

# **FY2017 Third Quarter Consolidated Financial Results**

November 13, 2017  
Rakuten, Inc.



# **1** Financial Results

## Q3/17 Highlights

- Global GTV: +21.6% YoY
- Non-GAAP OI: +91.6% YoY boosted by successful data-centric investment strategy
- Domestic E-Commerce GMS: +13.7% YoY, OI -6.7% YoY on investments in C2C and start-up businesses
- FinTech: stable revenue growth at Rakuten Card, strong OI growth at Rakuten Bank, Rakuten Securities bounced back
- Raising brand awareness: partnering with Golden State Warriors

# Q3/17 Consolidated Results Summary

(JPY bn, IFRS)

	Q3/16	Q3/17	YoY
Revenue	190.5	236.4	+24.1%
Non-GAAP Operating Income	30.2	57.8	+91.6%
IFRS Operating Income	26.4	51.5	+95.4%

# Q3/17 Revenue and Operating Income

(JPY bn, IFRS)

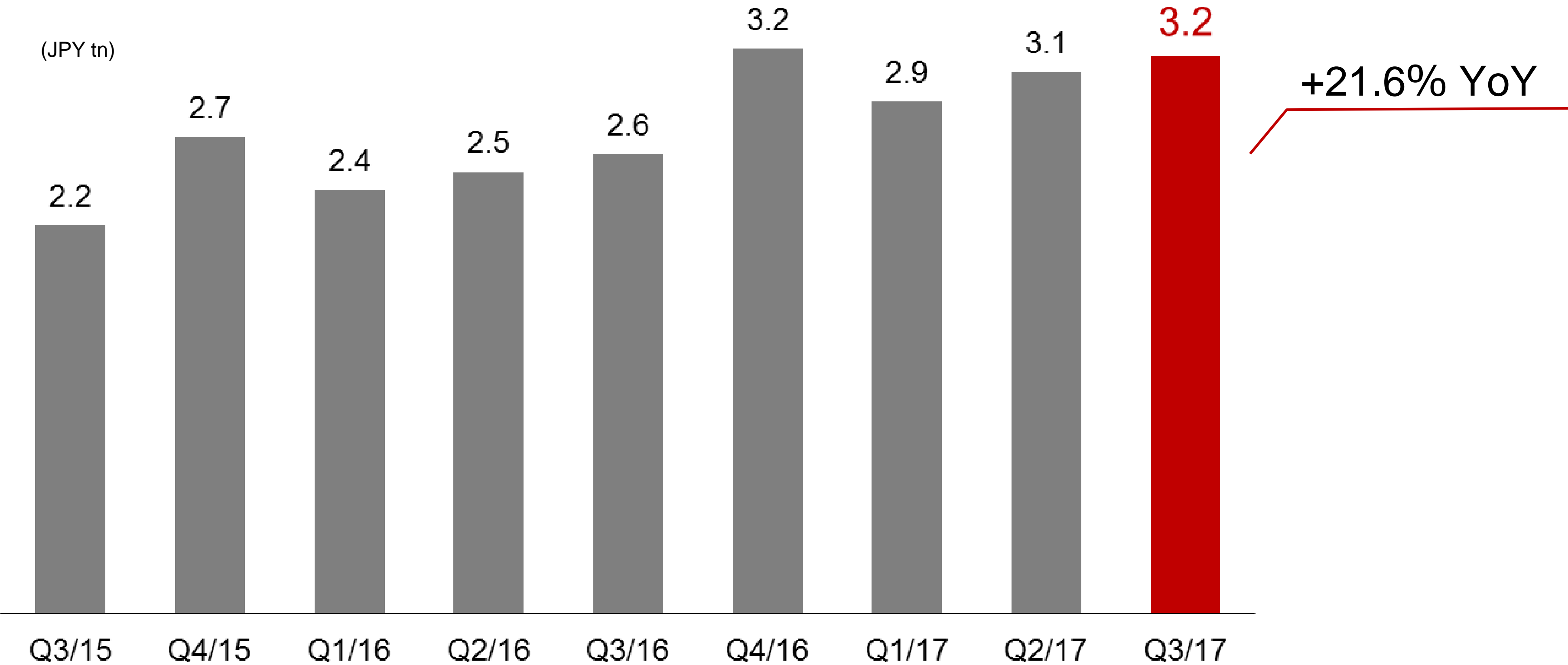
	Q3/16	Q3/17	YoY
<b>Domestic E-Commerce</b>			
Revenue	77.3	100.6	+30.1%
Operating Income	20.7	19.3	-6.7%
<b>Communications &amp; Sports</b>			
Revenue	18.8	25.0	+32.8%
Operating Income	-1.1	-0.4	+0.7
<b>Other Internet Services</b>			
Revenue	39.8	44.7	+12.5%
Operating Income	-4.8	22.8	+27.6
<b>Internet Services Segment</b>			
Revenue	135.9	170.4	+25.3%
Operating Income	14.7	41.6	+182.4%
<b>FinTech Segment</b>			
Revenue	73.0	83.7	+14.6%
Operating Income	15.5	18.0	+15.7%
<b>Adjustments</b>			
Revenue	-18.5	-17.7	+0.8
Operating Income	-0.1	-1.8	-1.7
<b>Consolidated</b>			
Revenue	190.5	236.4	+24.1%
Non-GAAP Operating Income	30.2	57.8	+91.6%
IFRS Operating Income	26.4	51.5	+95.4%

# Q3/17 Revenue and EBITDA

(JPY bn, IFRS)

		Q3/16	Q3/17	YoY
	Domestic E-Commerce			
	Revenue	77.3	100.6	+30.1%
	EBITDA	22.8	22.3	-2.3%
	Communications & Sports			
	Revenue	18.8	25.0	+32.8%
	EBITDA	-0.1	1.0	+1.0
	Other Internet Services			
	Revenue	39.8	44.7	+12.5%
	EBITDA	-1.9	25.4	+27.2
Internet Services Segment				
	Revenue	135.9	170.4	+25.3%
	EBITDA	20.9	48.6	+133.1%
FinTech Segment				
	Revenue	73.0	83.7	+14.6%
	EBITDA	19.8	23.6	+18.9%
Adjustments				
	Revenue	-18.5	-17.7	+0.8
	EBITDA	-0.6	-1.9	-1.2
Consolidated				
	Revenue	190.5	236.4	+24.1%
	Non-GAAP EBITDA	40.1	70.4	+75.6%

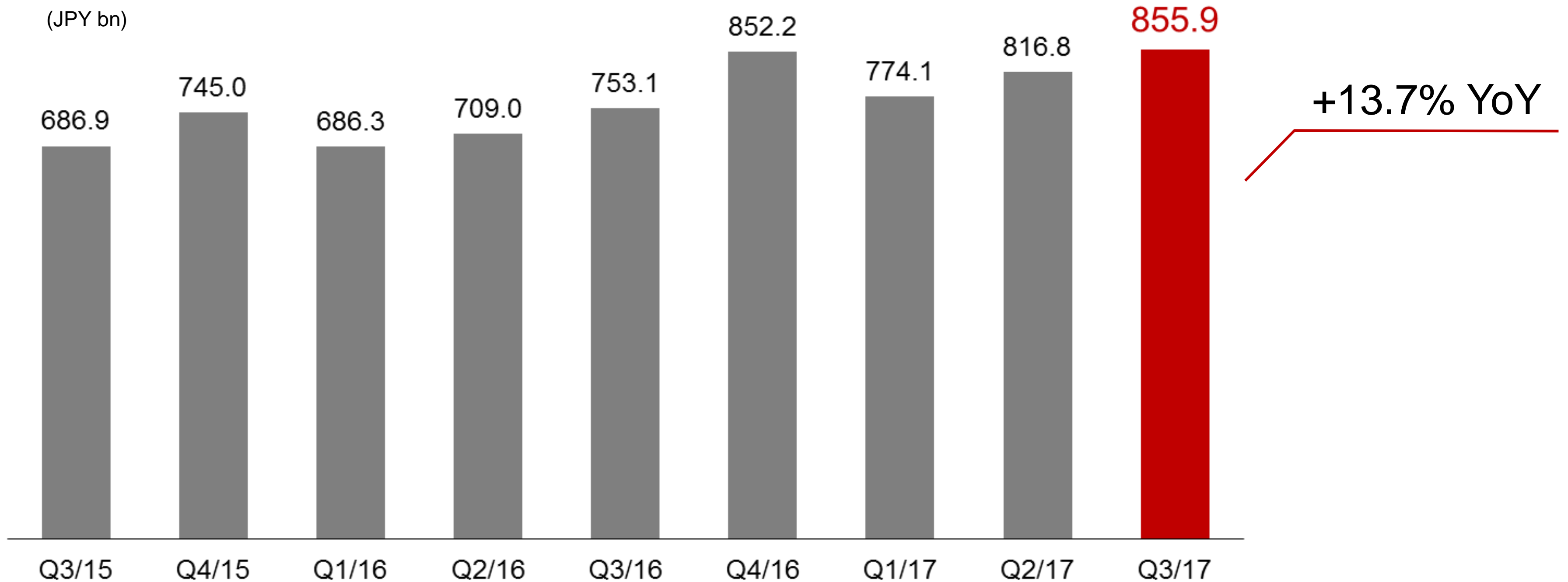
# Total Global GTV\*



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

\* Includes intercompany transactions for settlement and affiliate services

# Domestic E-Commerce GMS\*



\*1: Domestic E-Commerce GMS includes consumption tax. Consumption tax not included in GMS for businesses not required to pay consumption tax.

GMS comprises Ichiba, Travel GTV on checkout basis, Books, Golf, Ticket, Style, Dream businesses, Video streaming, Dining, Beauty, Mart, Delivery, Rakuten Direct(Soukai Drug, Kenko.com) Energy, Car Life, Rakuten Pay, Coupon, Rakuma, FRIL, Rakubin, Rebates etc.

\*2: Definition of GMS for first party businesses was revised mainly upon the merger between Soukai Drug and Kenko.com. This has resulted in retroactive adjustments to Domestic E-Commerce GMS



# Profit from Investment Portfolio in Q3/17

Valuation Gains from Ride-Sharing Investment

JPY 22.8 bn<sup>\*1</sup>

Profit on Sale of The Grommet

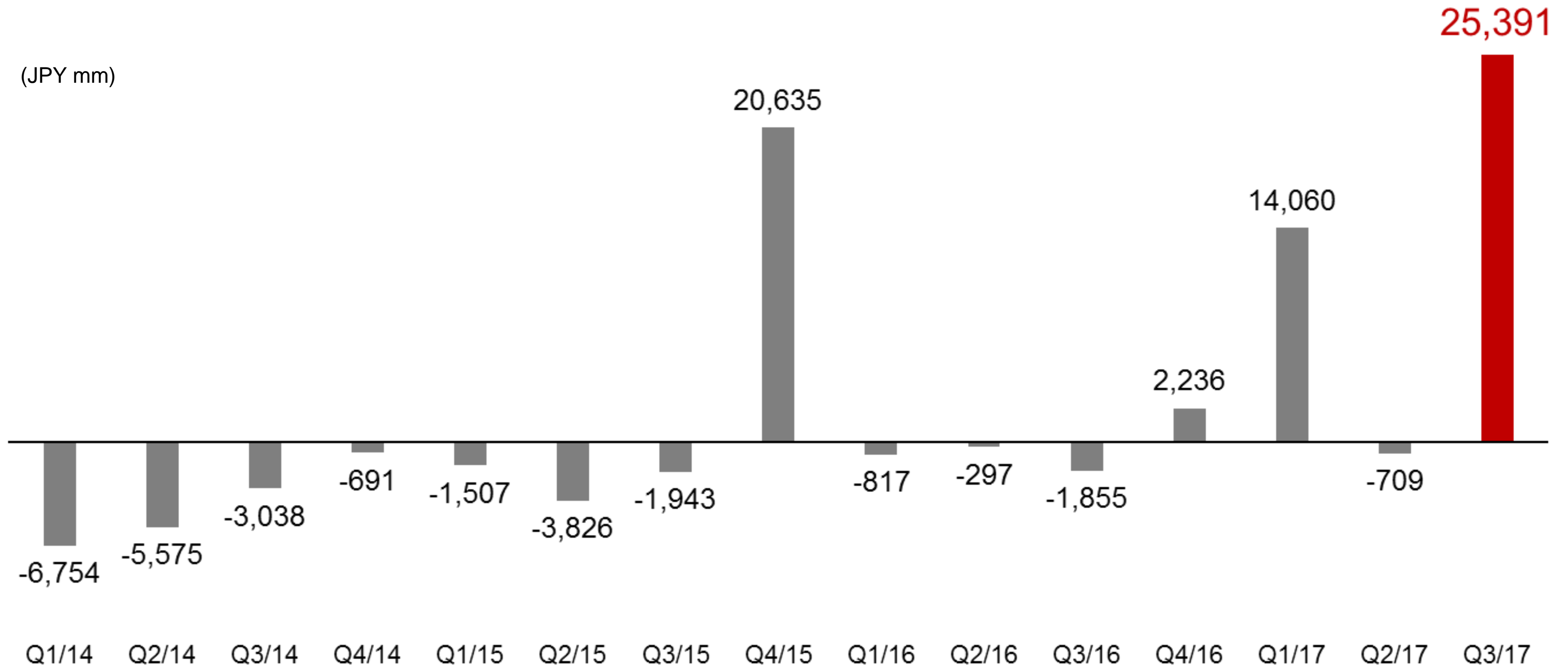
JPY 5.0 bn<sup>\*2</sup>

\*1: JPY 21.3bn is included in Other Internet Services and JPY 1.5bn included in Adjustments

\*2: JPY 4.7bn is included in Other Internet Services and JPY 0.3bn included in Adjustments

# Other Internet Services Non-GAAP EBITDA

(JPY mm)





# Golden State Warriors Partnership





# NBA Partnership

- Rakuten became the NBA's exclusive distribution partner in Japan
  - ✓ NBA League Pass powered by Rakuten, will be limited to Rakuten members in Japan
  - ✓ Subscription package on Rakuten TV in Japan

**Rakuten NBA Special**  
2017-18年のNBAアメリカプロバスケットボールリーグの注目カードをLIVE配信！

レギュラーシーズン、プレイオフそしてファイナルまで、毎日注目カードをLIVE配信！  
最大1,400試合を観たい方には「リーグパス」、日本語実況＆解説のLIVEやダイジェストを観たい方には「Rakuten NBA Special」がおすすめです♪  
ご購入前に「プラン比較表」をご覧ください！

**Rakuten NBA Special** 972円 月額見放題 購入手続きへ >  
登録済みの方はログイン

**NBA League Pass** 最大1,400試合を視聴したい方に！ >  
※外部サイトに遷移します

**NBA League Pass** 最大1,400試合！「リーグパス」も必見♪  
お好きなデバイスで視聴可能！  
シーズン中毎日LIVE配信！

[「Rakuten NBA Special」に関するFAQはこちら](#)



**R Rakuten**

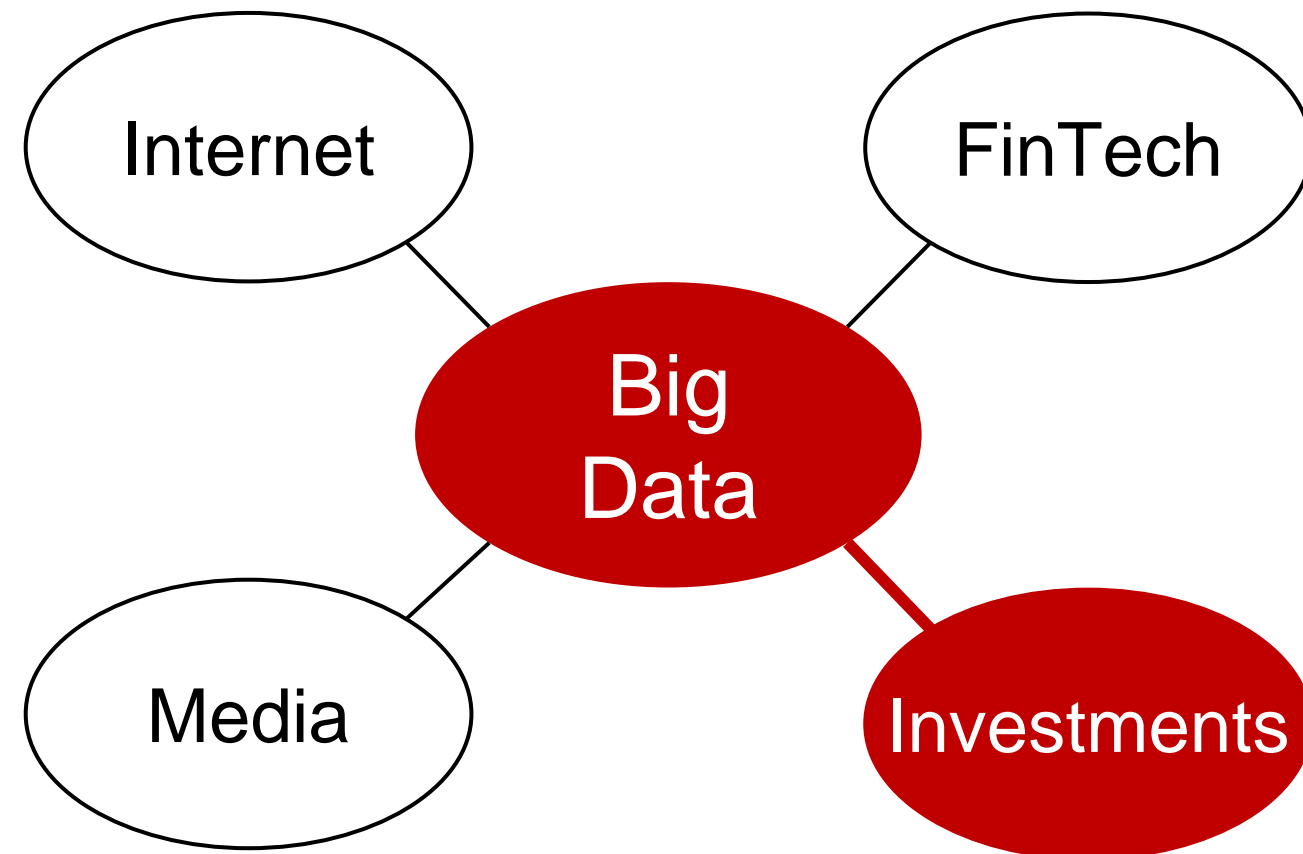
**R Rakuten TV**

**R Rakuten**

## **2** Rakuten Capital

# Investment Business

## Concept



## Vision

### Sourcing

- Screening by Big Data
- Leveraging Rakuten global network
- Venture/Investment community at global level

