Rakuten

FY2025 Q4 Consolidated Financial Results
Media Q&A Session

Mr. Ono (Yomiuri Shimbun)
I have two questions. The first is about financial performance. Operating profit secured a surplus for the second consecutive year, despite a reactionary decrease from AST. At this point, how would you frankly assess the extent to which the group's earning power has recovered? The second question is about mobile capital expenditure plans. Your explanation stated that there were delays in the 2025 investment. Could you please provide more details on the breakdown of the "over 200 billion yen" in the 2026 plan, specifically whether it includes carryovers from the previous year or if it's an additional 200 billion yen separate from the carryovers?

Mikitani (Rakuten Group CEO)
While earning power depends on how you measure it, given the significant upfront investment in mobile, as I've repeatedly stated, in terms of EBITDA excluding new customer acquisition costs, we are now approaching approximately just under 90 billion yen. Mobile alone has seen a significant increase in earning power, and consequently, mobile users are increasing their loyalty. For example, the purchase amount on Rakuten Ichiba has increased by nearly 50%, the usage of Rakuten Travel has increased, and the usage of Rakuten Card has increased. This is largely due to new customers acquired through mobile and increased usage by existing customers. Secondly, as explained today, the efficiency gains from AI utilization are quite effective. While we are investing where necessary, the profitability of other businesses, both fintech and internet segment, has significantly improved. In addition, we have made significant decisions regarding businesses that have been challenging for many years, and the reduction of unprofitable businesses is progressing. Overall, I feel that our earning power has significantly increased. Ultimately, we aim for an operating profit of 1 trillion yen, and I believe we are moving in a good direction towards that goal. Regarding investments, Hyakuno will explain.

Hyakuno (Rakuten Group COO)
Regarding mobile investments, last year's plan was slightly behind schedule, but as explained earlier, we are planning to invest over 200 billion yen this year. This

plan includes the delays from last year and further accelerates our efforts. Last year, measures to address labor shortages began to progress, and acceleration has been significant recently. We will do our best to achieve our goals this year.

Ms. Kimura (NHK)
I would like to ask about AI utilization. The profit generated from AI utilization significantly exceeded last year's target. Why do you think this was achieved? Furthermore, how do you plan to advance AI utilization towards 2026? In an increasingly competitive AI market, where do you see your company leveraging its strengths?

Mikitani (Rakuten Group CEO)
Basically, while there is some selling of AI as a standalone product, like OpenAI and Microsoft, our primary focus is to fully leverage our data to encourage users to use Rakuten Group services, including Rakuten Ichiba. Secondly, I believe Rakuten's greatest asset is its data, and by effectively utilizing it with AI to promote cross-use, we can achieve significant profit contributions. Thirdly, we aim to enhance engagement through AI concierges and AI agents, as explained today. Fourthly, we will significantly advance operational efficiency through AI, as a considerable portion of computer engineering, network management, and coding can now be automated by AI. We have AI chief officers (CAIO) in each business, and they are responsible for promoting AI in both small and large businesses, driving company-wide AI utilization. Therefore, I personally believe that the current 30 billion yen forecast is rather conservative.

Mr. Mizushima (Nikkan Kogyo Shimbun)
I have two questions. First, I'd like to hear Mr. Mikitani's thoughts on the "hopper" (short-term churner) countermeasures and the improvement of the device purchase program being discussed at the Ministry of Internal Affairs and Communications' expert panel. Specifically regarding the device purchase program, there are discussions about changes that would offer larger subsidies for higher-tier plans. Please tell us about this, including any potential disadvantages for your company. Second, the partnership between PayPay and Visa has been announced. Also, NTT Docomo is strengthening its financial and payment businesses, for example, by allowing securities accounts to open at

Docomo shops. How will your company respond to these competitor movements? Please share your thoughts.

Mikitani (Rakuten Group CEO)
Unfortunately, it's true that there are a certain number of short-term churners. Taking this into account, we are charging an administrative fee for 5 or more lines, but this is not desirable for the industry as a whole, not just for us but for other mobile carriers as well, so we hope that the industry will make progress in addressing this. Regarding the device purchase program, the final form is still uncertain, but Rakuten Mobile's characteristic is its relatively low cost structure due to automation and new networks. Depending on the plan's structure, I believe we can adequately respond. Regarding competition in finance and payments, Sonoda, who oversees our financial business, will explain.

