FY2019 First Quarter Consolidated Financial Results

May 10, 2019
Rakuten, Inc.
Consolidated Results
Q1/19 Results Highlights

- Consolidated revenue: +15.9% YoY
- Global GTV: +22.5% YoY
- Domestic E-Commerce GMS growth accelerated: +13.3% YoY
- Non-GAAP OI: +270.5% YoY
- FinTech: Revenue growth strong at +22.1% YoY, Non-GAAP OI +13.7% YoY (excluding Rakuten Securities)
- Awarded 5G spectrum, and ongoing network construction for 4G MNO service launch in October 2019
- Successful launch of new Rakuten Pay app
## Q1/19 Consolidated Results Summary

<table>
<thead>
<tr>
<th></th>
<th>Q1/18</th>
<th>Q1/19</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>241.9</td>
<td>280.3</td>
<td>+15.9%</td>
</tr>
<tr>
<td>Non-GAAP Operating Income</td>
<td>31.8</td>
<td>118.0</td>
<td>+270.5%</td>
</tr>
<tr>
<td>IFRS Operating Income</td>
<td>28.1</td>
<td>113.7</td>
<td>+304.5%</td>
</tr>
</tbody>
</table>

- Non-GAAP Operating Income and IFRS Operating Income at record highs
<table>
<thead>
<tr>
<th>Segment</th>
<th>Q1/18</th>
<th>Q1/19</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic E-Commerce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>94.6</td>
<td>108.5</td>
<td>+14.7%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>16.7</td>
<td>13.8</td>
<td>-17.5%</td>
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<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>54.7</td>
<td>61.4</td>
<td>+12.3%</td>
</tr>
</tbody>
</table>
| Operating Income        | -1.3   | 97.7   | +98.9%
| Internet Services Segment|       |        |       |
| Revenue                 | 149.3  | 170.0  | +13.8%|
| Operating Income        | 15.5   | 111.5  | +620.8%|
| FinTech Segment         |        |        |       |
| Revenue                 | 93.6   | 114.2  | +22.1%|
| Operating Income        | 20.4   | 20.1   | -1.4% |
| Mobile Segment          |        |        |       |
| Revenue                 | 20.6   | 25.4   | +23.2%|
| Operating Income        | -0.6   | -6.4   | -5.8  |
| Adjustments             |        |        |       |
| Revenue                 | -21.6  | -29.3  | -7.7  |
| Operating Income        | -3.4   | -7.2   | -3.8  |
| Consolidated            |        |        |       |
| Revenue                 | 241.9  | 280.3  | +15.9%|
| Non-GAAP Operating Income| 31.8  | 118.0  | +270.5%|
| IFRS Operating Income   | 28.1   | 113.7  | +304.5%|

*Due to segment changes from Q1/19, Q1/18 values have been retroactively adjusted.*
Q1/19 Non-GAAP Operating Income Breakdown

### Operating Income

- **Q1/18**
  - **31.8**
    - **26.6** Operating Income (excl. gains from investment business)
    - **5.3** Q1/18 Gains from Investment business
    - **0.3** FinTech
    - **+0.9** Domestic E-commerce (excl. logistics related investments, costs)
    - **-2.8**

- **Q1/19**
  - **118.0**
    - **110.2** Gains from Investment business
    - **-10.8** Operating Income (excl. gains from investment business, upfront investments for future growth)
    - **18.5**

### Other Items

- **Others**
  - (excl. minority investments, Ebates rebranding costs)

### Upfront Investments for Future Growth
- Logistics-related investments, costs
- NBA broadcasting rights*
- Partnership costs
- Ebates rebranding costs, etc..