### Adding Value

- Providing various management know-how such as marketing and KPI management
- Adding corporate value utilizing Big Data
- Director level and hands-on support

Brand

**R Rakuten Capital**

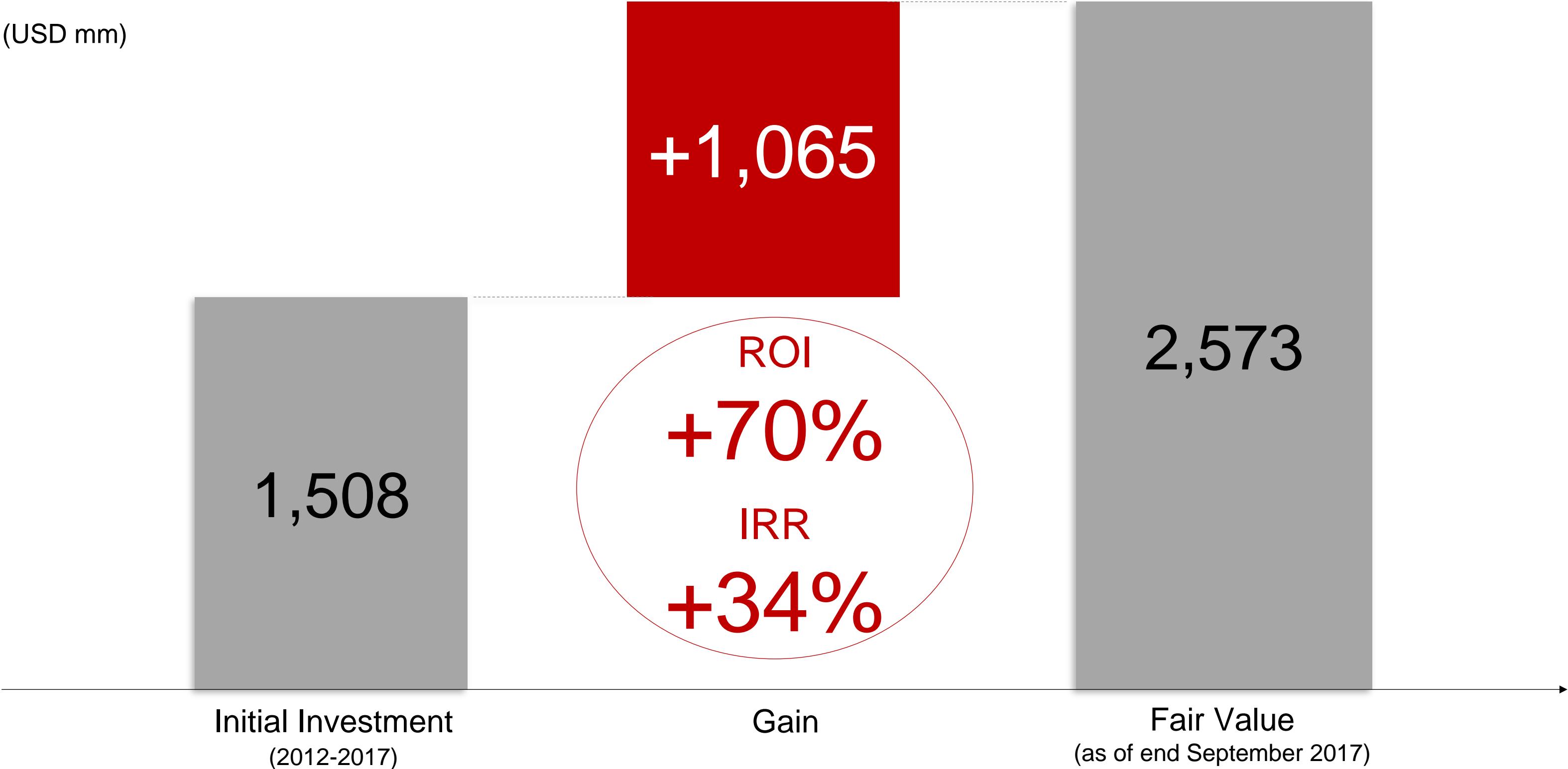


# Target Segments



# Historical Performance

(USD mm)





# IRR by Vintage Year

Vintage Year	Initial Investment (USD mm)	IRR*	Major investments with gain
2012	83	+34%	Pinterest
2013	1	+160%	Carousell
2014	17	+49%	Carousell, Pocketmath, Algorithmia
2015	539	+27%	Lyft, Currency Cloud, Bluevine
2016	412	+46%	Cabify, Careem, Acorns
2017	457	+37%	Lyft
<b>Total</b>	<b>1,508</b>	<b>+34%</b>	

\* As of the end of September 2017, based on fair value excluding business alliance investments and listed equity investments.

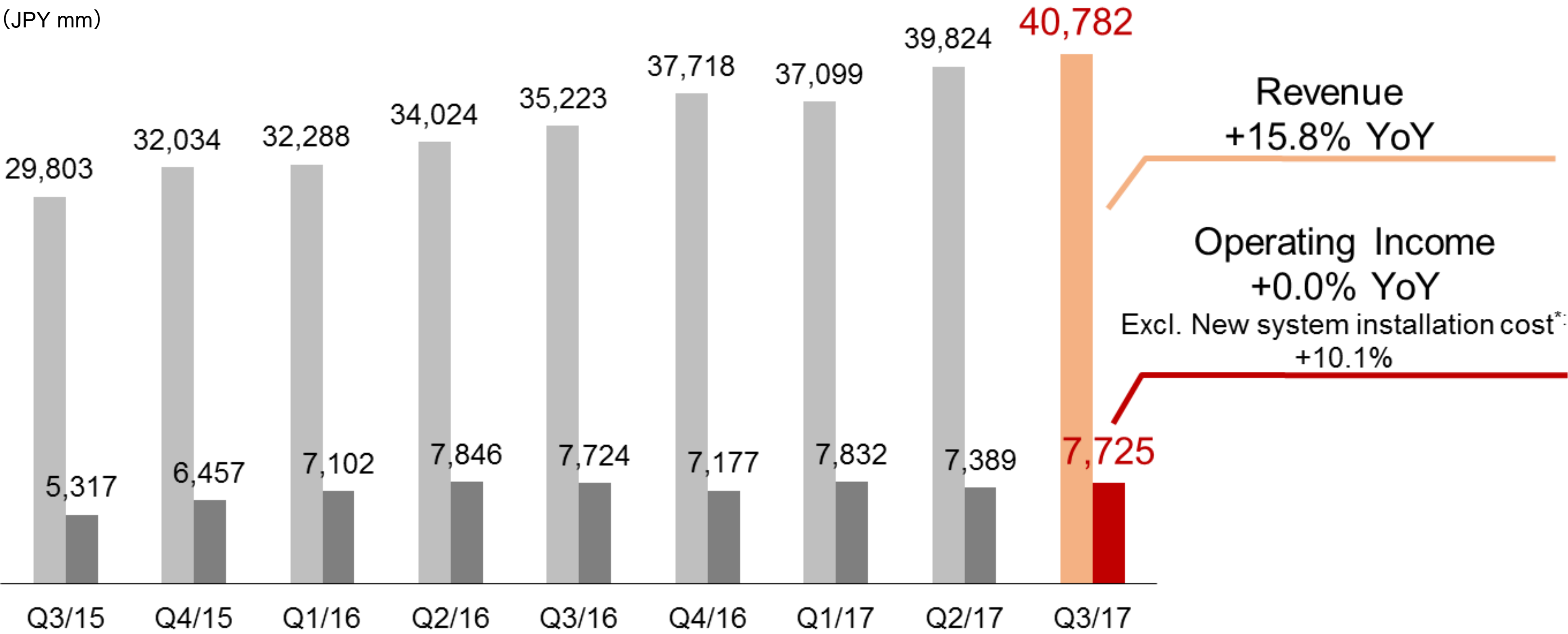
## **3** FinTech

# FinTech Results Summary

(JPY bn, IFRS)

	Revenue	YoY	Operating Income	YoY
Card	40.8	+15.8%	7.7	+0.0%
Bank	19.0	+15.1%	5.4	+29.7%
Securities	12.4	+20.2%	4.4	+35.3%
Life Insurance	8.1	-0.8%	0.5	+27.3%
Others	3.4	+21.0%	-0.1	-0.0
FinTech Total	83.7	+14.6%	18.0	+15.7%

# Rakuten Card Results



\* New system installation cost: JPY 0.8bn

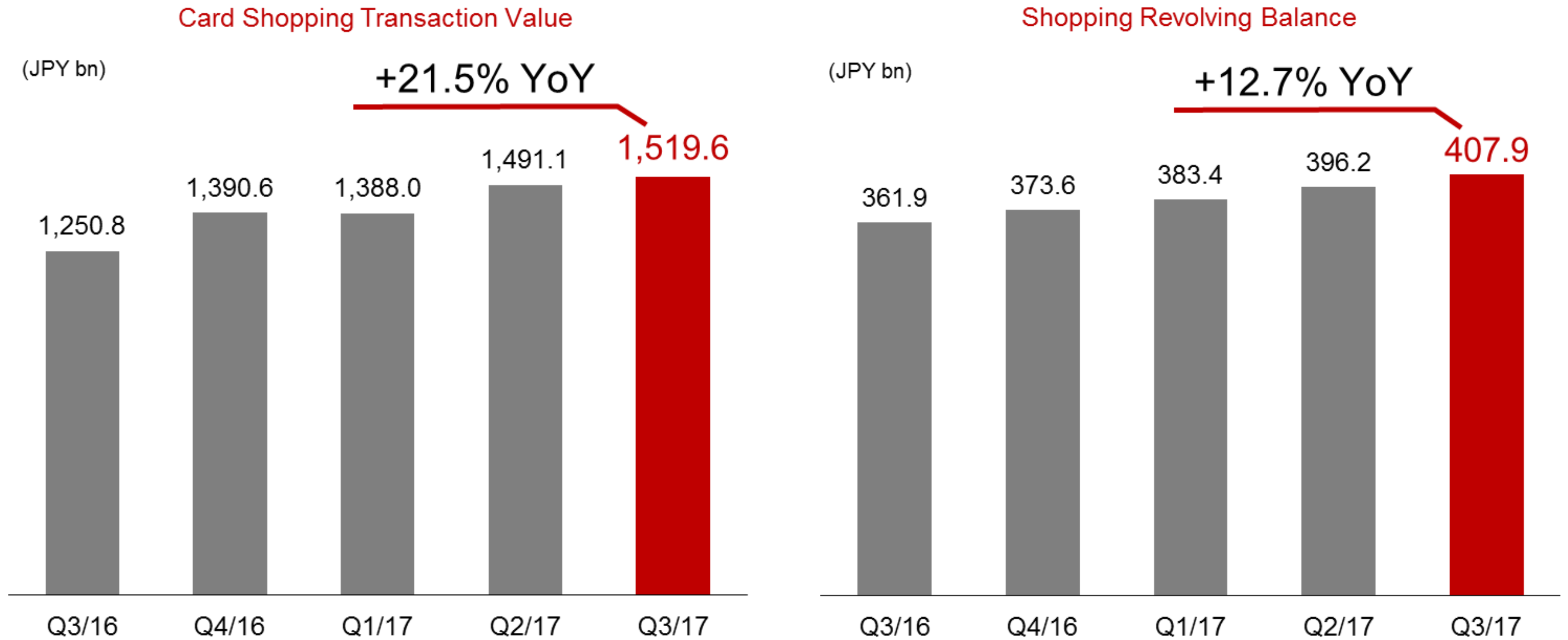
## Rakuten Card: Profit Scale

Annualized Operating Income

approx. JPY 43 bn

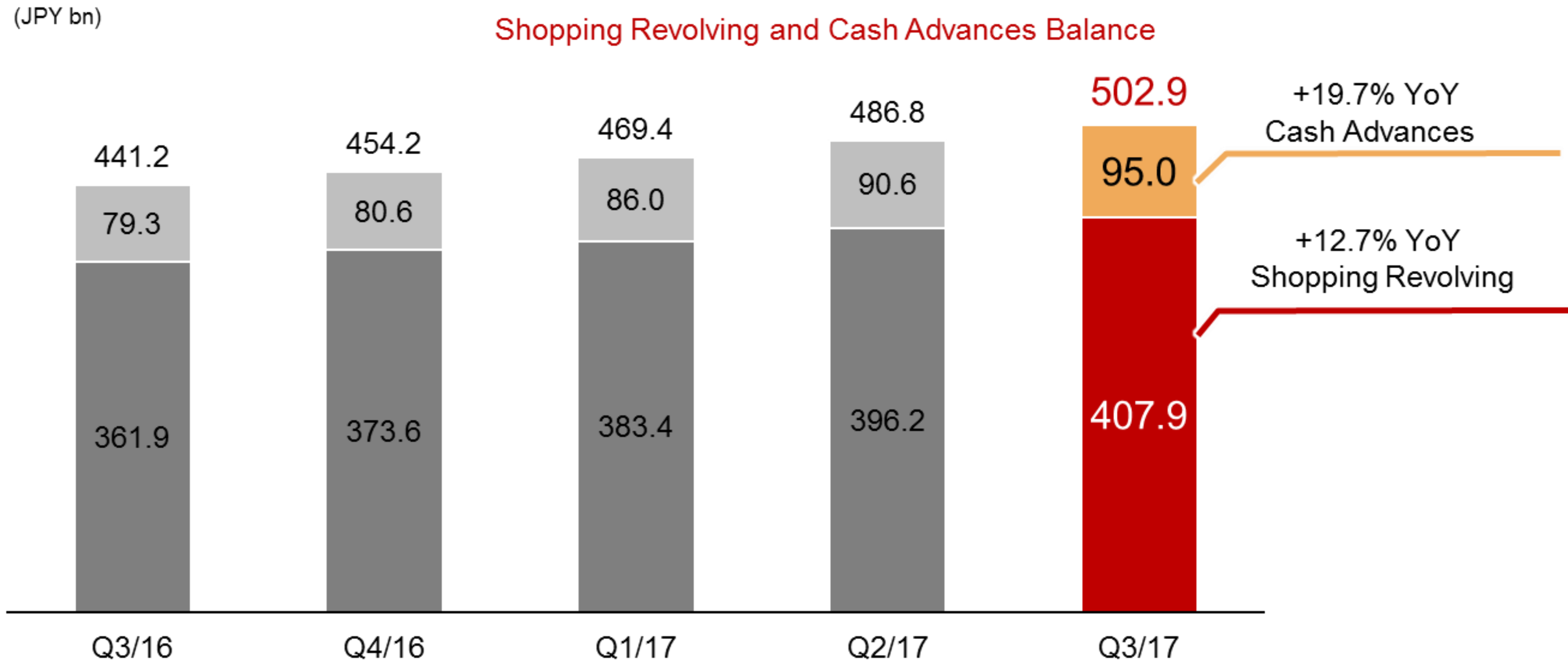
excluding direct marketing costs

# Rakuten Card KPIs\*(1)



\* 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)



\* 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 on a principal basis



# Release of New Card Designs

Rakuten Eagles Design  
(Released on Oct 23)



FC Barcelona Design  
(Released on Oct 26)



