

December 14, 2017

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

## **Rakuten Announces Intent to Enter into Mobile Network Operator (MNO) Business**

A resolution was reached at the Rakuten, Inc. Board of Directors meeting held today that Rakuten, Inc. (hereinafter the "Company") intends to enter into the Mobile Network Operator (MNO) business.

### 1. Application for Frequency Band Allocation

A resolution was reached at the Rakuten, Inc. Board of Directors meeting held today, that the Company would apply to the Ministry of Internal Affairs and Communications (hereinafter the "MIC") for frequency band allocation for the 4th generation mobile communications system (4G) (1.7 GHz band and 3.4 GHz band<sup>1</sup>), once application registration opens. If the application for the frequency band allocation is approved by the MIC, Rakuten Group (hereinafter the "Group") will launch a new MNO business.

In Japan, the proportion of household spending taken up by telecommunication expenses is rising each year, and the reduction of the financial burden on consumers of mobile phones and other communications expenses is often cited to be a major social issue<sup>2</sup>. In addition, as the current MNO market is criticized as a coordinated oligopoly among existing operators<sup>3</sup>, the government is in the middle of a thorough industry review aimed at ensuring fair competition and the protection of consumer interests<sup>4</sup>.

Under such circumstances, the MIC now recognizes that it is essential to expand the allocated frequency bands in response to the constant increase in mobile phone traffic, and is considering the additional allocation of frequencies for the 4G. The Company has made a decision today to apply for

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<sup>1</sup> On November 17 of this year, the Ministry of Internal Affairs and Communications announced the "Proposal of Guidelines on the Establishment of Base Stations for the Promotion of the Fourth Generation Mobile Communications Systems" and is currently in the process to invite public comments.

<sup>2</sup> Cabinet Office, Government of Japan: Council on Economic and Fiscal Policy (September 11, 2015)

<sup>3</sup> The Ministry of Internal Affairs and Communications: Information and Communications Council: Report from the Information and Communications Council on "Information and Communications Policies Expected toward the 2020's: For Further Dissemination and Development of the World-leading Information and Communications Infrastructure" (December 18, 2014)

<sup>4</sup> The Ministry of Internal Affairs and Communications: Information and Communications Council 2020-ICT Infrastructure Policy Task Force

the additionally allocated 4G frequencies.

If the Group's application for the above frequency allocation is approved, the Group's entry into the current MNO market will make the market more competitive and lead to improvements in efficiency. As a result, the Group will be ideally positioned to provide affordable and easy-to-use mobile communications services, as well as maximize the benefits to consumers and society as a whole.

The Group has worked to build a membership base of more than 1.2 billion users around the world and offers a variety of services including e-commerce, online travel reservations, credit cards, online banking, online securities, messaging applications, and payment services, with Big Data at the core. In Japan, the Group has built a strong and unique ecosystem encompassing both online and offline services, with nearly 100 million Rakuten ID's, and the cumulative number of Rakuten Super Points issued to-date already exceeding JPY 1 trillion.

In recent years, the user shift to mobile has steadily advanced. While transactions via mobile apps already account for over 60% of the transaction volume on Rakuten Ichiba, growth in transactions through mobile devices continues across Rakuten services. There is no doubt that mobile devices are the most important user touchpoint for the expansion of existing services and new service development. With this in mind, the Company launched an MVNO (Mobile Virtual Network Operator) business under the Rakuten Mobile brand in October 2014.

Rakuten Mobile has been positively received by subscribers for a range of unique initiatives, including its compelling price offerings, diverse device lineup, the expansion of its offline stores, and the acceptance of Rakuten Super Points as a payment method. As a result, the number of Rakuten Mobile subscribers now exceeds 1.4 million, putting the company in the position of MVNO industry leader, with top market share.

If the Group is successful in its application to enter into the MNO business, this launch will provide the Group with a new engine for further growth, and allow the Group to become one of the few companies in the world that can provide a comprehensive package of services in E-commerce, FinTech, digital content, and mobile communications. By combining its customer base in Japan, the Rakuten Super Points loyalty program and its know-how in the mobile communications business cultivated through its MVNO business, the Group will be ideally positioned to offer its subscribers affordable and easy-to-use mobile communications packages, along with online shopping, streaming services, video advertisement, and innovative payment methods. The Group will continue to pursue synergies across its businesses to the fullest and to promote the businesses together as a "Global Innovation Company" that will benefit society as a whole.

2. Proposed plan for the new MNO business
  - (1) Entity in charge of the business

A new entity is planned to be established.

(2) Service start period

The service is scheduled to start in 2019.

(3) Target number of subscribers

The business will aim to acquire at least 15 million subscribers.

(4) Procurement of funds

The Group will procure funds for capital investment, including the installation of base stations. The Group estimates the maximum amount of fund procurement required for this business to be approximately JPY 200 billion at the start of the service in 2019, and a maximum of JPY 600 billion in 2025. We expect the amount of debt to gradually decrease thereafter. The Company and the newly established entity will be the financing entity, and the method of funding is planned to be by interest-bearing debt, such as bank borrowing.

Details such as the financial impact on the Group's business performance are currently under review. Depending on the status of progress on this application, the Group will disclose in a timely and appropriate manner.

### 3. Schedule

(Reference) Schedule for frequency allocation published by the MIC

November 17, 2017	Announcement of draft establishment guidelines
December 18, 2017	End of period to invite public comments
End of December 2017 to January 2018	Period for consultation and reporting to the Radio Regulatory Council
January 2018	Notification of final establishment guidelines
January to February 2018	Applications for approval/accreditation to be lodged
End of March 2018	Period for consultation and reporting to the Radio Regulatory Council
End of March 2018	Approval/accreditation of establishment plans (frequency allocation)