### Notes

- * NBA broadcasting rights are included in "Others"
5G Service Overview

- Awarded 100MHz in the 3.7GHz band and 400MHz in the 28GHz band
- Additional capital expenditure of approx. JPY 200bn, cumulative up to March, 2025

Capital Expenditure approx. JPY 200bn
Cumulative amount for 6 years; 2019 - 2025
**Announcement of entry into MNO business**

- Dec/17: 4G spectrum allocation from MIC
- Apr/18: Announcement of entry into MNO business
- Nov/18: Commence construction of radio stations
- Dec/18: Comprehensive agreement with KDDI including roaming
- Feb/19: End-to-end tests in a fully virtualized cloud native mobile network
- May/19: Pricing plan and marketing strategy
- Summer/19: Extensive tests at scale
- Oct/19: Planned launch

* CFIUS = Committee on Foreign Investment in the United States
Massive Expansion of the Rakuten Ecosystem

- Membership Value: +5.5% YoY to JPY 4.7tn

Membership Value Target

JPY 10 tn

Q1/19 Membership Value

JPY 4.7 tn

+5.5% YoY
Rakuten Ecosystem Membership Value

- Acceleration cross-use has increased active users, driving up membership value to JPY 4.7tn

- One-off events reducing margins including:
  - Ebates rebranding costs
  - Logistics-related investments / costs
  - Rakuten Securities margin decline

![Diagram showing membership value increase from Q1/18 to Q1/19 with specific contributions](image-url)
Expansion of Cross-Use Ratio*

- Successful SPU program enhancing cross-use, resulting in an increased number of active users, contributing to growth in membership value

*Number of Rakuten members who have utilized two or more Rakuten services during the past 12 months of the listed month (as of end Mar 2019)
(Applicable services limited to those which can earn Rakuten Super Points.)
Empowering Merchants, People and Society through Innovation and Entrepreneurship
Regional Strategy to Maximize Membership Value

Local Residents

Services tailored to the needs of local residents

Promotes Rakuten services’ implementation at local cities

Local Governments & Local Businesses

Cross Use
LTV
Unique Users

Higher Membership Value

Offer a comprehensive and customized solution of Rakuten Services
### Expanded Partnership Agreements with Local Governments