FC Barcelona Player Design



FC Barcelona Emblem Design

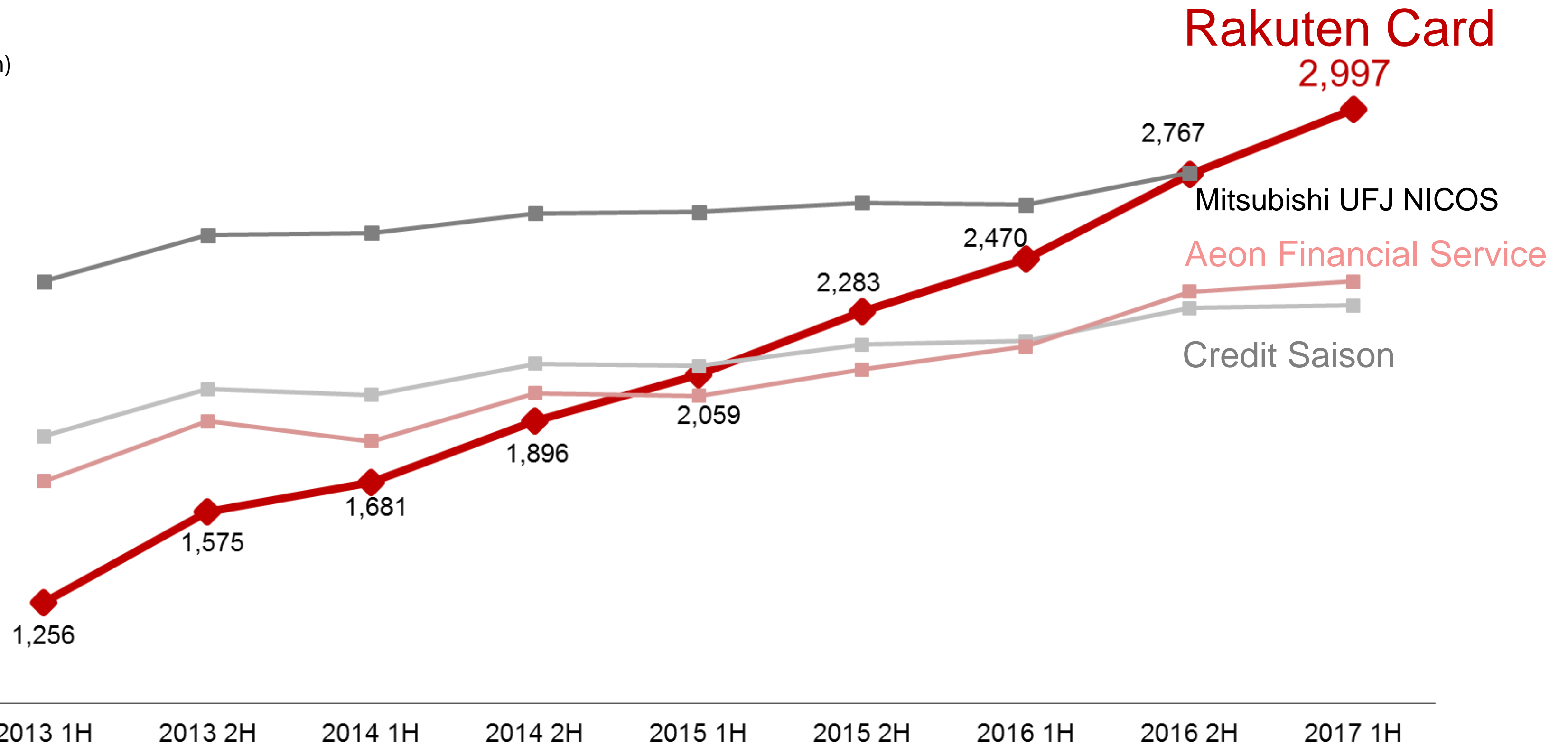
Available with either Mastercard or JCB





# Major Credit Card Companies\*<sup>1</sup> Shopping Transaction Value\*<sup>2</sup>

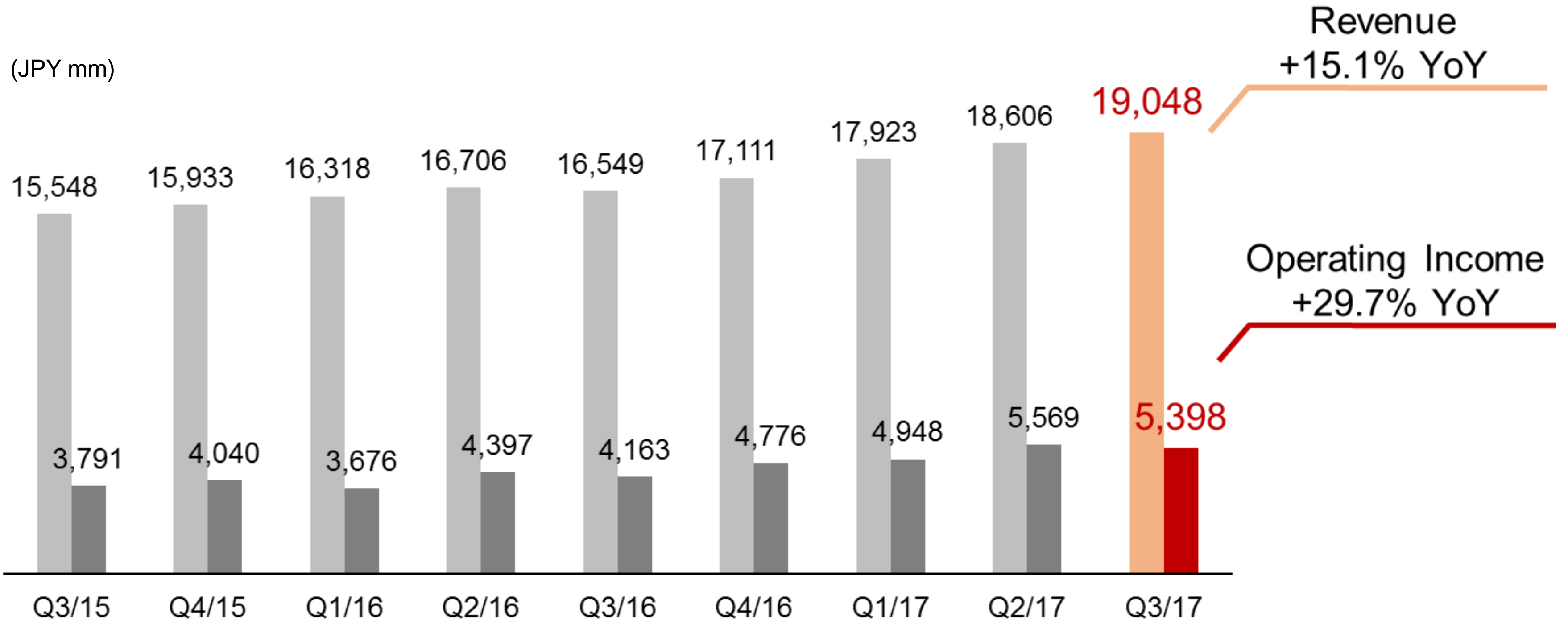
(JPY bn)



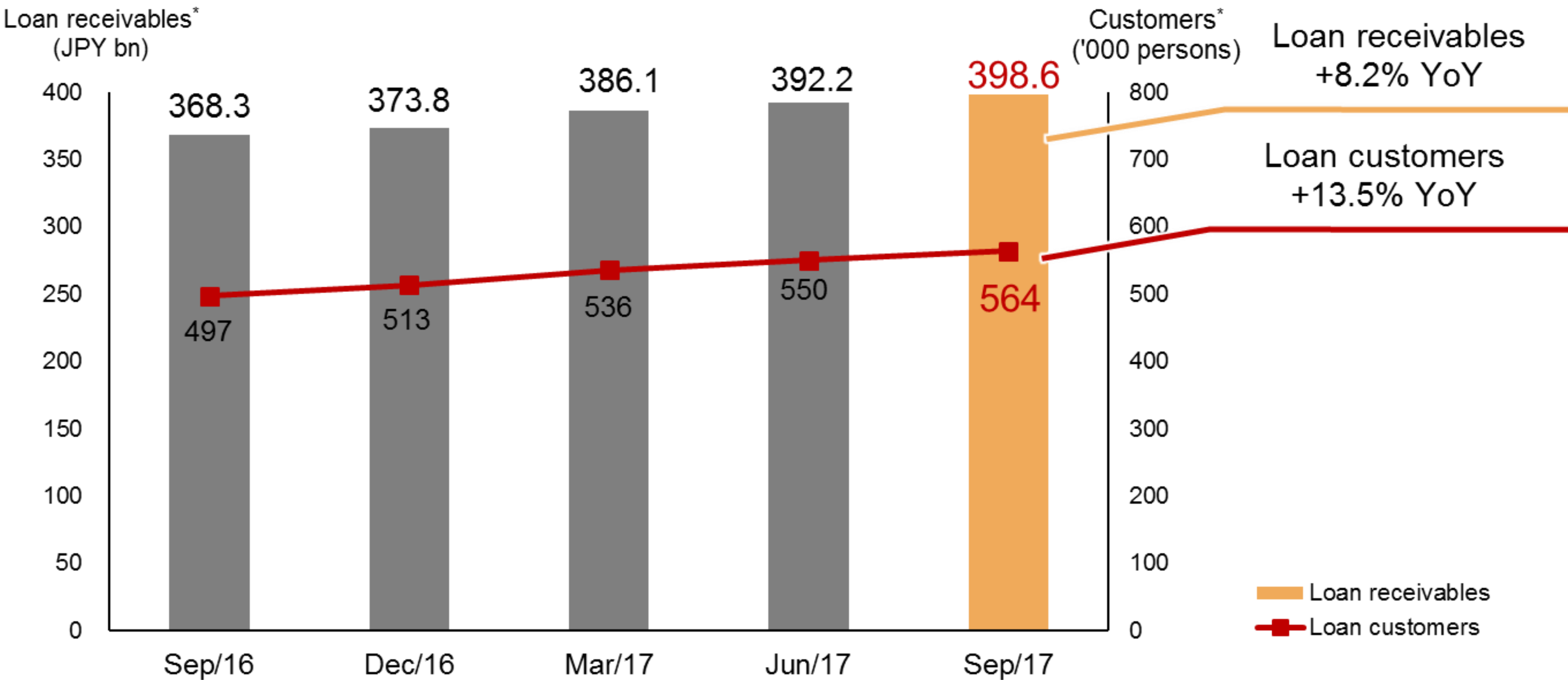
\*1 Source: Kinzai Institute of Financial Affairs, Inc., Credit Saison, Aeon Financial and Rakuten Card. Data of Sumitomo Mitsui Card is not available.

\*2 Credit card issuer basis.

# Rakuten Bank Results



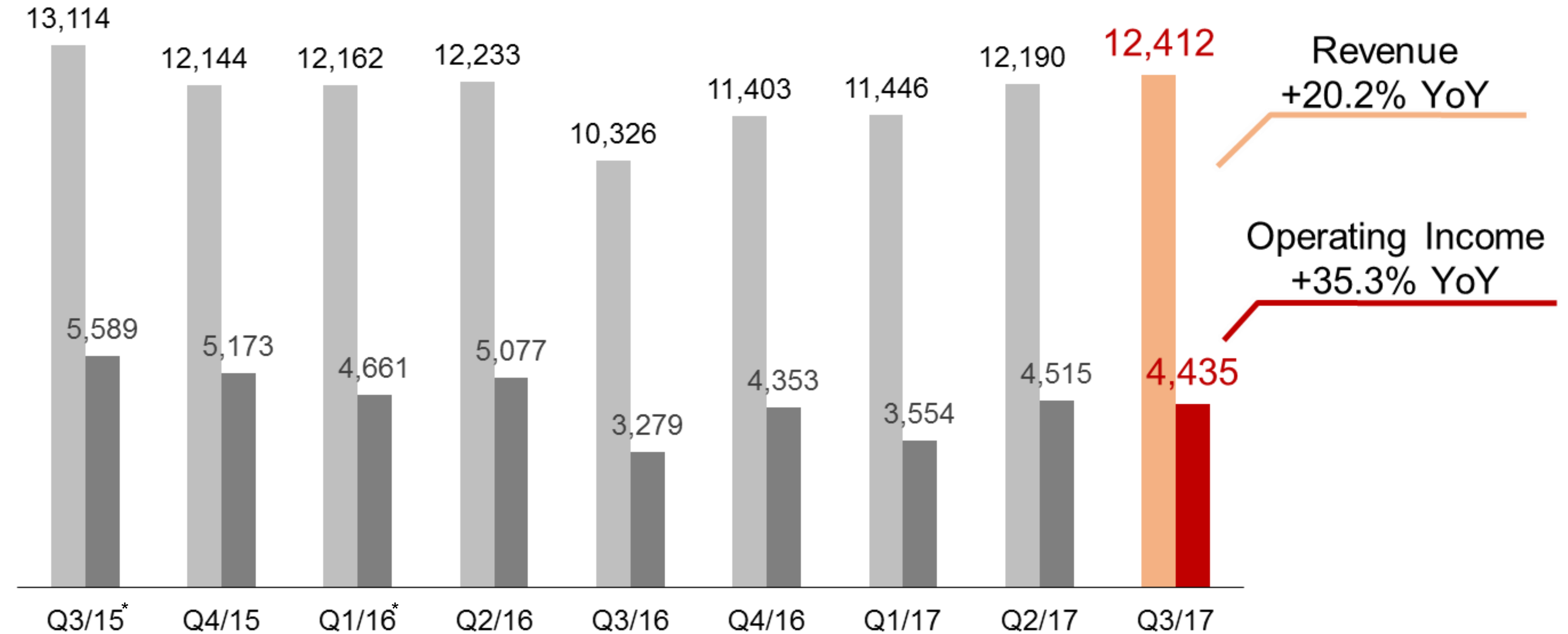
# Rakuten Bank Super Loan Balance (IFRS)



\* Loan receivables and loan customers include foreclosed credit guarantees of Rakuten Card Co., Ltd.

# Rakuten Securities Results

(JPY mm)

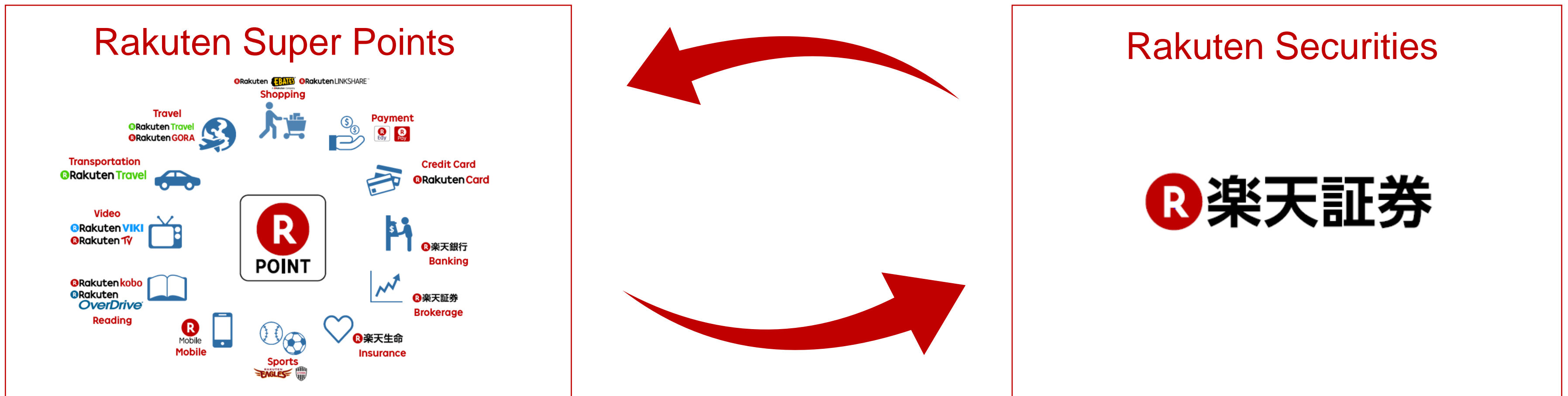


\*1: Rakuten Securities acquired FXCM Japan Securities Co. Ltd. in August 2015.

\*2: Q1/16 IFRS revenue and operating income does not include JPY 3bn from sale of stocks of a minority investment, while it was recorded under J-GAAP.

