

April 28, 2021

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

Announcement of Succession of Business by Company Split (Simplified absorption-type split) and Establishment of Joint Venture with Japan Post Co., Ltd.

Rakuten Group, Inc. (hereinafter “Rakuten”) announces today that Rakuten and Japan Post Co., Ltd. (hereinafter “Japan Post”), a subsidiary of Japan Post Holdings Co., Ltd. (hereinafter “Japan Post Holdings”) have signed an integration contract (hereinafter “Integration Contract”) where Rakuten and Japan Post agree that Rakuten establishes JP Rakuten Logistics, LLC. (hereinafter “JP Rakuten Logistics”) as a wholly-owned subsidiary of Rakuten, and succeeds the logistics business conducted by Rakuten to JP Rakuten Logistics (hereinafter the “Company Split”), and Rakuten and Japan Post subsequently acquires the equity interest of JP Rakuten Logistics (hereinafter the “Investment”). Rakuten and Japan Post also signed a shareholders agreement (hereinafter the “Shareholders Agreement”) regarding the operation of JP Rakuten Logistics.

The company split contract (hereinafter the “Company Split Contract”) of the Company Split is scheduled to be in May 2021, and the effective date of the Company Split is scheduled to be on July 1, 2021. The payment date of the Investment is scheduled to be on July 1, 2021 after the effect of the Company Split.

Since in the Company Split, a wholly-owned subsidiary of Rakuten is taking over a business division, some disclosure items and details are omitted.

1. Purpose and background

Rakuten and Japan Post, a consolidated subsidiary of Japan Post Holdings, have already been pursuing an alliance, and we plan to further strengthen our cooperation. In December 2020, we signed a basic agreement for a strategic alliance aimed at realizing a healthy and sustainable logistics environment. In addition, not limited to the logistics field, we also aim to enhance services through collaboration with the Japan Post Group (hereinafter “Japan Post and its affiliates”; the same shall apply hereinafter), in terms of marketing and base stations for fintech and mobile users. In March 2021, we decided that strengthening the relationship with the Japan Post Group in order to proceed with the examination of alliances in the establishment, etc. and other areas would lead to the improvement of the competitiveness and mobility of the Group. As stated in "Notice

Regarding Partial Completion of Payment for Issuance of New Shares and Disposal of Treasury Stock through Third-Party Allotment” on March 29, 2021, Rakuten issued new shares by third-party allotment to Japan Post.

In the Japanese logistics industry, issues have arisen over sustainable provision of stable logistics services that respond to the increasing demand for unattended redelivery and labor shortages, due to the increase in cargo flow following an expansion of the domestic e-commerce market, and the diversifying demands of baggage senders and receivers. Under these circumstances, in 2018, we set up a comprehensive logistics and delivery service "One Delivery" concept that manages the mechanism from ordering to delivery of products from "Rakuten Ichiba" in a unified manner, including storage to shipping of products. We have expanded the fulfillment centers of our logistics service "Rakuten Super Logistics" nationwide.

Furthermore, by operating an efficient fulfillment centers that have introduced equipment for labor saving and automation, and by utilizing our purchasing data and AI technology to forecast orders and link inventory information to perform optimal inventory allocation, we have improved delivery speed and reduced fulfillment cost and delivery cost.

Against this background, Rakuten and Japan Post have agreed to establish a new company in which both companies will invest, with the aim of improving efficiency by building joint logistics bases, common delivery systems, and receiving services, mainly in the logistics field. In the future, the two companies will strengthen cooperation, build a new logistics DX platform, and encourage other e-commerce and logistics companies to participate in the platform, thereby creating a domestic logistics environment where we will contribute to the soundness of Rakuten and the realization of a sustainable society.

Specifically, by incorporating the labor-saving and automated fulfillment centers that we have invested and developed into the delivery network of Japan Post, and by jointly operating it through a joint venture, we will realize improvements in distribution DX and customer UX. We aim for "Improvements in customer UX)" (Note 1), Reduction in lead time" (Note 2), "More efficient logistics" (Note 3), and "Maximization of capacity" (Note 4). We will also jointly work on next-generation delivery using drones and UGVs.