- Comprehensive partnership agreements with 32 local governments, including 12 prefectures, 17 cities, and 3 towns.

```plaintext
<table>
<thead>
<tr>
<th>Prefecture</th>
<th>City/Town</th>
<th>Agreement Date</th>
</tr>
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<tbody>
<tr>
<td>Hokkaido</td>
<td>Kushiro-cho</td>
<td>2014/11</td>
</tr>
<tr>
<td>Iwate</td>
<td>Pref, Ajigasawa-cho</td>
<td>2016/10</td>
</tr>
<tr>
<td>Aomori</td>
<td>Pref, Yahaba-cho</td>
<td>2017/2</td>
</tr>
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<td>Pref, Kamaishi-cho</td>
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<td>Pref, Hida-shi</td>
<td>2016/11</td>
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**Note:** The table above lists the agreements with the respective local governments, including the year of the agreement.
Payment Strategy

- Protect the ID/IF Layer, while expanding the Payment Source Layer and Protocol Layer
- Leverage strength in IDs x Points x Locations

Payment Source Layer

ID/IF' Layer

Protocol Layer

No.1 Credit card
No.1 Point
No.1 Online bank

No.1 Membership
ONE ID
Simple UI
Secure Data

New Protocol
New Technology

No.1 Merchant network

* IF = Interface
Successful Launch of Fully Cashless Smart Stadiums

- Support of multiple protocols led to the successful launch of fully cashless smart stadiums

Food & Drink Purchases

Noevir Stadium Kobe

+50.2% YoY*

Rakuten Seimei Park Miyagi

+26.7% YoY*

* Cashless event days in 2019 vs same game days in 2018
Successful Launch of New Rakuten Pay App

Number of downloads

$+575%$ YoY*

* Number of downloads YoY, in the 2 weeks after launch (March 18 – 31, 2019)
Point Partner Accelerating Growth with Addition of New Partners

Q1/19 GTV
+66.6% YoY

April/19 GTV
+98.3% YoY

Alpen Group
Ringer Hut
ZênsHo
FamilyMart
KOHNAN
OOTOYA
SUNDRUG
Rakuten ONE Delivery Expansion

Tokyo
Saitama
Chiba
Kanagawa
Osaka
Kyoto

21%  

Population coverage

*1 23 wards of Tokyo and 25 cities in metropolitan Tokyo, 6 wards of Saitama City and 6 other cities in Saitama Prefecture, 6 cities in Chiba Prefecture, Kawasaki City and Yokohama City in Kanagawa Prefecture, the 24 wards of Osaka City and other 6 cities in Osaka Prefecture, and 6 cities in Kyoto Prefecture.

*2 November 2017 to March 2019

Logistics Business Alliances

- Rakuten Super Logistics for Wowma!
- Mutual use of logistics network

Wowma! Merchants
Rakuten Ichiba Merchants

Rakuten SUPER LOGISTICS

BIC CAMERA.com
FinTech Segment
## Q1/19 FinTech Results Summary

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>YoY</th>
<th>Operating Income</th>
<th>YoY</th>
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</thead>
<tbody>
<tr>
<td>Card</td>
<td>51.9</td>
<td>+20.6%</td>
<td>9.8</td>
<td>+18.1%</td>
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<tr>
<td>Bank</td>
<td>21.6</td>
<td>+9.7%</td>
<td>6.6</td>
<td>+11.6%</td>
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<td>Payment</td>
<td>6.4</td>
<td>+19.6%</td>
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<td>-1.08</td>
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<td>Life Insurance</td>
<td>7.7</td>
<td>-7.7%</td>
<td>1.0</td>
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<td>General Insurance</td>
<td>8.7</td>
<td>-</td>
<td>0.2</td>
<td>-</td>
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<td>Others</td>
<td>3.4</td>
<td>+83.5%</td>
<td>0.1</td>
<td>+0.03</td>
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<tr>
<td>FinTech Total excl. Securities</td>
<td>99.7</td>