# First Securities Company\* to Allow Purchase of Investment Trusts with Points

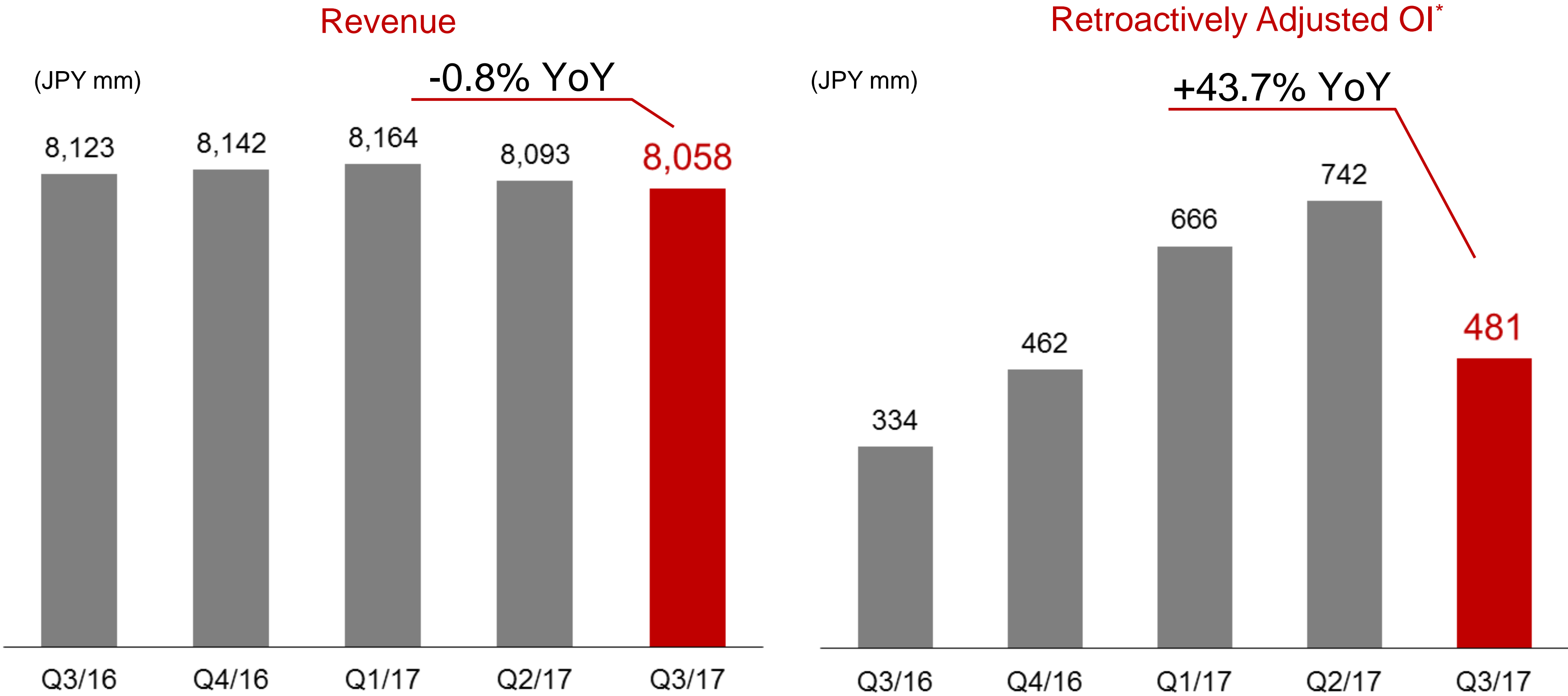
## Points Granted on Rakuten Securities Transaction



Investment Trusts : Purchase with Points  
(1 yen = 1 Point, minimum purchase with 100 yen)

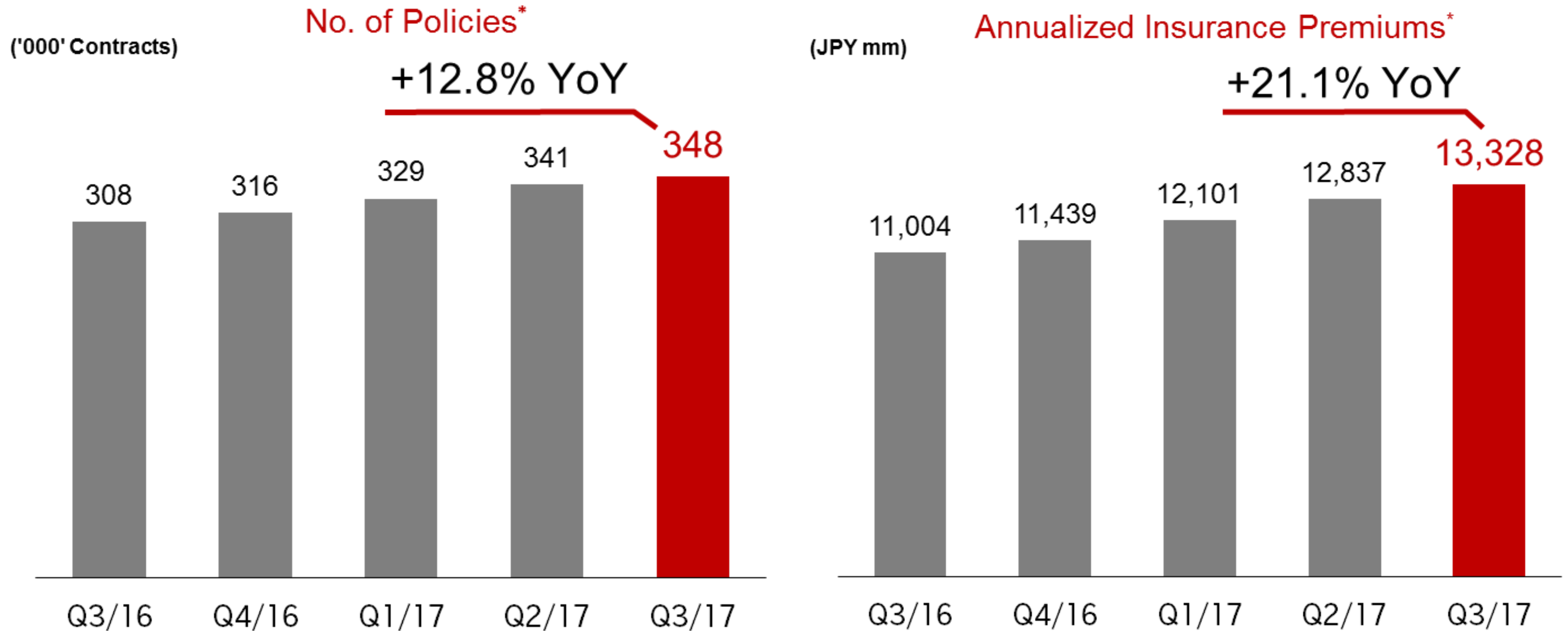
\* Comparison with domestic securities companies as of August 10, 2017 (Rakuten's research)

# Rakuten Life Insurance Results



\* From Q1/17, the standard used for calculating insurance policy reserves was changed. This has resulted in retroactive adjustments to consolidated results, but have not been applied to segment results.

# Rakuten Life Insurance Contracts and Premiums



\* Excluding policies of mutual aid association business transferred in 2008, and one-year cancer insurance for eligible Rakuten members which started from Q4/14

# Rakuten Life Insurance

- New Business ANP +16.7% YoY driven by continuous and effective TV ads
- New Business ANP +95.7% YoY in the direct marketing channel

New Business  
ANP Growth<sup>\*2</sup>

**+16.7% YoY**

**Q3/17**

Direct Marketing<sup>\*1</sup>

New Business  
ANP Growth<sup>\*3</sup>

**+95.7% YoY**

**Q3/17**

\*1: Direct marketing channels by internet and mail.

\*2: Annualized insurance premiums for new policies in Q3/17, excluding one-year cancer insurance for eligible Rakuten members which started from Q4/14.

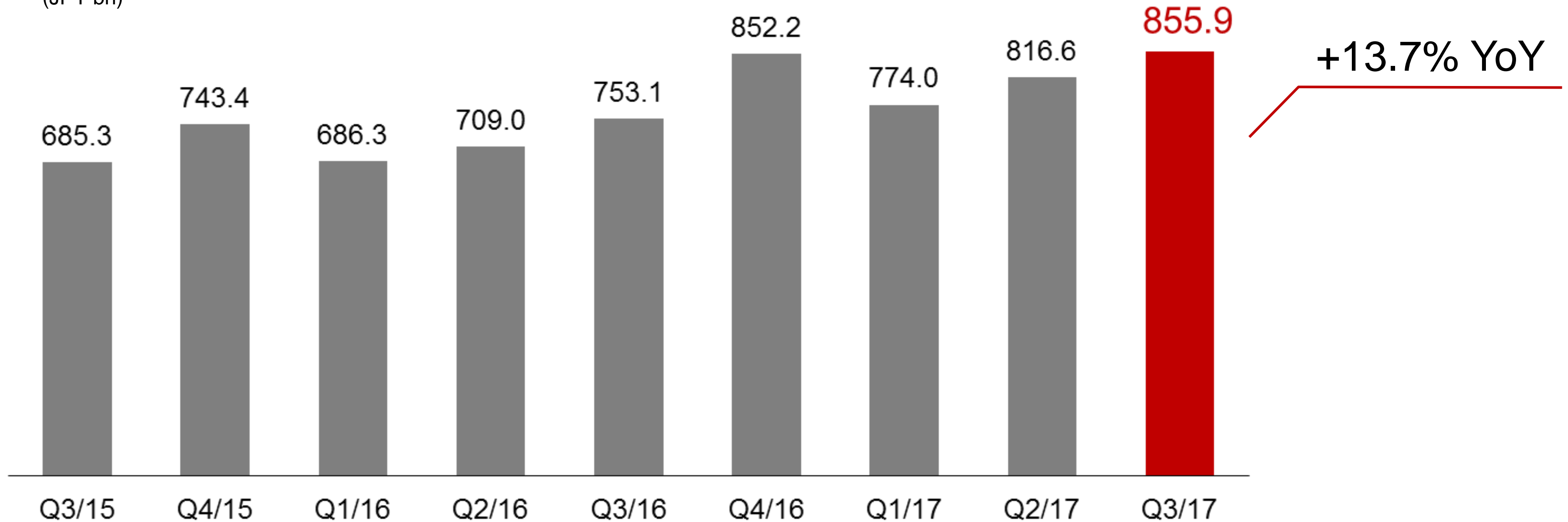
\*3: Annualized insurance premiums for new policies through direct marketing channels in Q3/17, excluding one-year cancer insurance for eligible Rakuten members which started from Q4/14.



## **4** Internet Services

# Domestic E-Commerce GMS\*

(JPY bn)



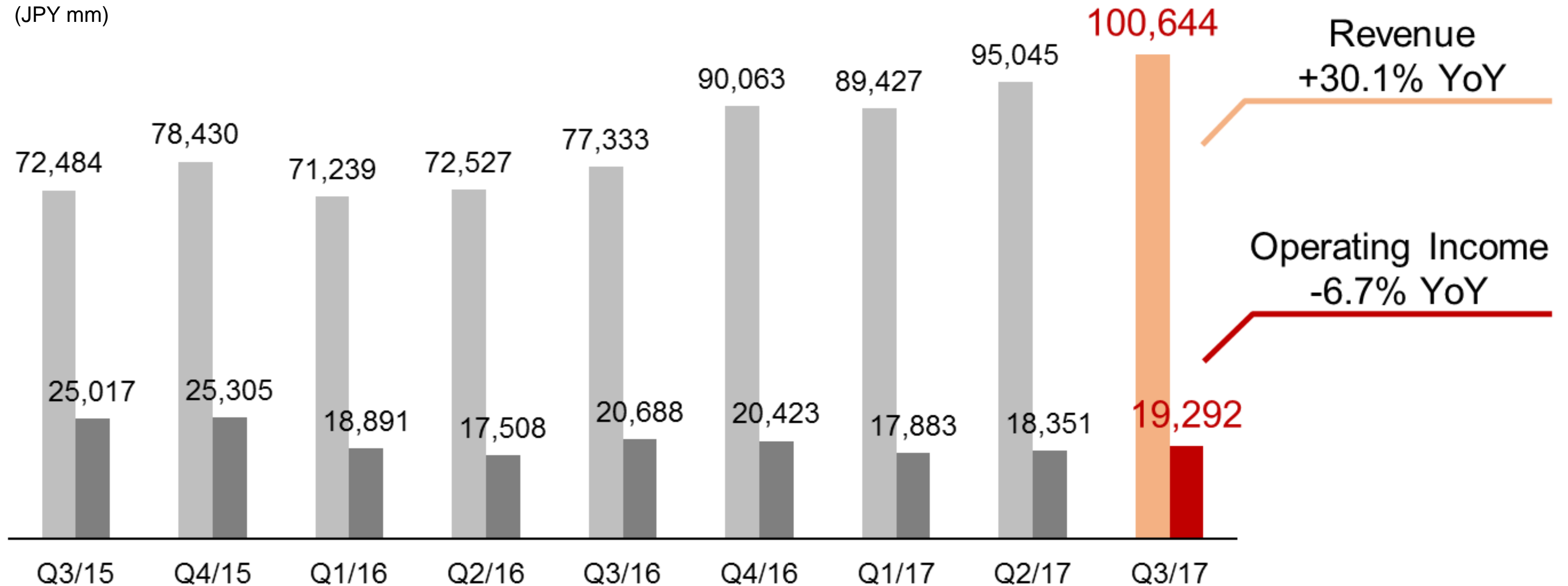
\*1: Domestic E-Commerce GMS includes consumption tax. Consumption tax not included in GMS for businesses not required to pay consumption tax.

GMS comprises Ichiba, Travel GTV on checkout basis, Books, Golf, Ticket, Style, Dream businesses, Video streaming, Dining, Beauty, Mart, Delivery, Rakuten Direct(Soukai Drug, Kenko.com) Energy, Car Life, Rakuten Pay, Coupon, Rakuma, FRIL, Rakubin, Rebates etc.

\*2: Definition of GMS for first party businesses was revised mainly upon the merger between Soukai Drug and Kenko.com. This has resulted in retroactive adjustments to Domestic E-Commerce GMS

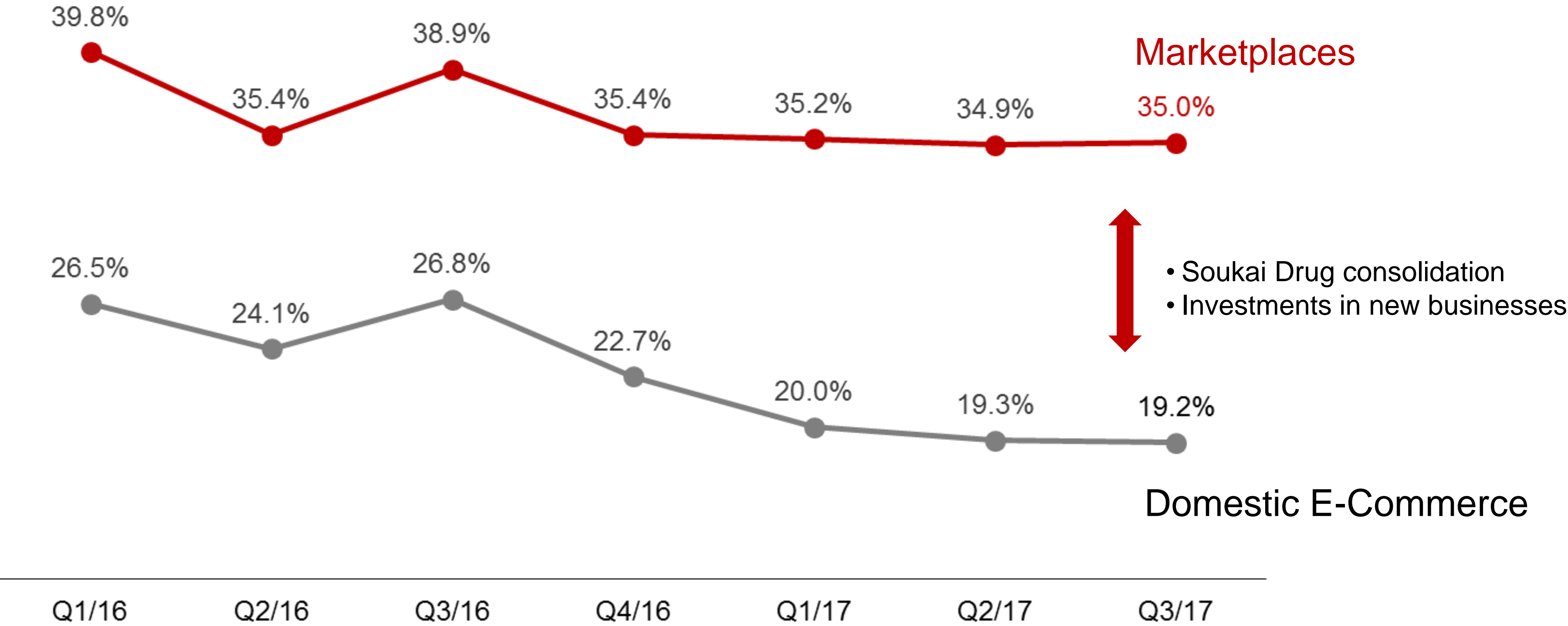
# Domestic E-Commerce Results\*

(JPY mm)



\* Domestic E-Commerce = Ichiba, Travel, Books, Golf, Ticket, Stylife, Dream businesses, Video streaming, Dining, Beauty, Mart, Delivery, Kenko.com, Soukai Drug Logistics, Energy, Car Life, Rakuten Pay, Coupon, Rakuma, FRIL, Rakubin, etc.