At the beginning of the joint venture, we will mainly handle packages of E-Commerce services provided by Rakuten centered on Rakuten Ichiba, but in the future we aim to build an open platform in which other delivery companies and shippers can also participate.

(Note 1) "Improvements in customer UX" means developing a smartphone app that responds to diversifying customer needs, leveling delivery work, and streamlining delivery work by batch delivery of packages, and building a UI for the app. etc.

(Note 2) "Reduction in lead time" means shipping from fulfillment centers to integrate fulfillment centers and distribution networks, expand areas where same-day delivery is possible,

mainly in urban areas, and expand next-day delivery in other areas. By linking the time and the operating time of the delivery network more closely, the time from ordering to delivery can be shortened.

(Note 3) “More efficient logistics” means improving productivity by eliminating duplicate work of both companies by integrating the operations of our company and Japan Post, reducing redelivery, and improving delivery efficiency by utilizing batch delivery of packages. Optimization of delivery routes such as the trunk network from the distribution center to the delivery station and the last mile delivery network utilizing AI, and reduction of delivery costs by introducing flexible operations.

(Note 4) “Maximization of capacity” means expanding the shipping capacity of distribution centers through joint investment in the future and improving delivery efficiency, in addition to expanding the fulfillment centers that will be succeeded by JP Rakuten Logistics through this split.

2. Establishment of subsidiary

(1) Overview of the subsidiary to be established (May 2021 (Planned))

(1)	Company name	JP Rakuten Logistics, LLC. * Company name is to be changed to JP Rakuten Logistics, Inc. on July 2, 2021, by organization change after the Investment
(2)	Head office	(Before the Investment) 1-14-1 Tamagawa, Setagaya-ku, Tokyo (After the Investment) To be determined
(3)	Representative	(Before the Investment) Rakuten Group, Inc. (After the Investment) To be determined
(4)	Main business	Logistics business
(5)	Capital	(Before this Investment) 3 million yen (After this Investment) 100 million yen
(6)	Date of establishment	May 2021 (Planned)
(7)	Ownership ratio	(Before the Investment) Rakuten 100% (After the Investment) Japan Post 50.1%, Rakuten 49.9%

(8)	Relationship between Rakuten and JP Rakuten Logistics	Capital	At the time of establishment of the new company scheduled for May 2021, Rakuten's investment ratio in the new company will be 100%. With the Investment, Rakuten's investment ratio in the new company will be 49.9%, and Japan Post's investment ratio will be 50.1%.
		Personnel	After the Investment, Rakuten plans to appoint four members of its own officers and employees and Japan Post will appoint four members of its own officers and employees as directors of the new company. In addition, Rakuten plans to appoint one of its own officers and employees, and Japan Post will appoint one of its own officers and employees as an auditor of the company. In addition, we plan to send employees to the new company from Rakuten or its subsidiaries.
		Business	After the start of the joint venture, Rakuten plans to outsource logistics operations to the new company.

(Note) For an overview of the partner of this joint venture, please refer to "(4) Overview of the partner of this joint venture (as of March 31, 2020)" in "4. Start of joint venture"

(2) Schedule

Resolution by the Board of Directors	April 28, 2021
Date of establishment of the subsidiary	May 2021 (Planned)

(3) Impact on business results

The impact of the establishment of the subsidiary on business performance will be minor, but if it is found that it will have a significant impact on business performance in the future, we will promptly make a disclosure in a timely matter.