<td>+27.3%</td>
<td>16.6</td>
<td>+13.7%</td>
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<tr>
<td>Securities</td>
<td>14.5</td>
<td>-4.8%</td>
<td>3.5</td>
<td>-39.6%</td>
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<tr>
<td>FinTech Total</td>
<td>114.2</td>
<td>+22.1%</td>
<td>20.1</td>
<td>-1.4%</td>
</tr>
</tbody>
</table>
Rakuten Card Results

- Operating Income +18.1% YoY from growth in shopping transactions and revolving balances
Calculated on a managerial accounting basis, using different definitions from data in the Appendix.

Detailed credit card data is shown in the Appendix. Revolving balance is calculated on a principal basis.
Rakuten Card KPIs*(2)

Shopping Revolving and Cash Advances Balances

(JPY bn)

Q1/18 | Q2/18 | Q3/18 | Q4/18 | Q1/19

549.1 | 579.3 | 606.0 | 634.5 | 667.6

101.7 | 108.4 | 114.1 | 117.4 | 124.3

447.4 | 470.9 | 491.9 | 517.1 | 543.4

* Calculated on a managerial accounting basis, using different definitions from data in the Appendix.
Detailed credit card data is shown in the Appendix. Revolving balance is calculated on a principal basis.
Rakuten Card Number of Cardholders surpassed 17mm

- Number of cardholders surpassed 17mm in March 2019, and continues to grow at a record pace
Rakuten Bank Results

- Operating Income +11.6% YoY due to increase in loan receivables
Based on IFRS which includes derivatives in structured term deposits.

Other deposits include deposits in foreign currencies and others.
Rakuten Bank: Loan Receivables Balance

(JPY bn)

Mar/18: 801.6
  113.2
  319.1
  369.4

Jun/18: 835.4
  124.1
  343.9
  367.5

Sep/18: 871.7
  131.9
  372.8
  367.1

Dec/18: 906.3
  142.7
  396.0
  367.5

Mar/19: 951.3
  151.6
  430.2
  369.4

Others: +34.0% YoY
Housing Loans: +34.8% YoY
Rakuten Bank Super Loans: +0.0% YoY
Rakuten Securities Results

- Operating Income -39.6% YoY due to weaker domestic stock market

(JPY mm)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>11,446</td>
<td>3,554</td>
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<tr>
<td>Q2/17</td>
<td>12,190</td>
<td>4,515</td>
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<tr>
<td>Q3/17</td>
<td>12,412</td>
<td>4,435</td>
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<td>Q4/17</td>
<td>14,599</td>
<td>5,860</td>
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<tr>
<td>Q1/18</td>
<td>15,271</td>
<td>5,776</td>
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<tr>
<td>Q2/18</td>
<td>14,430</td>
<td>5,275</td>
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<td>Q3/18</td>
<td>14,646</td>
<td>5,167</td>
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<tr>
<td>Q4/18</td>
<td>15,335</td>
<td>4,972</td>
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<tr>
<td>Q1/19</td>
<td>14,532</td>
<td>3,490</td>
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</tbody>
</table>

Revenue -4.8% YoY
Operating Income -39.6% YoY
Rakuten Life Insurance Results

- Termination of low margin reinsurance policies caused a decline in revenue, however insurance premiums continue to show strong growth, resulting in OI +108.6% YoY.

### Revenue

- Q1/18: 8,372 (JPY mm)
- Q2/18: 7,218 (JPY mm)
- Q3/18: 7,515 (JPY mm)
- Q4/18: 7,519 (JPY mm)
- Q1/19: 7,730 (JPY mm)

- YoY Change: -7.7%

### Operating Income

- Q1/18: 475 (JPY mm)
- Q2/18: 907 (JPY mm)
- Q3/18: 956 (JPY mm)
- Q4/18: 918 (JPY mm)
- Q1/19: 992 (JPY mm)

- YoY Change: +108.6%
Internet Services Segment
Domestic E-Commerce GMS*1*2*3

<table>
<thead>
<tr>
<th>Quarter</th>
<th>GMS (JPY bn)</th>