# Domestic E-Commerce OI Margin



\* Marketplaces: Ichiba, Travel, Golf, Beauty, Delivery, Rakubin, Mart, Dining

# SPU

- Rakuten Books added to SPU program in October



The banner features a red background with white and yellow text. At the top, three yellow banners read 'エントリー不要' (No entry required), '全会員様対象' (For all members), and '全ショップ対象' (For all shops). A blue banner with white stars and the word '安心' (Peace of mind) is next to a white box listing compensation services: 'もしもの時も安心!安全!全員無料の補償サービス' (Even in case of an emergency, safety! Free compensation service for all), '1 未着・遅延・欠陥品にも対応' (1 Corresponds to non-delivery, delay, and defective products), '2 購入金額分を最大30万円まで補償' (2 Compensation up to 300,000 yen of purchase amount), and '3 万が一の模倣品も、1,000ブランド以上を補償' (3 Even in case of counterfeit products, compensation for 1,000+ brands). The main text reads 'サービスを使えば 使うほどポイントUP!' (Use the service, points go up as you use it!). Below this, a white speech bubble says 'いつでも毎日' (Every day), followed by 'ポイント最大8倍' (Points up to 8x). At the bottom, a yellow banner says '楽天ブックスが加わり最大7倍から8倍にパワーUP!' (Rakuten Books added, power up from 7x to 8x!).

エントリー不要 全会員様対象 全ショップ対象

安心

もしもの時も安心!安全!全員無料の補償サービス  
1 未着・遅延・欠陥品にも対応  
2 購入金額分を最大30万円まで補償  
3 万が一の模倣品も、1,000ブランド以上を補償

**R SPU!**  
スーパーポイントアップ

サービスを使えば  
使うほどポイントUP!

いつでも毎日  
ポイント最大8倍

楽天ブックスが加わり最大7倍から8倍にパワーUP!

# Increasing Ichiba Orders and Purchasers

- Ichiba orders and purchasers increasing steadily
- Unit prices bottoming out

Number of Orders<sup>\*1</sup>  
**+8.3% YoY**

Unique Purchasers<sup>\*1</sup>  
**+5.3% YoY**

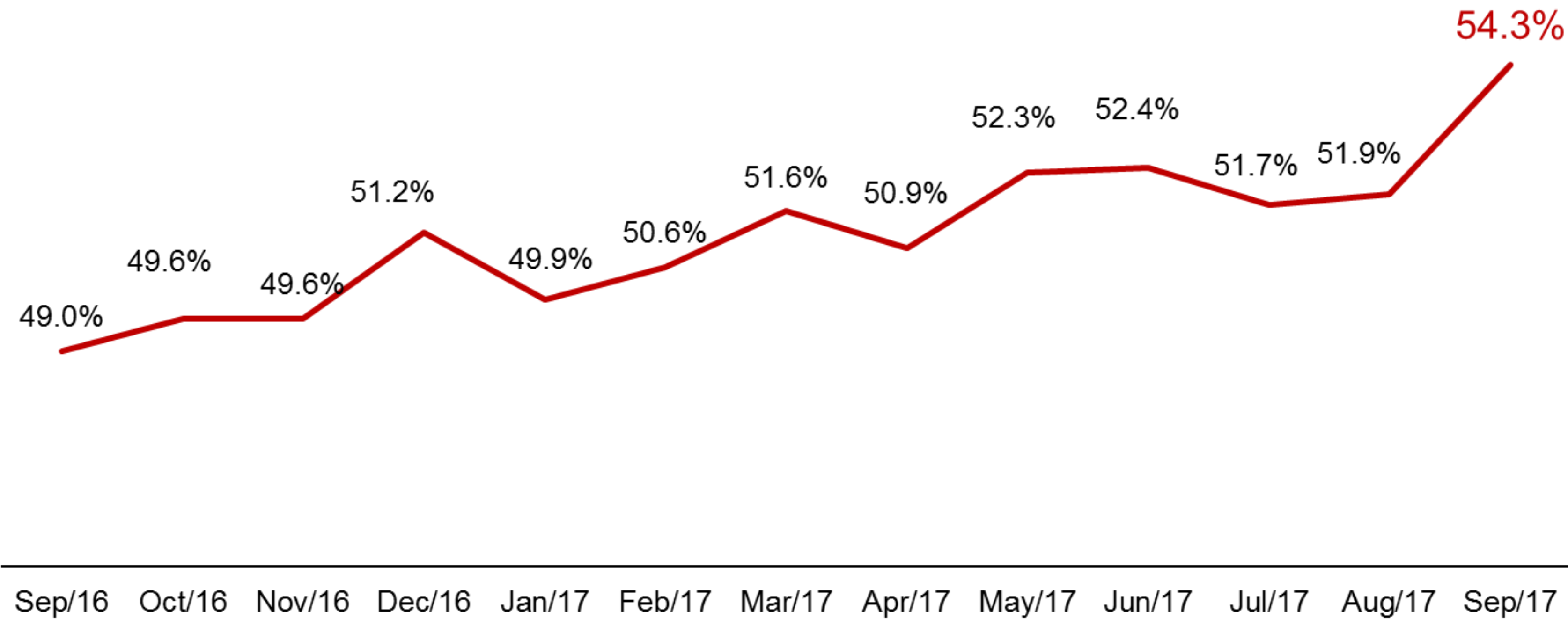
Spending on Ichiba jumps  
**+112%**  
after becoming a  
Rakuten Card member<sup>\*2</sup>

<sup>\*1</sup>: As of Q3/17. Unique purchasers is monthly average of July - September

<sup>\*2</sup>: Change in average annual spending per user who became a card user during February - April 2016

# Rakuten Card Share of Rakuten Ichiba GMS

■ Rakuten Card share of Ichiba GMS is consistently growing



## Q3/17 Rakuten Ichiba Mobile GMS Ratio\*

64.2%

Up 4.4 points YoY

\* Mobile GMS Ratio = Ichiba mobile GMS / Total Ichiba GMS (includes feature phones, smartphones, and tablets)



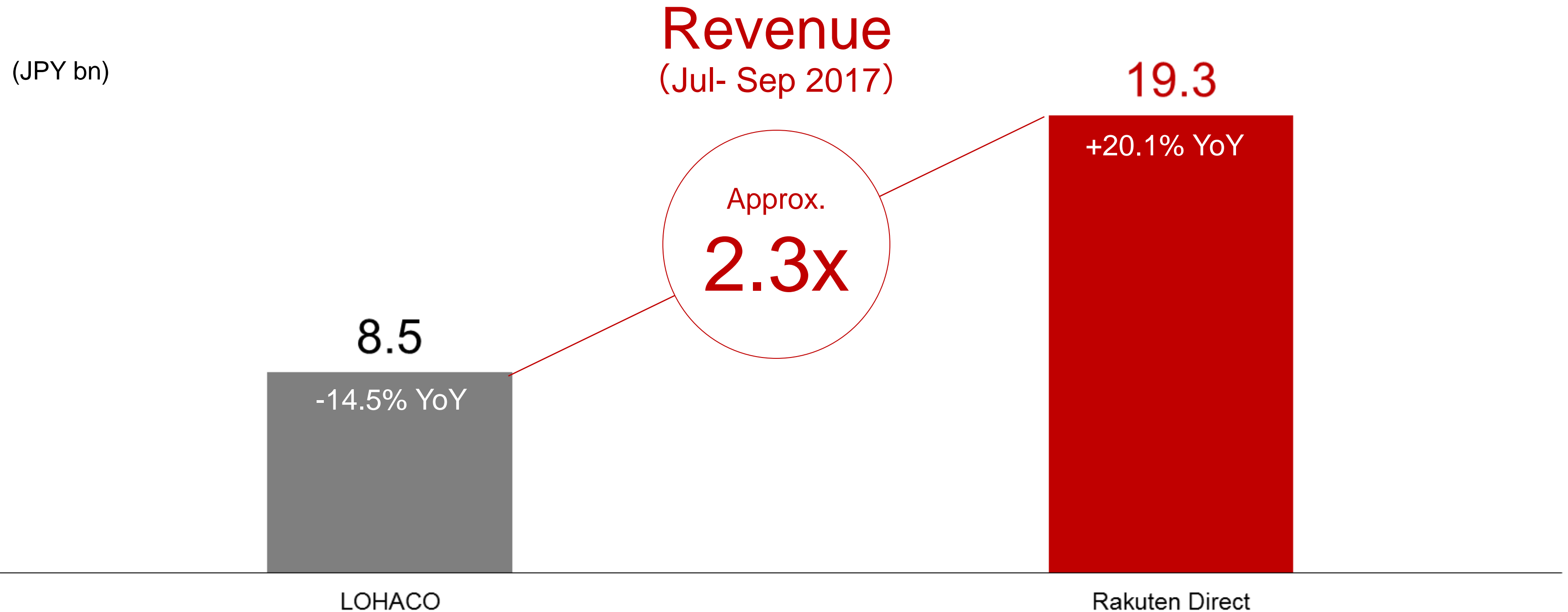
# Rakuten Ichiba: Advertising Revenue

Advertising revenue

**+10.0% YoY**  
in Q3/17

# Rakuten Direct: Revenue Scale

- Rakuten Direct (Soukai Drug + Kenko.com) revenue exceeds that of their main competitor



\* Revenue is adjusted for differences in accounting policies

## C2C Business

- Active marketing activities including TV commercials) has led to increases in GMS, sellers and orders



Q3/17 GMS  
2.0x YoY

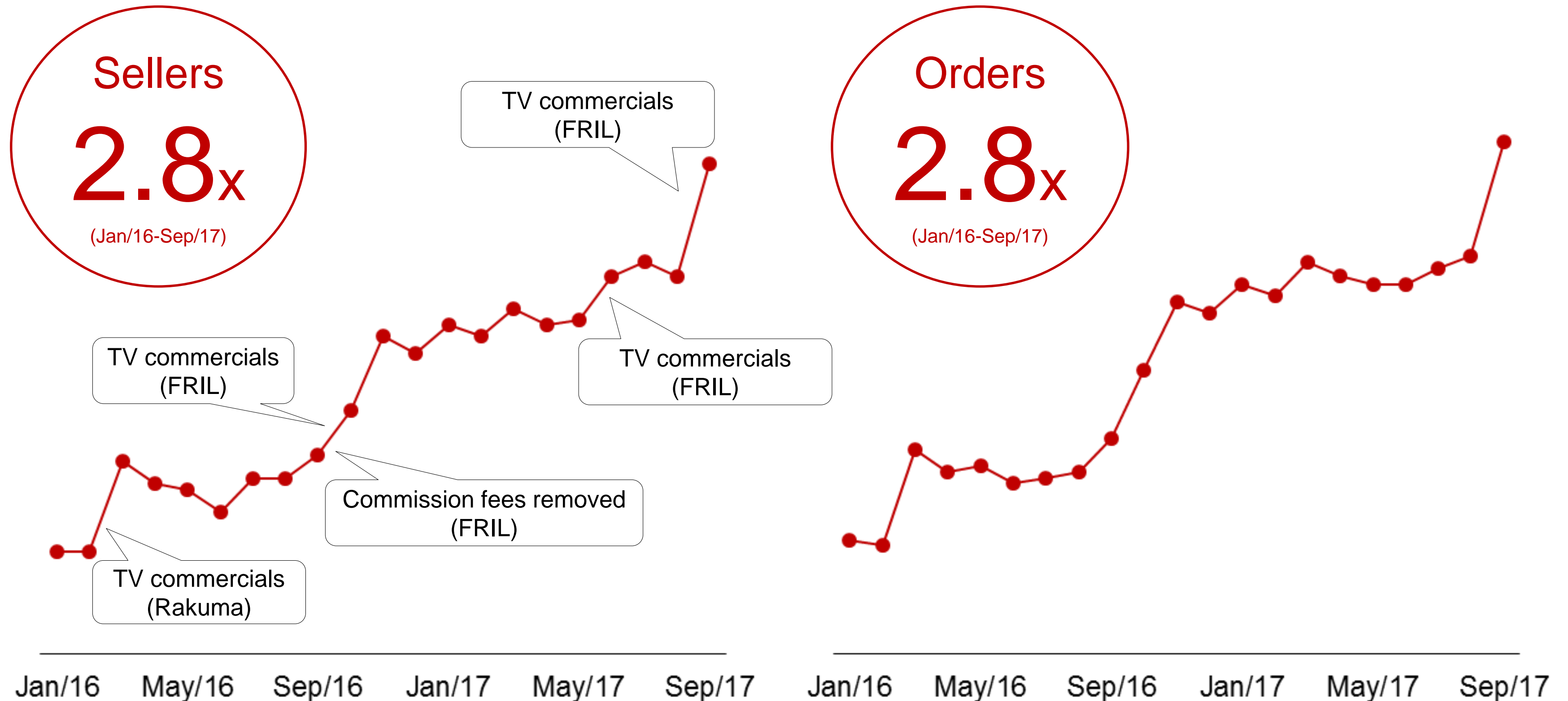


FRIL

Sep/17 GMS grew  
5.9x YoY

## C2C Business

- Sellers and orders growing steadily thanks to the removal of commission fees and increased awareness through TV commercials



# C2C Business



Surpassed JPY 100bn\* annualized GMS

Next target is JPY 200bn

\* Based on October 2017 monthly GMS

# Other Domestic E-Commerce Business

## スーパーDEAL

Super DEAL

Q3/17 GMS

Over **+150%** YoY

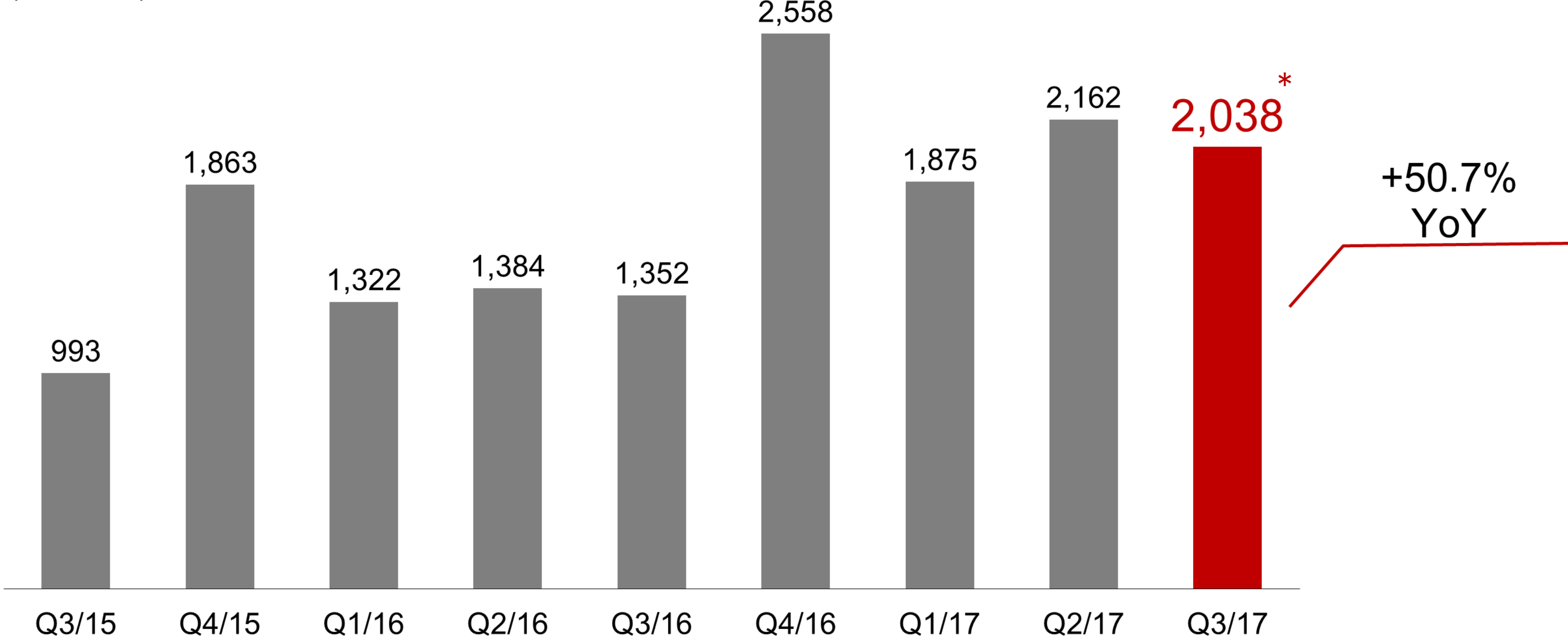
## ebates

Q3/17 GMS

Over **+250%** YoY

# Ebates GMS

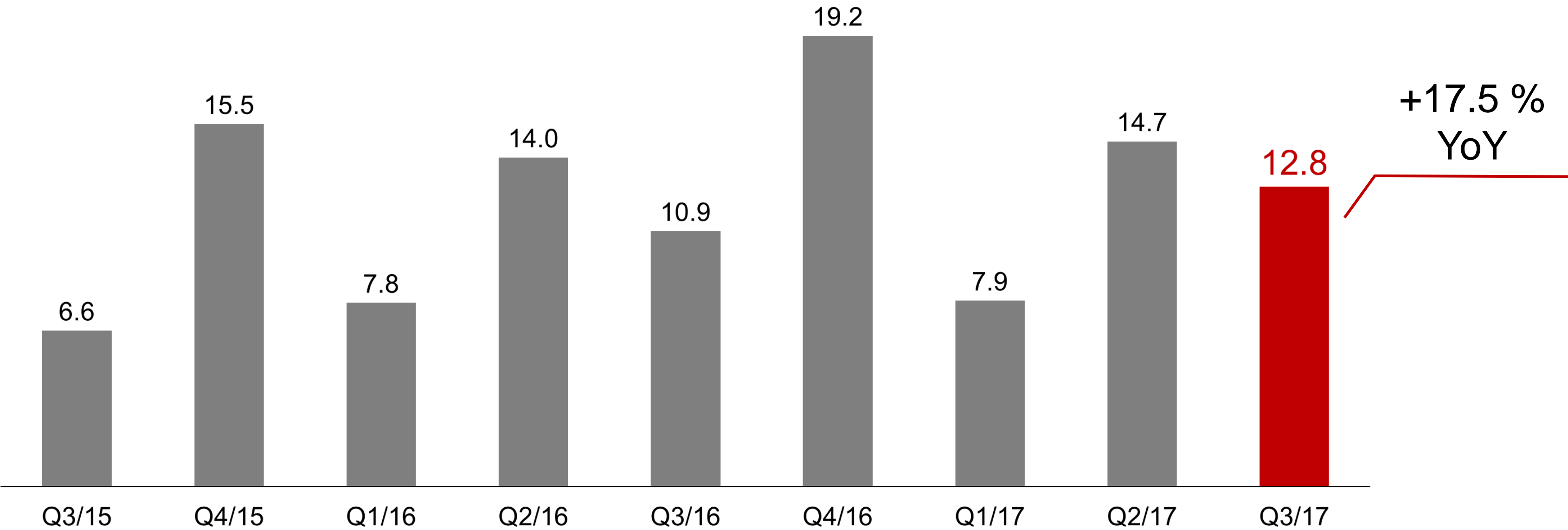
(USD mm)