Sonoda (Rakuten Group, FinTech Segment Leader)
While various companies are responding in different ways, as we explained in our presentation, we are formulating a strategy with a different axis: maximizing the Rakuten ecosystem, integrating the fintech business, including mobile and Rakuten Bank deposits, and growing together with the Rakuten ecosystem. We are considering various options, and we will announce them sequentially when the time is right.

Mr. Onishi (Freelance)
With this financial result, we have reached 10 million lines, and the prospect of turning a standalone profit is gradually becoming clearer. However, looking at the situation of the top three carriers, there is a sense that around 20 million lines are needed to stably generate profit from mobile. If that's the case, since it took 5 years to reach 10 million, a simple calculation suggests it would take another 5 years to reach 20 million. Are there any measures to accelerate this? How do you plan to accelerate and aim for levels of 20 million or 30 million with initiatives starting this fiscal year? I'd like to hear your thoughts on this.

Mikitani (Rakuten Group CEO)
While there may be various assessments, I believe that reaching this point within 5 years for such a massive infrastructure project has been relatively rapid. On the other hand, it is also true that there are regional disparities. We

may be relatively strong among younger demographics and in the Tokyo metropolitan area and urban areas, but our market share among the elderly is still low. One key strategy is to provide more comprehensive services, including Rakuten Senior, to effectively address this. Furthermore, providing stable services is extremely important, so steadily expanding our reach is a major strategy.

----- End of Media Q&A Session -----

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Analyst Q&A Session

Mr. Nagao (BofA Securities)
I have two questions. The first is about the number of mobile subscribers. As we enter the new fiscal year, what is the target number of subscribers you are looking at for the end of 2026? Also, with the recent increase in subscribers, it seems that ARPU has been diluted on a quarterly basis. How do you plan to increase ARPU in the future? The second question is about AI. I understand that AI is transitioning from a story to a tangible benefit. From Mr. Mikitani's perspective, what is the biggest bottleneck in introducing and expanding AI into your services, and is there room for further acceleration? Please explain your AI strategy again.

Mikitani (Rakuten Group CEO)
We do not disclose subscriber acquisition targets, but we generally aim to achieve the same growth as last year. Regarding how to increase ARPU, first, it is important to ensure that customers actively use our option ARPU. Especially at physical stores, we will thoroughly explain the benefits and encourage customers to use optional services. In addition, we will expand advertising revenue as we expect this to grow even further in the future, including through "Cho Rakuten-sai". Until now, we have focused on subscriber acquisition but going forwards we will focus more on option sales to boost ARPU.
Regarding AI, in all honesty, we are utilizing it thoroughly. We have made significant progress in AI management in engineering, network operations, and system operations. We will definitely improve profitability by significantly shortening development periods, internalizing areas that were outsourced, and supplementing customer service and client service with AI. While we cannot disclose specific figures, we have set quite ambitious profit targets and are managing the company towards them.
On the other hand, we believe that UX will change dramatically from now on. In addition to the semantic search we have already introduced, we believe that AI's judgment in all situations will increase purchase amounts and frequency, leading to significant growth. The biggest point is to effectively utilize all the data we possess. For example, in our insurance business, automobile insurance is growing at a very fast pace by fully utilizing our data. Travel is growing

similarly, through the utilization of our proprietary data. We believe that the results of creating a system that can fully utilize our data in all areas are now becoming apparent. It is also a crucial point that our AI is developed in-house, as using external services can be costly.

Ms. Yamamura (J.P. Morgan Securities)
Now that mobile subscribers have surpassed 10 million, and as you aim for the next major milestone of 20 million etc., I would like to confirm how much the current communication environment can handle. You mentioned that capital expenditure for the next fiscal year will be 200 billion yen, but looking at last year's figures, it seems that the plan was not met, and there might have been an inability to fully invest. You also mentioned earlier that you have a handle on labor shortages, etc. If you are confident that the same thing will not happen next fiscal year and that you can prepare the communication environment for the next major milestone, please provide more explanation for that confidence.