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<tbody>
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<td>703.6</td>
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<td>Q2/17</td>
<td>736.8</td>
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<tr>
<td>Q3/17</td>
<td>772.7</td>
</tr>
<tr>
<td>Q4/17</td>
<td>869.0</td>
</tr>
<tr>
<td>Q1/18</td>
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<td>Q2/18</td>
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<td>Q3/18</td>
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<tr>
<td>Q1/19</td>
<td>875.0</td>
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</tbody>
</table>

*1 Domestic E-Commerce GMS includes consumption tax. Consumption tax not included in GMS for businesses not required to pay consumption tax.
*2 GMS comprises Ichiba, Travel GTV on checkout basis, Books, Golf, Ticket, Brand Avenue, Dream businesses, Rakoo, Beauty, Mart, Delivery, Rakuten Direct, Car Life, Coupon, Rakuma, Rakuten Delivery Premium, Rebates, Raxy, Rakuten Seiyu Netsuper, etc.
*3 Definition of GMS for first party businesses was revised mainly upon the merger between Soukai Drug and Kenko.com. This resulted in retroactive adjustments to Domestic E-Commerce GMS in Q3/17.
*3 Eliminated internal transactions in some businesses from Q1/19. This has resulted in retroactive adjustments.

+13.3% YoY
Domestic E-Commerce Results*

- **Revenue**: +14.7% YoY
  - Excluding investments and logistics-related costs +5.0% YoY

- **Operating Loss**: -17.5% YoY

Domestic E-Commerce = Ichiba, Travel, Books, Golf, Ticket, Brand Avenue, Dream businesses, Rakoo, Beauty, Mart, Delivery, Rakuten Direct, Logistics Car Life, Coupon, Rakuma, Rakuten Delivery Premium, etc.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue (JPY mm)</th>
<th>Operating Loss (YP mm)</th>
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<tbody>
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<td>Q1/17</td>
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<td>18,411</td>
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<tr>
<td>Q2/17</td>
<td>90,843</td>
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<td>Q3/17</td>
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<td>15,357</td>
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<tr>
<td>Q3/18</td>
<td>102,900</td>
<td>16,682</td>
</tr>
<tr>
<td>Q4/18</td>
<td>119,930</td>
<td>14,164</td>
</tr>
<tr>
<td>Q1/19</td>
<td>108,528</td>
<td>13,799</td>
</tr>
</tbody>
</table>
Q1/19 Domestic E-Commerce Operating Income Breakdown

16.7

Q1/18 Domestic E-Commerce Operating Income

+2.0

Growth of Marketplace business
- Rakuten Ichiba
- Rakuten Travel
- Rakuten GORA etc.

-0.9

-4.0

Logistics-related investments / costs etc.

Investing phase business
- Rakuma
- Rakuten Brand Avenue
- Rakuten Books
- Rakuten BIC
- Rakuten Seiyu Netsuper etc.

13.8

Q1/19 Domestic E-Commerce Operating Income
Mobile* Results

- Expanding investment in mobile shop network for MNO launch in Oct 2019

*Mobile segment includes Rakuten Communications, MNO business, MVNE & O businesses, Rakuten Viber, and Energy businesses.
Rakuten Mobile Shop Network

No. of shops (May 2019)

500

Kyushu/Okinawa Area
- Fukuoka: 12
- Saga: 2
- Nagasaki: 3
- Kumamoto: 4
- Oita: 4
- Miyazaki: 3
- Kagoshima: 4
- Okinawa: 8
- Total: 40

Shikoku Area
- Tokushima: 2
- Kagawa: 3
- Ehime: 4
- Kochi: 1
- Total: 10

Chugoku Area
- Tottori: 1
- Shimane: 1
- Okayama: 8
- Hiroshima: 13
- Yamaguchi: 6
- Total: 29

Hokuriku/Koshinetsu Area
- Niigata: 17
- Toyama: 3