\* Includes GMS of Cartera acquired in Q1/17 and ShopStyle acquired in Q2/17

# Ebates Operating Income

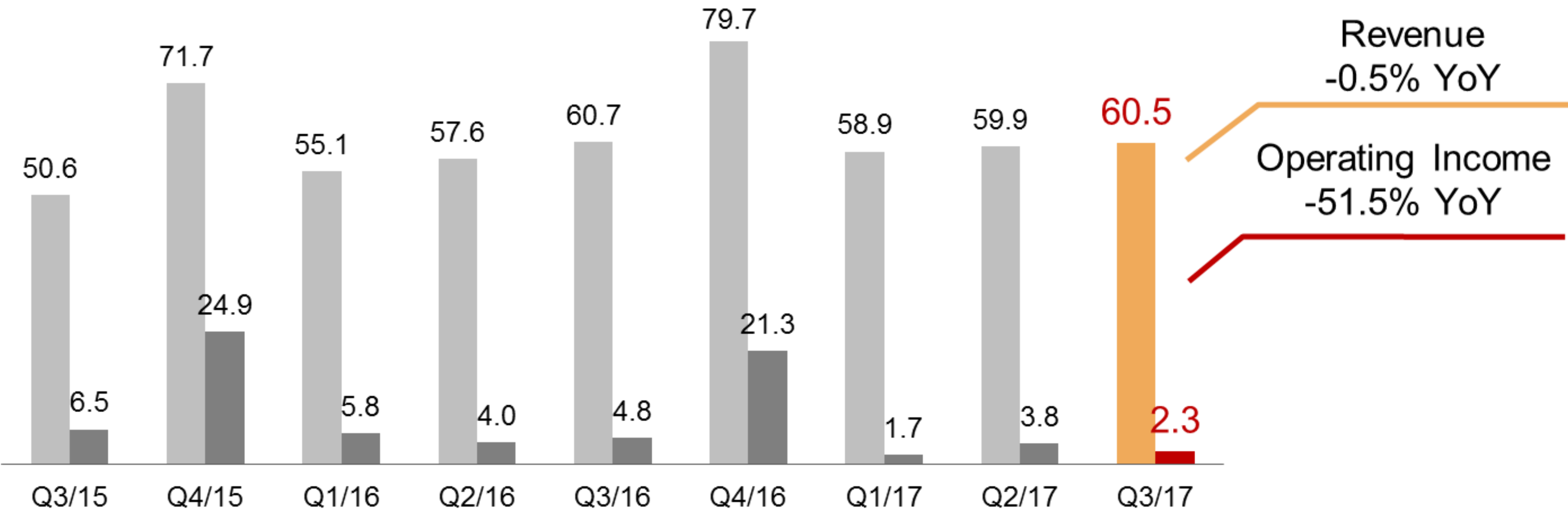
(USD mm)





# Rakuten Marketing Results

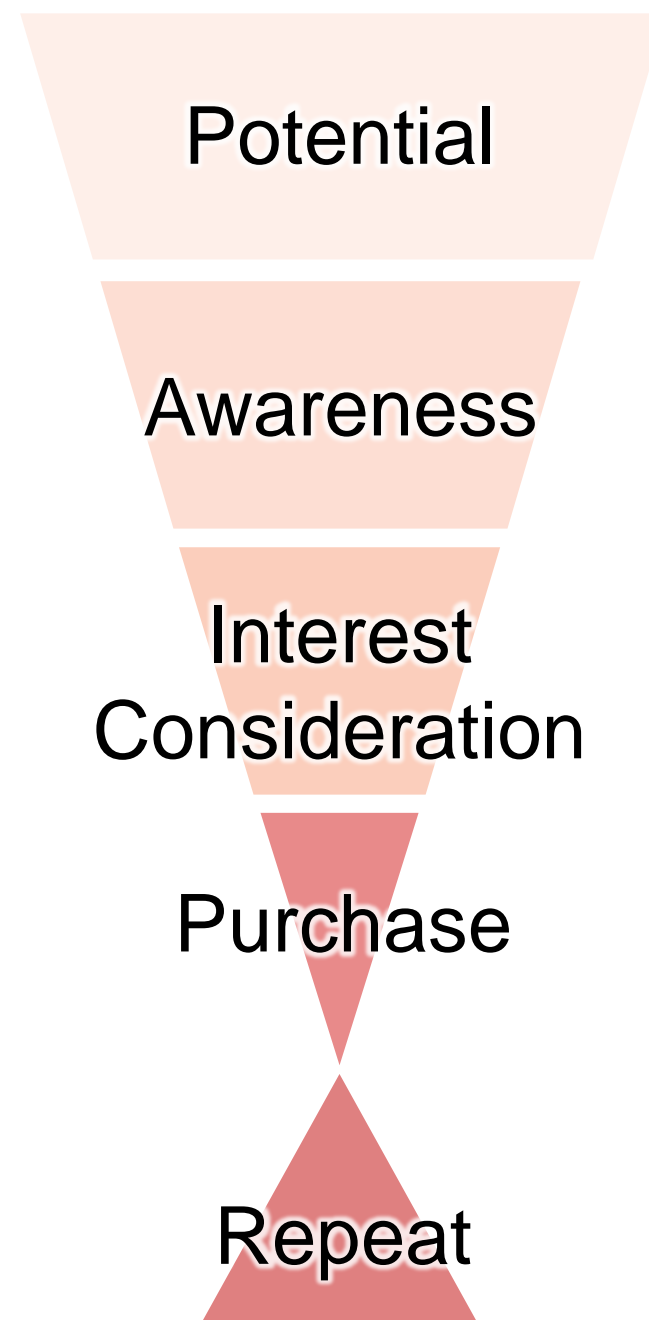
(USD mm)



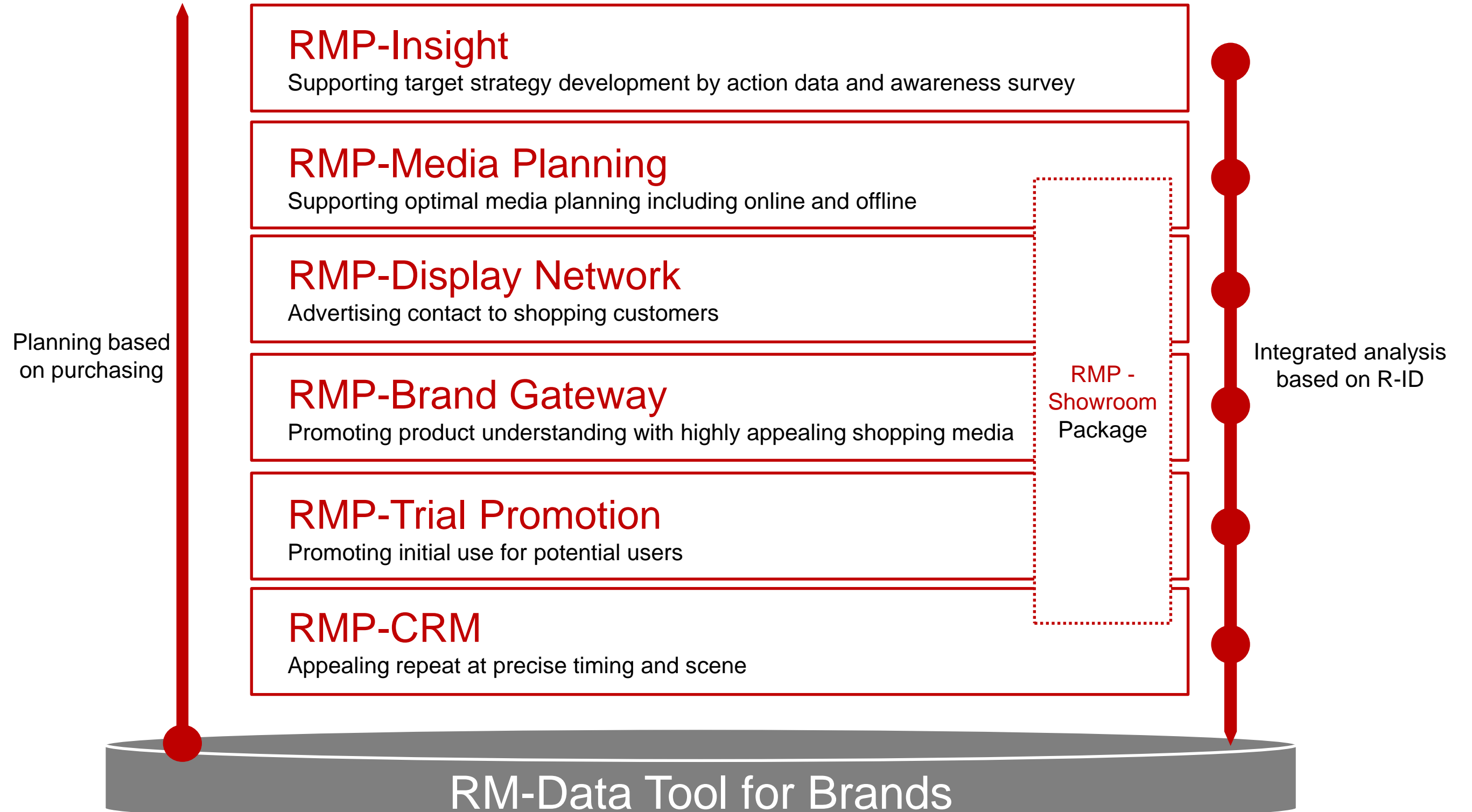
## **5** Ad Business

# Rakuten Marketing Platform (RMP) utilizing Rakuten-ID

## Purchasing funnel



## RMP Service Lineup



# RMP-Showroom: A Comprehensive Approach to Marketing

## Insight & Media Planning

Analysis  
Targeting

**Rakuten**



93MM ID

Targeting Plan



## Display Network

Reach

▼ Rakuten Mail Ad



▼ Rakuten Group Media Ad



**Rakuten DSP**

## Brand Gateway

Understanding

Brand  
Tie Up  
Page

Stay time



196  
seconds

## Trial Promotion

Promoting

アンケート取得

来店マストバイ

楽天Gr横断

動画視聴

SNS連携

サンプリング

**RaCoupon**



## CRM

Purchasing

**Rakuten**

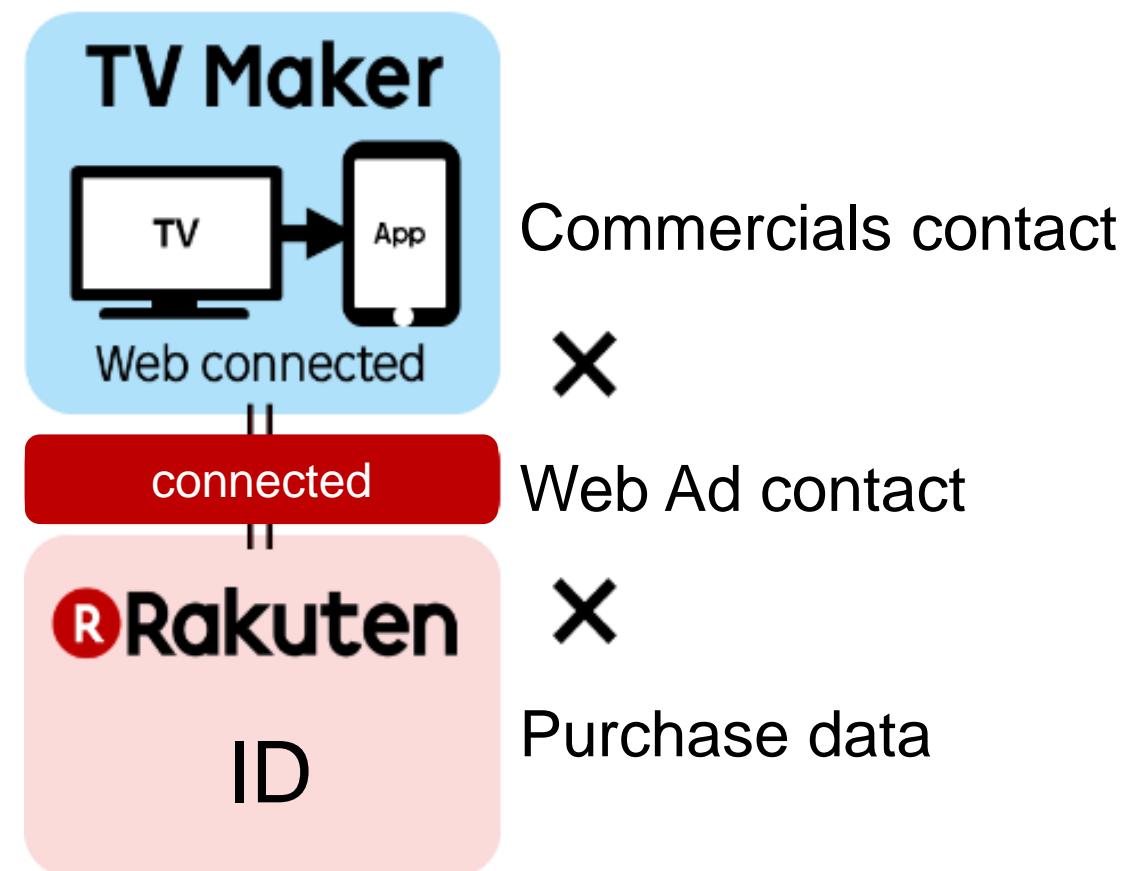


Other EC site  
Real Store



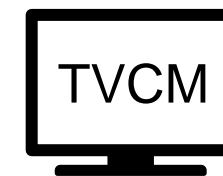
# Cross-media Advertisement Effect

- Captured contact effect of TV commercials and web advertising for actual purchases on ID basis



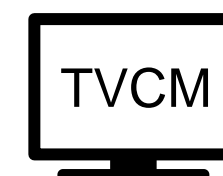
CVR lift effect based on purchase rate of "no contact"  
Rakuten Super Sale (September 2-7, 2017)