Hyakuno (Rakuten Group COO)
Regarding capacity for subscriber growth continuing at the same pace, we are strengthening both 4G and 5G based on the assumption of steady growth. In addition to improving efficiency, we are also promoting densification. Therefore, we believe that by maintaining the current pace and simultaneously adding antennas and networks, we can handle the increase without issues. In Tokyo, we are also implementing measures using 5G along the Yamanote Line, and we believe this is feasible.

Mikitani (Rakuten Group CEO)
Let me add to that. This year, 5G SA will begin. Until now, Rakuten Group's 5G was NSA, but with SA, we will no longer need to use 4G as an anchor, allowing more people to use 5G solely with 5G. As a result, the number of users per base station will increase significantly. Also, while we are already largely using Massive MIMO, software upgrades are progressing and there is still significant room to further increase the capacity per base station through these software upgrades.
In addition, we are proceeding with measures such as increasing the number of base stations, densifying by changing 3-sector locations to 6-sector and fully utilizing the mid-band (1.6GHz) frequency spectrum. For 5G and Wi-Fi services,

we will also leverage more creative solutions to significantly increase capacity with efficient investment. Furthermore, for mountainous areas and regions with very low populations, AST services will begin, so we will also proceed with coverage from satellites.

Mr. Nomura (Asset Management One)
I have two questions. The first is about finance, specifically non-financial leverage. While the plan for 2025 was 8.5 times, the actual result was 6.5 times, and the plan for 2026 remains at 6 times. Please explain what this plan means: whether it was unintentionally improved due to delays in 2025 investments and therefore the 2026 plan was not changed, or if it was conservatively maintained. The second question is about AST. With its rising stock price and attention, is it positioned as a pure investment for your company, or will you go a step further to utilize it for business strengthening, and is there a possibility of increasing your stake? Please answer to the extent possible.

Hirose (Rakuten Group CFO)
Regarding financial leverage, you can assume that it is set somewhat conservatively. This is due to the structure where the net interest-bearing debt of the non-financial business and the valuation of listed securities are included, so if the valuation of listed securities increases, the net interest-bearing debt decreases. For 2025, including the significant rise in AST's stock price, the net interest-bearing debt decreased, contributing to an improvement in the ratio. However, we cannot expect this situation to continue in the same way next year, so we are looking at a level of around 6 times for 2026 as well.
Regarding AST, our company originally accounted for it under the equity method, but last year, we switched it to a pure investment asset. This means recognizing fair value in OCI (Other Comprehensive Income). The business relationship is secured by the initial contract, but its positioning is that of a business investment.

Mikitani (Rakuten Group CEO)
Rakuten Group is constantly taking on challenges. Looking back, I believe there have been surprises in the market every time we tried something new, but I think we have generally achieved what we promised in terms of major challenges, especially business challenges. In the mobile business, we are

working hard every day and will continue to increase the number of customers and users, raise ARPU, and minimize costs through AI implementation and other measures.
Rakuten Mobile has three objectives. The first is to make a significant contribution to the Rakuten Ecosystem, the second is profitability as a standalone business, and the third is to demonstrate the software technology of Rakuten Symphony as a test drive. We believe we have become a global leader in the O-RAN field. Many large companies like AT&T and Nokia also use other OSS, but network automation will be the key going forward. In that area too, we view Rakuten Mobile/Symphony as a global leader.
Regarding the cloud, product services to Google has begun, so we believe that various industries, including global retail and food service, will start using Rakuten's cloud storage. If we get a few software pieces in order, we will be able to provide almost end-to-end software. The number of Rakuten Symphony customers has reached 74, and given the progress of proof-of-concept around the world, we believe Symphony's future is extremely bright. It is very significant that, as a representative Japanese company, we play a major role in this telecommunications field globally. It is with this meaning that we are advancing Rakuten Symphony and operating Rakuten Mobile.
The synergies in the financial business will also be maximized further from now on. We will also proceed with significant reductions in financial costs. While I ask you to await future announcements for details, please understand that we will take bold measures, and therefore, you can expect a significant improvement in the group's profitability.

----- End of Analyst Q&A Session -----