<b>69,856</b>	<b>70,234</b>	<b>73,201</b>	<b>75,504</b>	<b>79,668</b>
Card cash advances	32,701	34,408	38,376	41,566	46,117
Loan cards	5,545	5,312	5,168	4,931	4,694
Others	31,610	30,515	29,657	29,007	28,857
<b>Foreclosed credit guarantees</b>	<b>10,949</b>	<b>11,912</b>	<b>12,947</b>	<b>14,149</b>	<b>15,427</b>
<b>Installments</b>	<b>43</b>	<b>40</b>	<b>31</b>	<b>28</b>	<b>26</b>
<b>Total balance</b>	<b>486,487</b>	<b>565,267</b>	<b>612,235</b>	<b>604,882</b>	<b>634,014</b>
<b>Differences between J-GAAP and IFRS</b>	<b>-497</b>	<b>-661</b>	<b>-789</b>	<b>-869</b>	<b>-952</b>
<b>Amount reported in IFRS B/S*</b>	<b>485,990</b>	<b>564,606</b>	<b>611,446</b>	<b>604,013</b>	<b>633,062</b>
<b>Credit guarantee for Rakuten Bank super loan and etc (Off-balance)</b>	<b>211,097</b>	<b>222,079</b>	<b>237,612</b>	<b>246,716</b>	<b>259,153</b>

\* Before deducting allowance for doubtful accounts

# Credit Card Business: Allowance for Doubtful Accounts

(JPY mm)

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
<b>Rakuten Card</b>	<b>444,541</b>	<b>523,527</b>	<b>570,498</b>	<b>562,696</b>	<b>590,516</b>
Normal	437,912	516,514	563,125	555,192	582,741
Doubtful (4months-and-over-delinquent)	6,629	7,013	7,373	7,504	7,774
<b>Others (incl. re-contract)</b>	<b>29,549</b>	<b>28,490</b>	<b>27,646</b>	<b>26,999</b>	<b>26,909</b>
Normal	22,888	22,678	22,555	22,608	23,045
Doubtful (4months-and-over-delinquent)	6,661	5,811	5,092	4,390	3,864
<b>Total balance</b>	<b>474,090</b>	<b>552,017</b>	<b>598,144</b>	<b>589,694</b>	<b>617,425</b>
Normal	460,800	539,192	585,679	577,801	605,786
Doubtful (4months-and-over-delinquent)	13,290	12,825	12,465	11,894	11,638
% of doubtful accounts	2.80%	2.32%	2.08%	2.02%	1.88%
Secured	3,922	3,859	3,767	3,658	3,565
Total balance of loan receivables	478,012	555,876	601,912	593,352	620,989
Allowance for doubtful accounts	16,987	16,644	16,543	15,940	15,761
Allowance ratio	3.55%	2.99%	2.75%	2.69%	2.54%
Write-off for bad debt	2,305	2,316	2,458	2,764	2,788

# Credit Guarantee Business: Allowance for Doubtful Accounts

(JPY mm)

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
Foreclosed credit guarantees	10,949	11,912	12,947	14,149	15,427
Allowance for doubtful accounts	3,323	3,649	3,986	4,655	5,257
Write-off for bad debt	836	987	1,017	1,138	1,153

# Banking Business: Revenues and Expenses

(JPY mm)

		Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	YoY
<b>Revenue (IFRS)</b>	(2)	<b>11,040</b>	<b>11,439</b>	<b>11,631</b>	<b>12,370</b>	<b>12,760</b>	<b>+15.6%</b>
Differences between J-GAAP and IFRS	(1-2)	98	440	241	195	274	
<b>Ordinary income (J-GAAP)</b>	(1)	<b>11,139</b>	<b>11,879</b>	<b>11,873</b>	<b>12,565</b>	<b>13,035</b>	<b>+17.0%</b>
Interest income		6,935	7,369	7,421	8,036	8,459	+22.0%
Fees and commissions		3,483	3,703	3,788	3,830	3,868	+11.0%
Other ordinary income		623	521	603	634	656	+5.3%
Other income		97	286	61	65	52	-46.7%
<b>Ordinary expenses (J-GAAP)</b>		<b>9,431</b>	<b>9,812</b>	<b>9,865</b>	<b>10,201</b>	<b>10,740</b>	<b>+13.9%</b>
Interest expenses		551	614	595	614	621	+12.5%
Fees and commissions payments		3,972	4,294	4,400	4,788	4,948	+24.6%
Other ordinary expenses		-	-	-	-	319	-
General and administrative expenses		4,814	4,911	4,857	4,773	4,817	+0.1%
Other expenses		94	-6	13	25	36	-61.8%
<b>Ordinary income (J-GAAP)</b>	(3)	<b>1,708</b>	<b>2,067</b>	<b>2,007</b>	<b>2,364</b>	<b>2,295</b>	<b>+34.4%</b>
Differences between J-GAAP and IFRS	(3-4)	-48	-63	49	241	-212	
<b>Operating Income (IFRS)</b>	(4)	<b>1,756</b>	<b>2,129</b>	<b>1,959</b>	<b>2,123</b>	<b>2,506</b>	<b>+42.7%</b>

# Banking Business: Invested Assets and Deposits

## ■ Balance of Assets

(JPY mm)

	Sep/14
<b>Invested assets</b>	<b>958,523</b>
Securitized loan receivables	428,360
Rakuten Card securitized assets <sup>*1</sup>	407,857
Others	20,502
Securities	203,237
JGB	37,005
Local Government bonds	-
Corporate bonds	85,340
Stocks	490
Others	80,401
Loan Receivables	299,926
Rakuten Bank Super Loan	266,294
Others	33,631
Others	27,000
<b>Other assets</b>	<b>276,627</b>
<b>Total assets</b>	<b>1,235,150</b>

\*1: Intercompany elimination at IFRS consolidation

\*2: Other deposits include deposits in foreign currencies and others

## ■ Balance of Deposits (Liabilities)

(JPY mm)

	Sep/14
<b>Deposit Balance</b>	<b>1,118,367</b>
Ordinary Deposits	634,180
Time Deposits	428,025
Other Deposits <sup>*2</sup>	56,163

# Rakuten Life Insurance

## Quarterly Results and Major Indices

### ■ Rakuten Life Insurance Co., Ltd. quarterly results (IFRS)

(JPY mm)

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
Revenue	6,717	6,804	6,761	8,225	8,905
Operating Income before PPA <sup>*1</sup>	695	813	414	63	507
Operating Income (Loss)	486	604	229	-120 <sup>*5</sup>	322

### ■ Rakuten Life Insurance Co., Ltd. Major indices

(No. of contracts, JPY mm)

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
No. of New Policies	12,244	15,654	17,883	14,220	13,582
Annualized Insurance Premiums	425	536	640	518	539
No. of Policies <sup>*2</sup>	654,293	654,289	655,646	652,484	647,800
Annualized Insurance Premiums <sup>*2</sup>	27,157	27,266	27,442	27,464	27,474
<b>Solvency Margin Ratio<sup>*3</sup></b>	<b>866.2%</b>	<b>862.6%</b>	<b>808.8%</b>	<b>1,183.2%</b>	<b>1,246.9%</b>
<b>MCEV<sup>*4</sup></b>					<b>48,427</b>
Adjusted Net Asset Value					5,093
The Present Value of Future Profits					43,334

\*1: Amortization of intangible assets by PPA (Purchase Price Allocation) through acquisition is adjusted

\*2: Including policies of succeeded mutual aid association business in 2008

\*3: Solvency Margin Ratio of Q3/14 is preliminary

\*4: MCEV uses Simplified calculation methodology

\*5: Q2/14 operating loss includes payment of legal settlement : JPY441 mm

# Rakuten Membership

(Million persons)

	Sep/13	Jun/14	Sep/14	YoY
<b>Rakuten members</b>	<b>87.40</b>	<b>93.87</b>	<b>95.56</b>	<b>+9.3%</b>
<b>Log-in members<sup>*</sup></b>	<b>60.27</b>	<b>66.40</b>	<b>68.10</b>	<b>+13.0%</b>

\* Rakuten Members excluding non-active users who have not used any Rakuten services, and excluding members who logged but later withdrew their membership within a month

 **Rakuten**