TVCM



+1.1 pt

TVCM+  
Web Ad



+3.3 pt

# Business Progress since New Company Establishment in July



Number of proposals  
to advertisers  
in October

1.8x

vs July

Value of proposals  
to advertisers  
in October

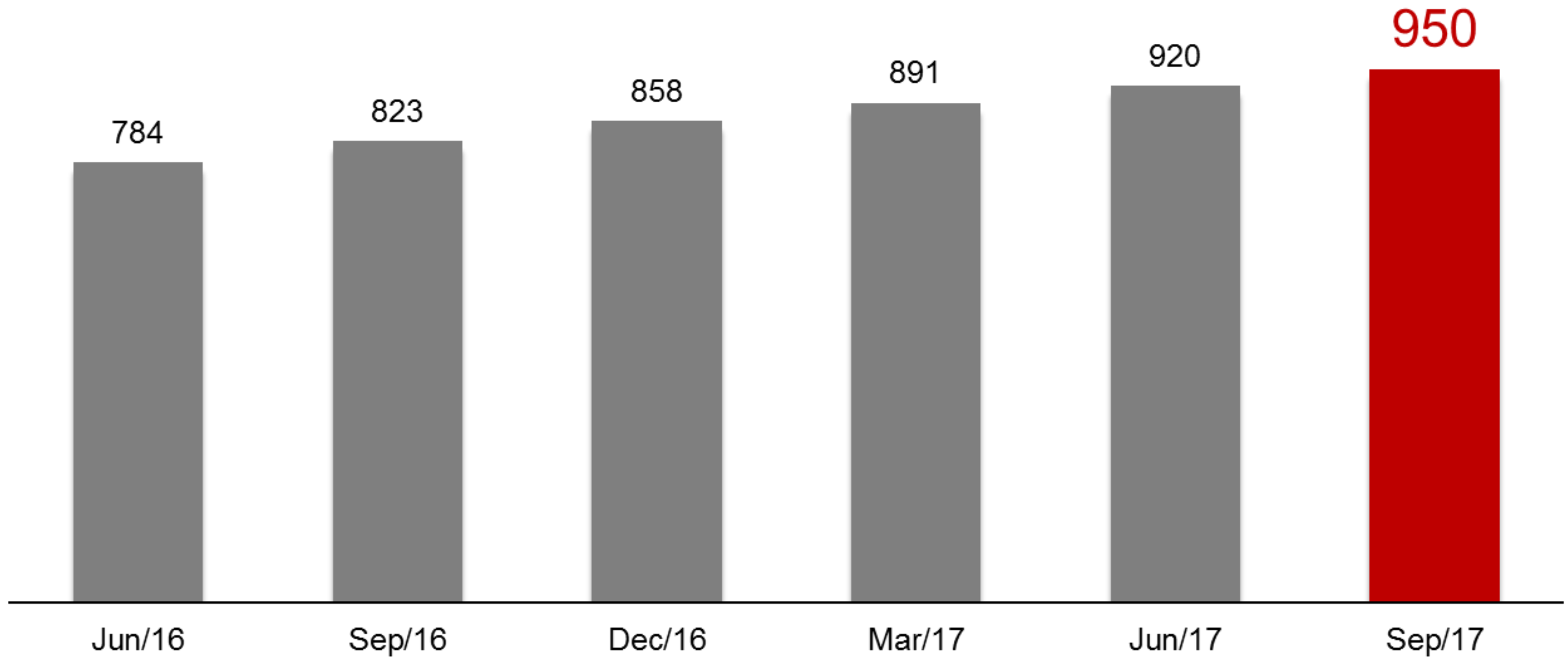
11.0x

vs July

# **6 Media & Communications**

# Viber Unique IDs\*

(Millions of IDs)

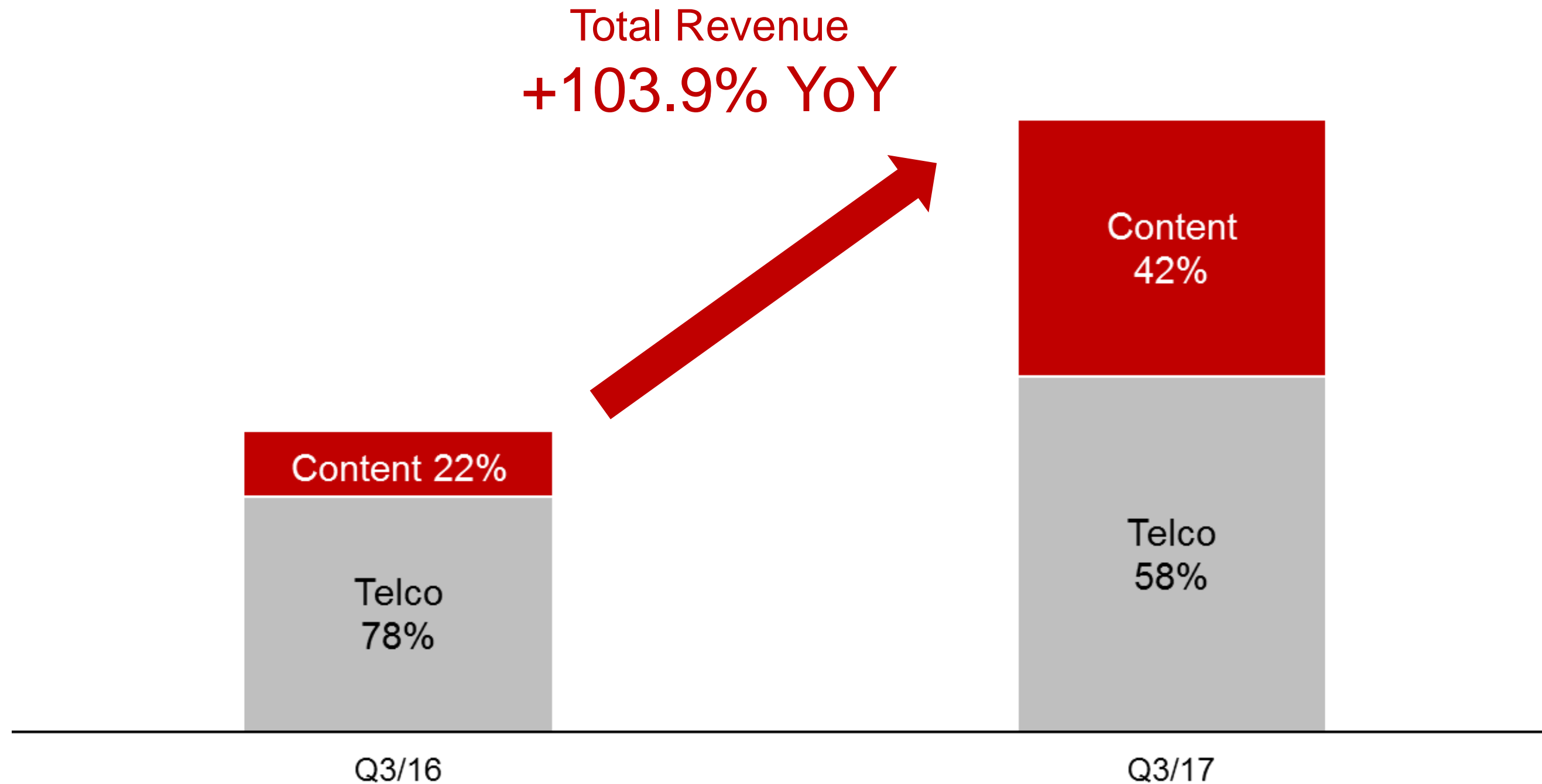


\* Unique IDs: Unique phone numbers excluding deactivations



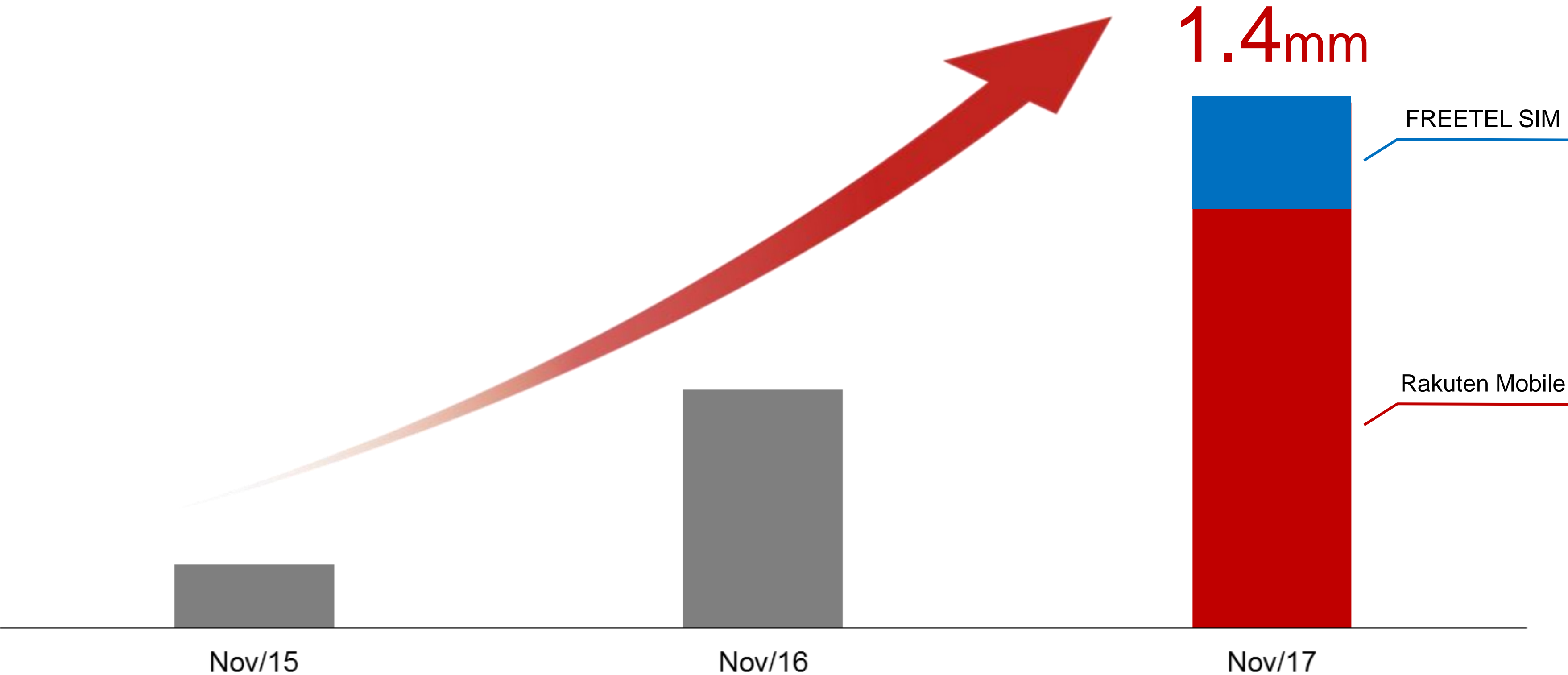
# Viber Revenue

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



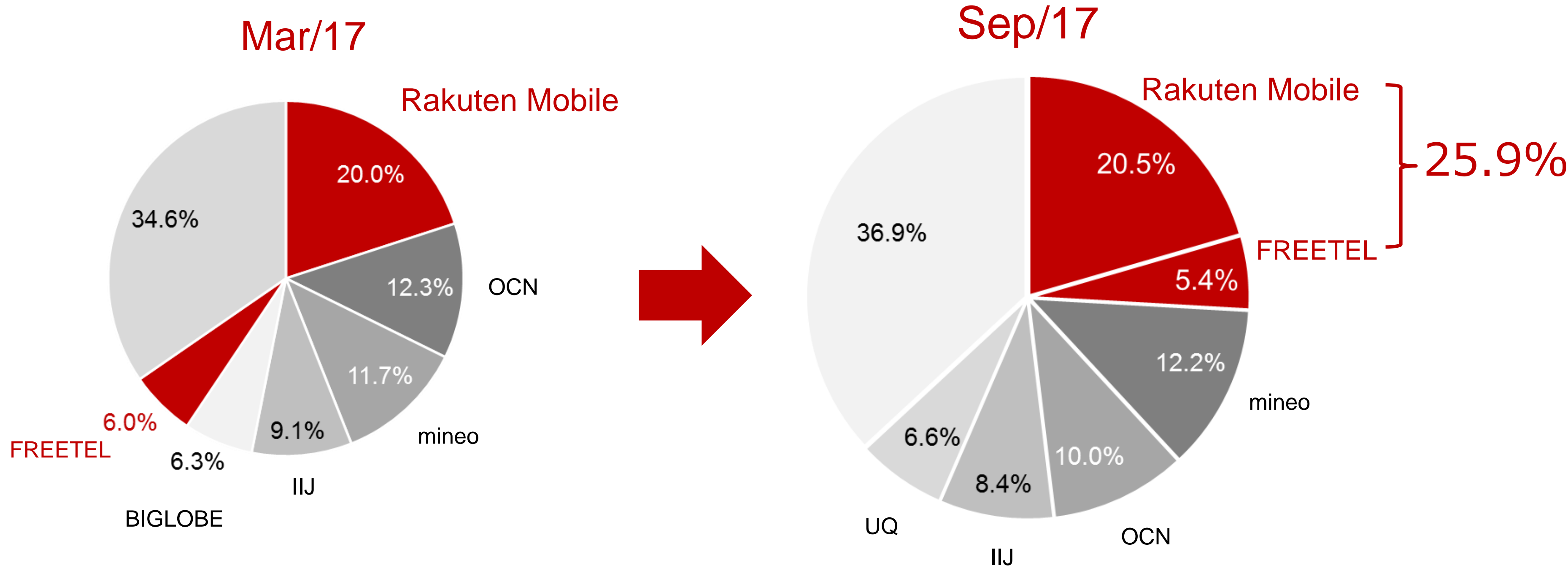
\* Telco: Viber Out, Viber In. Content: Service messages, ads, stickers and others

# Rakuten Mobile: Number of subscribers



# Rakuten Mobile: MVNO Market Share (MMD Labo)

■ Rakuten Mobile share increasing



\*Graph made based on MMD Labo: "Survey of trends in usage of low cost SIM services" (March/September 2017)

# Rakuten Mobile: Shop Expansion

No. of shops  
(as of Sep 30, 2017): **175**



# Rakuten Mobile: Brand Integration of MVNO Business

As of Nov 2017



From Jan 2018



# New Services and Plans

## New Plans

An advertisement for the 'Super Hodai' plan. It features a woman in a red dress holding a smartphone. The text includes '新料金プラン' (New Rate Plan), 'スーパーホーダイ' (Super Hodai), '楽天会員割適用時' (When Rakuten Member Discount is applicable), 'プランS 1年目 月額' (Plan S 1st year Monthly), and a large price tag of '1,980円 (税別)' (1,980 yen, tax excluded).

Super Hodai (From Sept)

An advertisement for the 'Long Term Contract Discount'. It shows a smartphone and a SIM card. The text includes '長く契約するほどおトク!' (The longer you contract, the more you save!), '3年契約で20,000円割引!' (20,000 yen discount for 3-year contract), '0円' (0 yen), '2年契約で10,000円割引!' (10,000 yen discount for 2-year contract), '10,000円' (10,000 yen), and 'ポイントをプレゼント!' (Present points!). It also mentions '端末価格が上記割引額を下回る場合は、後日※、差額分相当の楽天スーパーポイントをプレゼントいたします。' (If the device price is lower than the discount amount, we will present Rakuten Super Points equivalent to the difference after ※).

Long Term Contract Discount (From Sept)

## New Service

An advertisement for the iPhone SE 16GB. It shows four iPhones in different colors. The text includes 'メーカー認定整備済' (Manufacturer Certified), 'iPhone SE 16GB', '一括払い ~~19,800円~~ (税別) ~' (One-time payment 19,800 yen (tax excluded) ~), and a large price tag of '14,800円 (税別) ~' (14,800 yen (tax excluded) ~). It also mentions '※2' and 'NEW メーカー認定整備済 iPhone SE 16GBスペースグレイ販売開始!' (NEW Manufacturer Certified iPhone SE 16GB Space Gray sales start!).

iPhone (Certified Pre-owned)





# Appendix

- Group Financial Information
- Internet Services
- FinTech
- Other Information

# Group Financial Information

# Q3/17 Operating Income Reconciliation

(JPY bn, IFRS)

	Q3/16	Q3/17	YoY
Non-GAAP Operating Income	30.2	57.8	+91.6%
Amortization of Intangible Assets (PPA)	-2.0	-2.1	-0.0
Stock Based Compensation	-1.8	-1.8	-0.1
One-off items	-	-2.4	-2.4
IFRS Operating Income	26.4	51.5	+95.4%

# Rakuten Group: Balance Sheets (As of Sep 30, 2017)

(JPY bn)

Cash and cash equivalents 641.8	Bonds and borrowings 966.6
Financial assets for securities biz 1,302.8	Financial liabilities for securities biz 1,210.6
Investment securities and loans for banking biz 917.6	Deposits for banking biz 1,754.4
Loans for credit card biz 1,077.0	
Other assets 1,273.0	Other liabilities 629.7
	Total net assets 651.0

Total Assets 5,212.2

**Rakuten Group  
(Consolidated)**

Cash and cash equivalents 31.8	Bonds and borrowings 466.5
Other assets 1,211.3	Other liabilities 224.9
	Total net assets 551.7

Total Assets 1,243.0

**Rakuten, Inc.**

Cash and cash equivalents 443.3	Bonds and borrowings 178.2
Investment securities and loans for banking biz 1,636.8	Deposits for banking biz 1,824.1
Other assets 48.2	Other liabilities 25.2
	Total net assets 100.8

Total Assets 2,128.3

**Rakuten Bank, Ltd.**

Cash and cash equivalents 65.6	Bonds and borrowings 915.4
Loans for credit card biz 1,069.5	
Other assets 171.2	Other liabilities 261.6
	Total net assets 129.3

Total Assets 1,306.3

**Rakuten Card Co., Ltd.**

Cash and cash equivalents 66.1	Bonds and borrowings 113.0
Financial assets for securities biz 1,295.5	Financial liabilities for securities biz 1,203.2
Other assets 55.8	Other liabilities 10.7
	Total net assets 90.5