- Ishikawa: 4
- Fukui: 2
- Yamanashi: 2
- Nagano: 9
- Total: 37

Hokkaido/Tohoku Area
- Hokkaido: 15
- Aomori: 4
- Iwate: 3
- Miyagi: 12
- Akita: 3
- Yamagata: 2
- Fukushima: 3
- Total: 42

Kanto Area
- Ibaraki: 7
- Tochigi: 4
- Gunma: 10
- Saitama: 33
- Chiba: 21
- Tokyo: 61
- Kanagawa: 33
- Total: 169

Kansai Area
- Shiga: 5
- Hyogo: 31
- Kyoto: 12
- Nara: 6
- Osaka: 47
- Wakayama: 2
- Total: 103

Tokai Area
- Gifu: 5
- Shizuoka: 13
- Aichi: 40
- Mie: 8
- Total: 79

Total: 500

37
Rakuten Mobile Users’ Cross-Use of other Rakuten Services*

Utilization rate of each Rakuten service by Rakuten Mobile users as of March 2019

- Rakuten Ichiba: 90%
- Rakuten Card: 74%
- Rakuten Travel: 60%
- Bank: 26%
Ad Business
Ad Business: Growth Analysis

- External advertiser sales driven by strong results from internal assets (inventory, data, etc.)
- Steady growth in external advertiser sales driven by utilization of ad inventories and data. Firstly from approaching external advertisers, and secondly from utilizing external ad inventories

Ad Revenue*

Q1/19

+17.6% YOY

+19.5% YOY

+18.6% YOY

+5.1% YOY

1st Step

2nd Step

* Revenue includes internal transactions.
Growth Strategy: Targeting JPY200bn* Revenue in 2021

- Aiming for higher growth through internal inventory revenue from Ichiba, Travel, etc., and extension of business with external advertisers.

[Advertiser]
External* (National Brands)

[Inventory]
Internal (Rakuten site)

- Rakuten Pasha
- Rakuten Ichiba
- Rakuten Travel, etc.

Current Advertising Revenue

- RMP - Brand Gateway
- RMP - Customer Expansion
- RMP - Trading Desk
- RMP - AdRoll

Internal (Ichiba Merchants, etc.)

External

* Revenue includes internal transactions.
Ad Business Strategy: O2O Marketing

- Strengthen O2O marketing to provide high-efficiency advertising
- Launched Rakuten Pasha, a “pay-for-success” type advertising platform on February 4, 2019, where advertisers give Rakuten points to users who buy products at retail stores, attracting customers effectively by utilizing advertising distributions of Rakuten services.

Realize high-quality user analytics based on Rakuten IDs and O2O point marketing
Total Global GTV*1*2

(JPY tn)

Q1/17  Q2/17  Q3/17  Q4/17  Q1/18  Q2/18  Q3/18  Q4/18  Q1/19

2.9     3.1     3.2     3.8     3.4     3.6     3.8     4.6     4.1

+22.5% YoY

*1 Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card GTV + Edy GTV + Rakuten Pay GTV + Rakuten Point Card GTV + Overseas E-Commerce GMS + Ebates GMS + Digital Contents GTV + Rakuten Marketing GTV

*2 Includes intercompany transactions for settlement and affiliate services
Rakuten Group: Balance Sheets (As of March 31, 2019)

\[ \text{Cash and cash equivalents (JPY bn)} = 1,863.6 \]

\[ \text{Bonds and borrowings (JPY bn)} = 1,595.7 \]

**Financial assets for securities biz**: 1,703.1

**Investment securities and loans for banking biz**: 1,751.3

**Loans for credit card biz**: 1,461.7

**Deposits for banking biz**: 2,601.3

**Other liabilities**: 1,086.7

**Other assets**: 2,284.2

\[ \text{Total net assets (JPY bn)} = 675.4 \]

**Total Assets (JPY bn)**:
- Rakuten, Inc.: 1,313.0
- Rakuten Bank, Ltd.: 1,002.4
- Rakuten Card Co., Ltd.: 1,704.8
- Rakuten Securities, Inc.: 2,006.5
- Rakuten Life Insurance Co., Ltd.: 507
- Rakuten General Insurance Co., Ltd.: 398.4

\[ \text{Cash and cash equivalents (JPY bn)} = 791.5 \]

\[ \text{Bonds and borrowings (JPY bn)} = 194.2 \]

\[ \text{Deposits for banking biz (JPY bn)} = 2,612.3 \]

\[ \text{Other liabilities (JPY bn)} = 50.3 \]