3. Company Split

(1) Overview of the Company Split

i. Schedule

Resolution by the Board of Directors (Rakuten)	April 28, 2021
Appointment of executive employees (JP Rakuten Logistics)	May 2021 (Planned)
Company Split Contract agreement (Rakuten and JP Rakuten Logistics)	May 2021 (Planned)
Effective date of the Company Split	July 1, 2021 (Planned)

* Since this company split corresponds to a simplified absorption-type split prescribed in Article 784, Paragraph 2 of the Company Act for Rakuten, a shareholders meeting to approve the Company Split will not be held.

ii. Split method

An absorption-type company split in which Rakuten is the splitting company and JP Rakuten Logistics is the successor company.

iii. Details of allotments related to the Company Split

In consideration of the asset status of the business expected as of the effective date of the Company Split, no shares or other money will be allocated through the Company Split.

iv. Handling of subscription rights to shares and bonds accompanying the company split

There is no corresponding matter.

v. Increase / decrease of capital

There will be no change in the company's capital stock.

vi. Rights and obligations to be succeeded

Rights and obligations such as assets, liabilities and contractual positions regarding the company split which is prescribed in the absorption-type company split contract will be succeeded.

vii. Prospect of fulfillment of obligations

The Company Split has no impact on the successor company's ability to fulfill obligations.

(2) Overview of companies involved in the Company Split

		Splitting company in absorption type split (As of December 31, 2020)	Successor company in absorption-type split (As of July 1, 2021)
(1)	Company name	Rakuten Group, Inc. * Company name was changed from Rakuten, Inc. on April 1, 2021	JP Rakuten Logistics, LLC. * Company name is to be changed to JP Rakuten Logistics, Inc. on July 2, 2021 by an organizational change after the Investment
(2)	Head office	1-14-1 Tamagawa, Setagaya-ku, Tokyo	(Before the Investment) 1-14-1 Tamagawa, Setagaya-ku, Tokyo (After the Investment) To be determined
(3)	Representative	Hiroshi Mikitani, Chairman, President and CEO	(Before the Investment) Rakuten Group, Inc. (After the Investment) To be determined
(4)	Main business	Internet Services, FinTech etc.	Logistics business
(5)	Capital	205,924 million yen	(Before the Investment) 3 million yen (After the Investment) 100 million yen
(6)	Date of establishment	February 7, 1997	May 2021 (Planned)
(7)	Total number of issued shares	1,434,573,900 shares	-
(8)	Fiscal year end	December 31	(Before the Investment) December 31 (After the Investment) March 31

(9)	Ownership ratio	Crimson Group, LLC (16.62%) Hiroshi Mikitani (12.94%)	(Before this Investment) Rakuten 100% (After this Investment) Japan Post 50.1%, Rakuten 49.9%
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(3) Overview of the business unit to be split and succeeded

i. Business to be split

Logistics business conducted by Rakuten.

ii. Business results of division to be split

Revenue: JPY 16,924 million (Year ended December 31, 2020)

iii. Assets and liabilities to be split (As of December 31,2020)

Current assets (million yen)	1,073	Current liabilities (million yen)	13,473
Fixed assets (million yen)	80,220	Fixed liabilities (million yen)	67,481
Total assets (million yen)	81,294	Total liabilities (million yen)	80,955

(4) Post-company split details (As of July 1, 2021 (Planned))

		Splitting company in absorption type split	Successor company in absorption-type split
(1)	Company name	Rakuten Group, Inc.	JP Rakuten Logistics, LLC. * Company name is to be changed to JP Rakuten Logistics, Inc. on July 2, 2021, by organizational change after this Investment
(2)	Head office	1-14-1 Tamagawa, Setagaya-ku, Tokyo	(Before this Investment) 1-14-1 Tamagawa, Setagaya-ku, Tokyo (After this Investment) To be determined
(3)	Representative	Hiroshi Mikitani, Chairman, President and CEO	(Before the Investment) Rakuten Group, Inc. (After the Investment) To be determined
(4)	Main business	Internet Services, FinTech etc.	Logistics business
(5)	Capital	286,645 million yen	(Before the Investment) 3 million yen (After the Investment) 100 million yen
(6)	Fiscal year end	December 31	(Before the Investment) December 31 (After the Investment) March 31

(5) Impact on business results

Since the successor company is a wholly owned subsidiary of Rakuten Group, Inc., the impact of the Company Split on Rakuten Group consolidated financial results will be limited.

