

## **Rakuten Group Q3 FY2021 Financial Results Highlights**

### **Overall Performance**

- The Rakuten Group achieved record Group revenue for Q3 of 406,903 million yen and double-digit growth of +12.6% year-on-year (YoY). Increases in active users of Rakuten Ichiba, Rakuten Card, Rakuten Bank and other services, as well as expanded cross-use of Rakuten services by members to a ratio<sup>\*1</sup> of 74.3%, all contributed to this result.
- In the Mobile segment, due to strategic investment in future growth including the buildout of the Rakuten Mobile service area accelerated ahead of plan, the Rakuten Group recorded Non-GAAP operating losses of 57,735 million yen, compared to Non-GAAP operating losses of 28,654 million yen in the same period of the previous fiscal year.
- Non-GAAP operating income was 48,008 million yen, a significant increase of +16.5% YoY, excluding profits and losses of the Mobile and Logistics businesses which require investment for future growth and the Investment business which is considerably impacted by market volatility.
- The Rakuten Group recorded IFRS operating losses of 7,473 million yen, a significant improvement of 32,325 million yen compared to the same period of the previous fiscal year. The 59,496 million yen non-recurring gain resulting from the step acquisition of Altistar Networks, Inc., a provider of 4G and 5G open virtualized Radio Access Network (Open vRAN) solutions, also contributed to this result.

### **Internet Services segment**

- For domestic e-commerce, shopping e-commerce Gross Merchandise Sales (GMS)<sup>\*2</sup> grew +8.7% YoY. Even compared to the same period in the previous fiscal year, which saw significant growth of +29.3% brought on by the effects of the pandemic, GMS continued to achieve growth in Q3 FY2021. Initiatives such as the successful introduction of a common free shipping threshold on Rakuten Ichiba, retention of customers gained through increased demand for online shopping due to the pandemic, and expanded cross-use between Rakuten Ichiba and other e-commerce businesses such as Rakuten Fashion and Rakuten Seiyu Netsuper all contributed to the increase in GMS.
- The new joint venture established by Rakuten and Japan Post Co., Ltd. is making good progress with the launch of a new logistics center, optimization of operational and cost efficiencies, and improvements in the convenience of its services. As the rights and obligations of Rakuten's Logistics business were succeeded to the joint venture, a portion of the profits and losses from the Logistics business will be

recorded as investment gains and losses using the equity method starting in Q3 FY2021.

- Other Internet Services (excluding the Investment business) achieved a significant improvement in profitability with reduction of operating losses by 5,688 million yen YoY. Ongoing measures to improve operational efficiency in overseas businesses such as Rakuten Rewards and the recovery of the sports business and other businesses affected by the pandemic also contributed to reduced operating losses.

### **FinTech segment**

- Even while profits decreased due to the rebound from the government subsidies for the promotion of cashless payments recorded in Q3 FY2020, Rakuten Card continued to deliver significant growth in shopping Gross Transaction Volume (GTV), up +23.3% YoY, with overall market share<sup>\*3</sup> also increasing to more than 20%. The number of Rakuten Cards issued surpassed 24 million<sup>\*4</sup> in October 2021. Rakuten Card is also making solid progress toward its "Triple Three" mid-term targets of 30 million issued cards, 30 trillion yen shopping GTV, and 30% GTV market share.
- Rakuten Bank became the first<sup>\*5</sup> online bank in Japan to reach 11 million accounts in July 2021. The number of customers using Rakuten Bank as their main account for daily living is increasing, with the number of accounts registered for salary payments increasing +59.0% YoY and the number of transactions increasing +15.5% YoY. Rakuten Bank has begun to prepare for an Initial Public Offering.
- Rakuten Securities general securities account numbers increased by more than 1.4 times YoY. Rakuten Securities has succeeded in attracting investment newcomers through a variety of initiatives leveraging the Rakuten Ecosystem, including services that offer use of Rakuten Points for trading stocks and investment trusts, and the "Money Bridge" bank account linking service connecting Rakuten Securities and Rakuten Bank. Upfront investment for new customer acquisition continues.
- In the Insurance business, new contract acquisition sales increased steadily, with new sales of life insurance increasing +21.6% YoY<sup>\*6</sup> and new sales of general insurance increasing +28.4% YoY<sup>\*7</sup>. While face-to-face sales were limited due to the pandemic, growth was driven by online sales.
- In the Payment business, Rakuten Pay achieved a rapid increase in the number of participating merchants due to the effectively zero-yen service fee campaign launched in October 2021 for small and medium-sized businesses. The number of applications for Rakuten Pay in FY2021 is expected to increase by approximately ten times over FY2020<sup>\*8</sup>.

## **Mobile segment**

- The total number of subscription contracts for the MNO service (4.11 million) and MVNO service (0.99 million) surpassed 5.1 million<sup>\*9</sup> as of the end of September 2021, demonstrating steady progress in customer acquisition.
- In line with the continued expansion of the Rakuten Mobile network service area, which is proceeding ahead of schedule, progress has been made in 39 prefectures since October to switch from the roaming service to Rakuten's network. As the Rakuten service area continues to expand, improvement in earnings is expected from Q2 FY2022 onwards.
- To drive expansion into the global telecommunications solutions market, this quarter marked the launch of Rakuten Symphony. Plans for incorporation are underway, and capital and business alliances are under consideration.

\*1 Percentage of users of two or more services in the past 12 months divided by the number of users of all services in the past 12 months (as of the end of September 2021).

\*2 Shopping e-commerce GMS = Total GMS of Rakuten Ichiba + First Party (Rakuten Fashion, Rakuten Books, Rakuten 24 and other direct-selling daily necessities shops, Rakuten Seiyu Netsuper) + Open EC (Rebates, Rakuten Pay online payments) + Rakuma.

\*3 Ministry of Economy, Trade and Industry, Specified Service Industry Statistics Survey, Credit Card Industry.

\*4 Includes the number of second Rakuten Cards issued to members, which began full scale in June 2021.

\*5 As of July 5, 2021. Research by Rakuten Bank.

\*6 Annualized Insurance Premiums of New Policies (January-September 2021). Excludes mortgage loan group credit life insurance.

\*7 Annualized Insurance Premiums of New Policies (January-September 2021). Personal products only.

\*8 Comparison of the number of applications for small and medium-sized merchants in FY2020 and the forecast for FY2021.

\*9 Number of subscribers are preliminary figures.