\[ \text{Other assets (JPY bn)} = 1,284.2 \]

\[ \text{Total net assets (JPY bn)} = 1,278.8 \]

**Graph legend**


2. Bonds and borrowings = Corporate bonds + CP + Borrowings
"M&A and investments" includes "Increase and Decrease in restricted deposits", "Purchase of investment securities" "Acquisition of investments in associates and joint ventures" and "Proceeds from sales and redemption of investment securities" of Non-Financial activities in addition to "Acquisition of subsidiaries"
FinTech Segment
Rakuten Card: Allowance for Doubtful Accounts (Q1/18- including IFRS9 impact)

(Right)}

<table>
<thead>
<tr>
<th></th>
<th>Q1/18</th>
<th>Q2/18</th>
<th>Q3/18</th>
<th>Q4/18</th>
<th>Q1/19</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses related to doubtful accounts</td>
<td>7,983</td>
<td>8,078</td>
<td>9,515</td>
<td>10,403</td>
<td>9,192</td>
<td>15.1%</td>
</tr>
<tr>
<td>Ratio of expenses related to doubtful accounts *1</td>
<td>1.99%</td>
<td>1.98%</td>
<td>2.27%</td>
<td>2.31%</td>
<td>1.94%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q1/18</th>
<th>Q2/18</th>
<th>Q3/18</th>
<th>Q4/18</th>
<th>Q1/19</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rakuten Card</td>
<td>1,217,549</td>
<td>1,263,110</td>
<td>1,317,899</td>
<td>1,502,530</td>
<td>1,502,864</td>
<td>23.4%</td>
</tr>
<tr>
<td>Stage 1 (Normal)</td>
<td>1,148,457</td>
<td>1,196,212</td>
<td>1,248,131</td>
<td>1,433,457</td>
<td>1,430,687</td>
<td>24.6%</td>
</tr>
<tr>
<td>Stage 2 (1-2 months delinquent)</td>
<td>11,541</td>
<td>8,876</td>
<td>10,040</td>
<td>8,862</td>
<td>10,705</td>
<td>-7.2%</td>
</tr>
<tr>
<td>Stage 3 (3 months-and-over-delinquent/Restructured Loans)</td>
<td>57,551</td>
<td>58,023</td>
<td>59,727</td>
<td>60,211</td>
<td>61,472</td>
<td>6.8%</td>
</tr>
<tr>
<td>Rakuten Bank Super Loans</td>
<td>388,818</td>
<td>387,696</td>
<td>387,662</td>
<td>387,863</td>
<td>390,177</td>
<td>0.3%</td>
</tr>
<tr>
<td>Stage 1 (Normal/Credit guarantees *2)</td>
<td>352,702</td>
<td>350,442</td>
<td>349,683</td>
<td>350,184</td>
<td>351,810</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Stage 2 (30 days-and-over-delinquent/Credit guarantees *2)</td>
<td>161</td>
<td>175</td>
<td>195</td>
<td>143</td>
<td>165</td>
<td>2.3%</td>
</tr>
<tr>
<td>Stage 3 (Foreclosed credit guarantees)</td>
<td>35,954</td>
<td>37,079</td>
<td>37,784</td>
<td>37,536</td>
<td>38,202</td>
<td>6.3%</td>
</tr>
<tr>
<td>Others</td>
<td>1,563</td>
<td>1,504</td>
<td>1,472</td>
<td>1,430</td>
<td>1,378</td>
<td>-11.8%</td>
</tr>
<tr>
<td>Total balance of loan receivables</td>
<td>1,607,929</td>
<td>1,652,310</td>
<td>1,707,032</td>
<td>1,891,823</td>
<td>1,894,419</td>
<td>17.8%</td>
</tr>
<tr>
<td>Allowance for doubtful accounts *3</td>
<td>86,560</td>
<td>86,412</td>
<td>88,519</td>
<td>88,741</td>
<td>90,291</td>
<td>4.3%</td>
</tr>
<tr>
<td>Write-off for bad debt *4</td>
<td>8,395</td>
<td>8,222</td>
<td>7,366</td>
<td>10,183</td>
<td>7,645</td>
<td>-8.9%</td>
</tr>
</tbody>
</table>

*1 Ratio of expenses related to doubtful accounts
   = (Expenses related to doubtful accounts) / (average of total balance of loan receivables at beginning and end of the period) × 4
*2 Balance of Rakuten Bank Super Loans guaranteed by Rakuten Card
*3 Including allowance for credit guarantees from Q1/18
*4 Write-off for bad debt includes loss on transfer of loan receivables
Rakuten Insurance Group Strategy

- Online application for Bicycle Insurance (2018/10/22～)
- **Expansion of Pet Insurance**
  (Surpassed JPY100mm in March 2019
  New Business ANP)