4. Establishment of joint venture

(1) Detail of joint venture business

After the start of this joint venture, Rakuten and Japan Post will jointly operate JP Rakuten Logistics, LLC, Ltd., and our policy is to jointly promote efforts to build a distribution base, build a joint delivery system and receiving service, and expand the use of RFC (Rakuten Fulfillment Centers), as well as expand the use of Japan Post's Yu-Pack and other products. In addition, by building a new logistics DX platform and encouraging other e-commerce and logistics companies to participate in the platform, our common business philosophy is to contribute to the realization of a domestic logistics environment that will contribute to a sound and a sustainable society.

(2) Overview of joint venture

Refer to “2. Establishment of subsidiary (1) Overview of the subsidiary to be established (May 2021 (Planned))”, “3. Company Split (2) Overview of companies involved in the company split”, and “(4) Post-company split details (As of July 1, 2021 (Planned))”.

(3) Business outlook for joint venture

Regarding the business outlook of JP Rakuten Logistics, LLC, the details of the alliance will be discussed between the two companies in the future, so it is undecided at this time.

(4) Overview of the other party in this joint venture (As of March 31, 2020)

(1)	Company name	Japan Post Co., Ltd.
(2)	Head office	2-3-1, Otemachi, Chiyoda-ku, Tokyo
(3)	Representative	Kazuhide Kinugawa, President and CEO
(4)	Main business	Postal business, bank counter business, insurance counter business, stamp sales, contract business from local public organizations, bank business other than the above, life insurance business and non-life insurance business agency business, domestic / international logistics business, logistics business, real estate business, product sales, etc.
(5)	Capital	400 billion yen
(6)	Date of establishment	October 1, 2007

(7)	Ownership ratio	Japan Post Holdings, Co., Ltd. (100%)		
(8)	Relationship between Rakuten and Japan Post	Capital	As of April 28, 2021, Japan Post Holdings Co., Ltd., the parent company of the company, holds 8.32% of the issued shares of Rakuten.	
		Personnel	Not applicable	
		Business	In addition to the logistics field, Rakuten and the company have entered into a business alliance agreement for strategic alliances in fintech, mobile and other fields. (As of April 28, 2021)	
		Applicability to related parties	Not applicable	
(9)	Financial position and business performance for the last three years			
	Fiscal year	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
	Consolidated net assets	831,253	915,130	855,378
	Consolidated total assets	5,098,926	5,182,809	5,179,414
	Consolidated net assets per share (yen)	82,784.72	90,204.47	84,554.72
	Consolidated operating revenue	3,881,943	3,960,669	3,839,318
	Consolidated operating income	86,564	182,021	179,034
	Consolidated ordinary income	85,459	179,865	168,111

Net income attributable to owners of parent	58,476	126,614	87,155
Consolidated net income per share (yen)	5,847.69	12,661.43	8,715.53
Dividend per share (yen)	2,923.85	10,129.15	4,357.77

(Unit: million yen, unless otherwise noted)

(5) Status of ownership interests before and after the investment and the investment price

(1)	Ownership before the Investment	Rakuten: 100%
(2)	Ownership after the Investment	Rakuten: 49.9% Japan Post: 50.1%
(3)	Investment price	The investment price will not be disclosed based on the Integration Agreement and the Shareholders' Agreement, but the investment will be made at an amount that is considered fair and reasonable after appropriate consultation and negotiation with Japan Post. The investment value will be recorded in the capital and other net assets items on the balance sheet of JP Rakuten Logistics.

(6) Schedule

Resolution date by the Board of Directors (Rakuten)	April 28, 2021
Signing of the Integration Contract and the Shareholders Agreement	April 28, 2021
Payment date of the Investment	July 1, 2021 (Planned)
Joint venture business starts	July 1, 2021 (Planned)

(7) Impact on business results

The impact of this joint venture on business performance is undecided at this time, but will be disclosed as soon as the impact on business performance becomes clear.

End