- Super Simple Insurance
- Extended warranty for home appliances
- Group insurance for merchants
- Complementary Insurance
- Casualty Insurance to Members
- Fire insurance for homeowners
- Online application for Fire Insurance (2018/12/12～)
- Cross-sales within Rakuten Insurance Holdings
  (e.g. Pet Insurance)
- Online application for Household Insurance (2019/2/1～)
- **Online application for Golfer’s Insurance** (2019/3/12～)
- **Online application for Travel Insurance** (2019/3/27～)
Internet Services Segment
An example of comprehensive partnership agreements with local governments

- Offer customized and comprehensive Rakuten services to each local city

Example of Yahaba-city, Iwate
Q1/19 Rakuten Ichiba Mobile GMS Ratio*

73.1%
Up 6.6 Points YoY

* Mobile GMS Ratio = Ichiba mobile GMS / Total Ichiba GMS (includes feature phones, smartphones, and tablets)
Rakuten Card Share of Rakuten Ichiba GMS

- Share of Rakuten Card payment in Ichiba GMS is consistently growing
Ebates GMS*

(USD mm)

Q1/17: 1,808
Q2/17: 2,157
Q3/17: 2,202
Q4/17: 3,685
Q1/18: 2,259
Q2/18: 2,494
Q3/18: 2,537
Q4/18: 4,219
Q1/19: 2,686

* Includes Cartera acquired in Q1/17, ShopStyle acquired in Q2/17
Ebates Operating Income*

- Includes Cartera acquired in Q1/17, ShopStyle acquired in Q2/17, and Rebates
- Excludes rebranding cost of USD 36.3 million.

(USD mm)

Q1/17: 7.9
Q2/17: 14.7
Q3/17: 12.8
Q4/17: 29.0
Q1/18: 10.7
Q2/18: 21.4
Q3/18: 13.8
Q4/18: 22.9
Q1/19: 9.1
Performance of Investment Business

- Initial investment (2012 to date): 1,985 USD mm
- Gain: +2,381 USD mm
- ROI: +120%
- IRR: +29%
- Fair value (As of March 2019): 4,366 USD mm
Investment Business Portfolio

**Internet**
- Pinterest
- Shopback
- carousell
- epic!

**FinTech**
- BlueVine
- Upstart
- acorns
- simplesurance
- Currencycloud
- folio
- TORANOTEC

**Ride Sharing**
- lyft
- Careem
- GOJEK
- cabify

**Healthcare**
- Rakuten Medical
- Genesis Healthcare
- airweave
Mobile Segment
Viber Unique IDs*

(Million IDs)

<table>
<thead>
<tr>
<th>Month</th>
<th>Unique IDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec/17</td>
<td>980</td>
</tr>
<tr>
<td>Mar/18</td>
<td>1,007</td>
</tr>
<tr>
<td>Jun/18</td>
<td>1,030</td>
</tr>
<tr>
<td>Sep/18</td>
<td>1,053</td>
</tr>
<tr>
<td>Dec/18</td>
<td>1,074</td>
</tr>
<tr>
<td>Mar/19</td>
<td>1,095</td>
</tr>
</tbody>
</table>

* Unique IDs: Unique phone numbers excluding deactivations
Viber Revenue*

- Monetization accelerating from strong growth in both Telco (Viber in/Out) and content revenue

* Telco: Viber Out, In. Content: Service messages, ads, stickers and others
Other
Rakuten’s Materiality

• In 2017, establishment of Rakuten’s materiality = list of concerns that Rakuten has a responsibility to address to realize long-term business growth
• Based on results, redefinition of sustainability action plan
  • Improvement of sustainability reporting = ESG (Environmental, Social, Governance) information disclosure
  • Redefinition of philanthropic activity priorities
  • Launch of projects based on new priorities

2019 ESG reporting actions

• Greater focus on ESG information in corporate communication (web, annual report)
• Proactive review of ESG evaluation (FTSE, MSCI)
• Improvement of ESG survey answers (DJSI, CDP)
Renewal of sustainability pages on corporate website in Jan. with focus on ESG information. Global sustainability reporting standards (GRI) and ESG agencies’ requirements used as reference to built content. New topics such as environment or human rights.
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