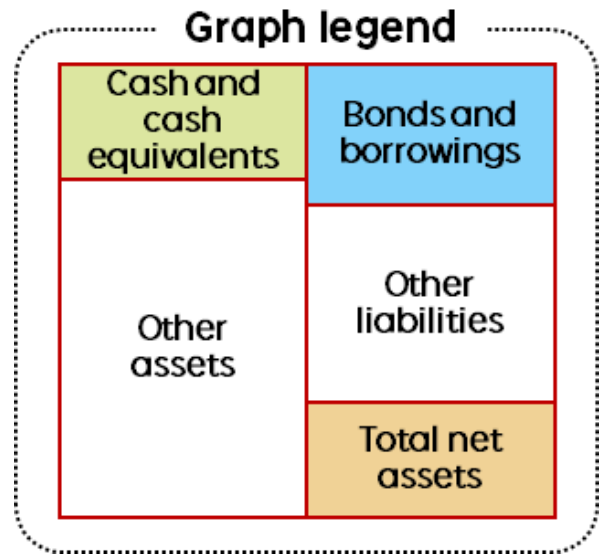
Total Assets 1,417.5

**Rakuten Securities, Inc.**

Cash and cash equivalents 0.9	Other liabilities 27.5
Other assets 53.0	Total net assets 26.4

Total Assets 53.9

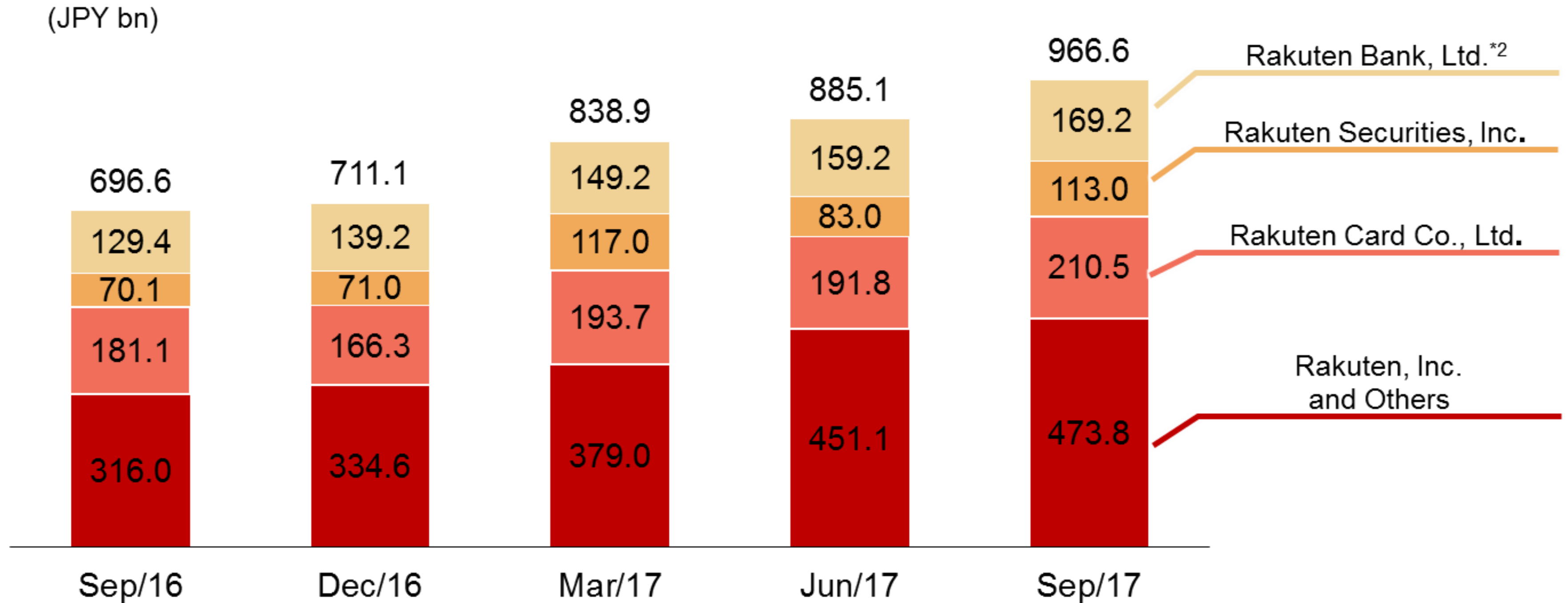
**Rakuten Life Insurance Co., Ltd.**



\*1: Rakuten, Inc., Rakuten Bank, Ltd., Rakuten Card Co., Ltd., Rakuten Securities, Inc. and Rakuten Life Insurance Co., Ltd. are based on IFRS non-consolidated balance sheets.

\*2: Bonds and borrowings = Corporate bonds + CP + Borrowings.

# Debt from Outside Financial Institutions\*<sup>1</sup>

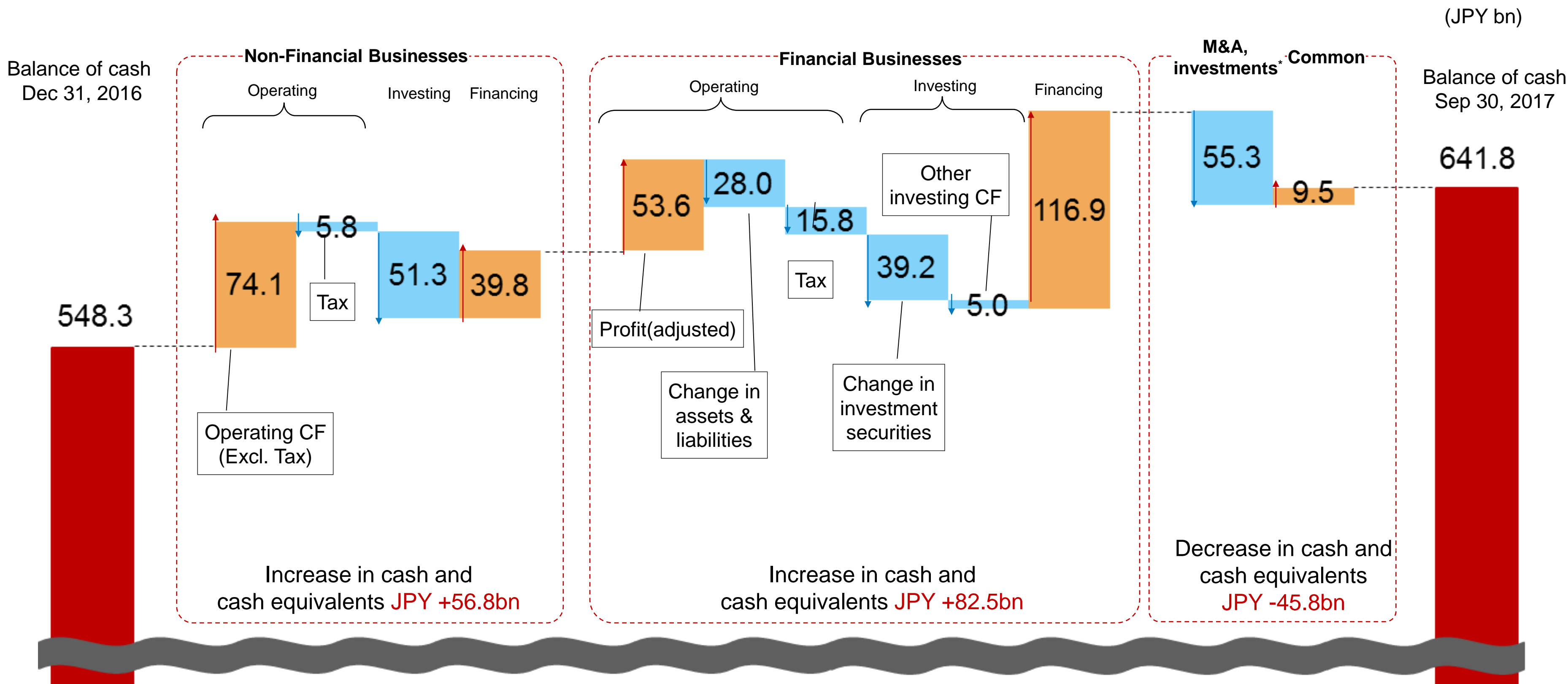


\*1: Debt from outside financial institutions = Corporate Bonds + CP + Borrowings

\*2: Debt from Bank of Japan under eligible collateral.



# Cash Flow Breakdown: Jan-Sep, 2017 (1)



\* “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”

# Cash Flow Breakdown: Jan-Sep, 2017 (2)

(JPY bn)

Overview of cash flows for nine months ended September 30, 2017	Consolidated	Financial	Non-Financial	Common
Income before income tax	110.8	45.9	64.9	-
Depreciation and amortization	39.0	7.6	31.4	-
Other loss (profit)	(23.8)	0.1	(32.6)	8.7
Decrease (Increase) in operating receivables	12.9	0.2	12.7	-
Decrease (Increase) in loans for credit card biz	(62.2)	(62.2)	-	-
Increase (Decrease) in deposits for banking biz	248.3	248.3	-	-
Decrease (Increase) in call loans for banking biz	-	-	-	-
Decrease (Increase) in loans for banking biz	(135.0)	(135.0)	-	-
Increase (Decrease) in operating payables	(30.4)	(26.9)	(3.4)	-
Decrease (Increase) in financial assets for securities biz	(182.4)	(182.4)	-	-
Increase (Decrease) in financial liabilities for securities biz	151.2	151.2	-	-
Others	(19.9)	(21.1)	1.2	-
Income tax paid	(21.6)	(15.8)	(5.8)	-
<b>Net cash flows from operating activities</b>	<b>86.9</b>	<b>9.9</b>	<b>68.3</b>	<b>8.7</b>

\* Breakdown of financial and non-financial businesses are based on internal estimates and not reviewed by independent auditors

# Cash Flow Breakdown: Jan-Sep, 2017 (3)

(JPY bn)

Overview of cash flows for nine months ended September 30, 2017	Consolidated	Financial	Non-Financial	Common
Increase in restricted deposits	(11.8)	-	(11.8)	-
Decrease in restricted deposits	11.8	-	11.8	-
Increase in time deposits	(7.2)	(7.1)	(0.1)	-
Decrease in time deposits	15.4	15.3	0.1	-
Purchase of property, plant and equipment	(28.2)	(2.4)	(25.8)	-
Purchase of intangible assets	(32.1)	(11.1)	(21.0)	-
Acquisition of subsidiaries	(5.8)	(0.6)	(5.3)	-
Acquisition of investments in associates and joint ventures	(15.8)	(0.2)	(15.6)	-
Purchase of investment securities for banking biz	(235.2)	(235.2)	-	-
Proceeds from sales and redemption of investment securities for banking biz	195.4	195.4	-	-
Purchase of investment securities for insurance biz	(12.2)	(12.2)	-	-
Proceeds from sales and redemption of investment securities for insurance biz	7.6	7.6	-	-
Purchase of investment securities	(38.1)	(3.4)	(34.6)	-
Proceeds from sales and redemption of investment securities	9.5	8.6	0.9	-
Other payments	(11.3)	(0.4)	(10.9)	-
Other proceeds	7.2	0.7	6.4	-
<b>Net cash flows from investing activities</b>	<b>(150.8)</b>	<b>(44.9)</b>	<b>(105.9)</b>	<b>-</b>
Net increase (decrease) in short-term borrowings	77.9	43.4	34.6	-
Increase (Decrease) in commercial papers	72.0	10.0	62.0	-
Proceeds from long-term debt	176.6	176.6	0.0	-
Repayment of long-term debt	(141.3)	(112.6)	(28.7)	-
Income from bond issuance	99.5	-	99.5	-
Repayment of bonds	(30.3)	(0.3)	(30.0)	-
Cash dividends paid	(6.4)	-	(6.4)	-
Purchase of treasury stock	(89.7)	-	(89.7)	-
Others	(1.7)	(0.2)	(1.5)	-
<b>Net cash flows from financing activities</b>	<b>156.7</b>	<b>116.9</b>	<b>39.8</b>	<b>-</b>
Effect of change in exchange rates on cash and cash equivalents	0.8	-	-	0.8
Net increase (decrease) in cash and cash equivalents	93.5	81.8	2.2	9.5
Cash and cash equivalents at beginning of the year	548.3	-	-	-
Cash and cash equivalents at end of September 2017	641.8	-	-	-

# Balance of Goodwill

(JPY mm, IFRS)

	December 31, 2016		September 30, 2017	
	Goodwill	Non-amortizable intangible assets	Goodwill	Non-amortizable intangible assets
Internet Services	305,536	2,938	302,683	3,181
FinTech	52,895	-	53,012	-
Rakuten Securities, Inc.	10,935	-	10,935	-
Rakuten Bank, Ltd.	32,886	-	32,886	-
Others	9,074	-	9,190	-
Total	358,432	2,938	355,694	3,181

# Rakuten Group CAPEX\*

(JPY bn, IFRS)

	FY2016				
	Q1	Q2	Q3	Q4	Total
Property, plant and equipment	5.24	1.85	2.67	3.12	12.89
Intangible assets	10.17	10.30	10.22	10.36	41.05
Total	15.41	12.15	12.89	13.48	53.93

	FY2017				
	Q1	Q2	Q3	Q4	Total
Property, plant and equipment	23.23	2.67	1.18		27.09
Intangible assets	11.02	9.81	10.35		31.19
Total	34.25	12.49	11.54		58.27

\* Acquisition Basis

# Rakuten, Inc. Balance Sheet (Non-consolidated)

(JPY bn, IFRS)

Total assets	Sep/17	Liabilities and net assets	Sep/17
Cash and cash equivalents	31.8	Accounts payable - trade	9.9
Accounts receivable - trade	77.2	Bonds and borrowings	466.5
Property, plant and equipment	15.3	Other liabilities	215.0
Intangible assets	44.6	<b>Total liabilities</b>	<b>691.4</b>
Investment securities and financial assets	1,025.3	Common stock	205.7
Other assets	48.8	Capital surplus	227.8
<b>Total assets</b>	<b>1,243.0</b>	Retained earnings	210.5
		Treasury stock	-93.3
		Other components of equity	0.9
		<b>Total net assets</b>	<b>551.7</b>
		<b>Total liabilities and net assets</b>	<b>1,243.0</b>

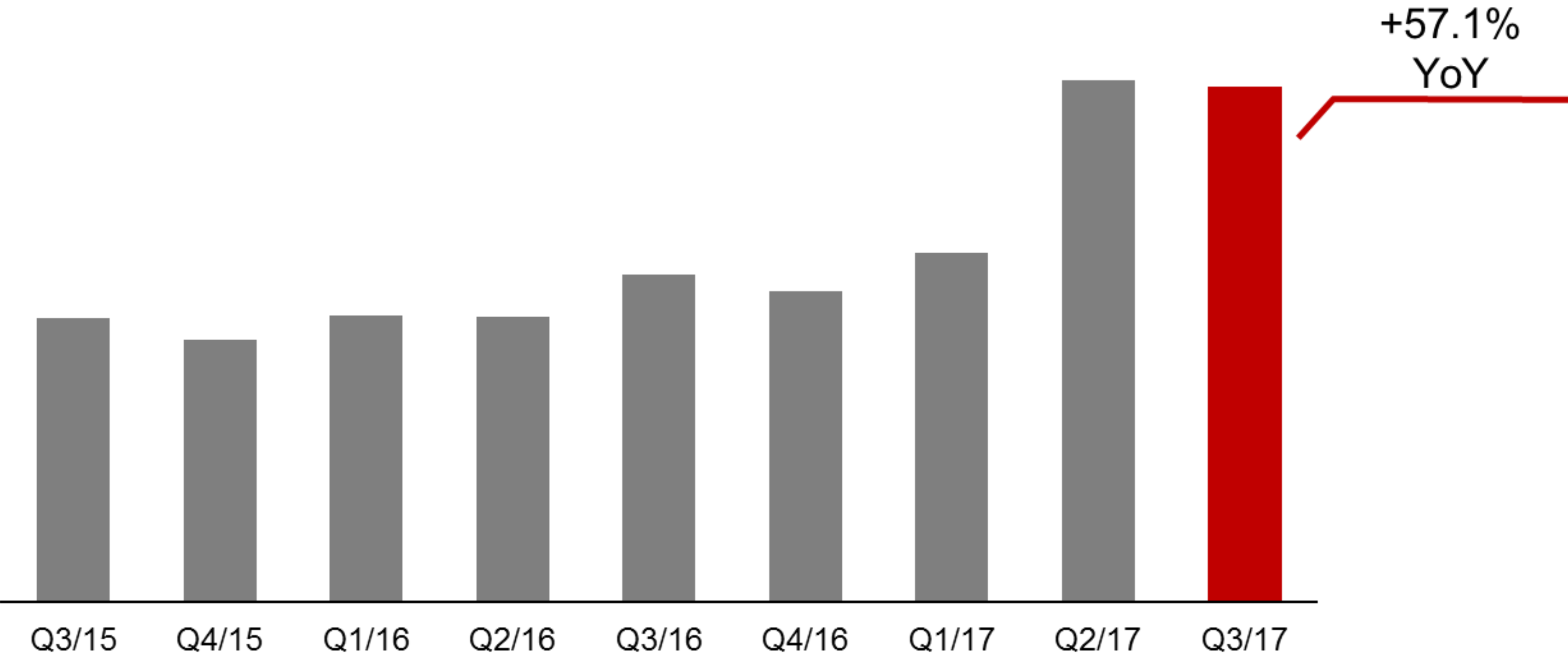
# Internet Services



# Ichiba: Number of Merchants

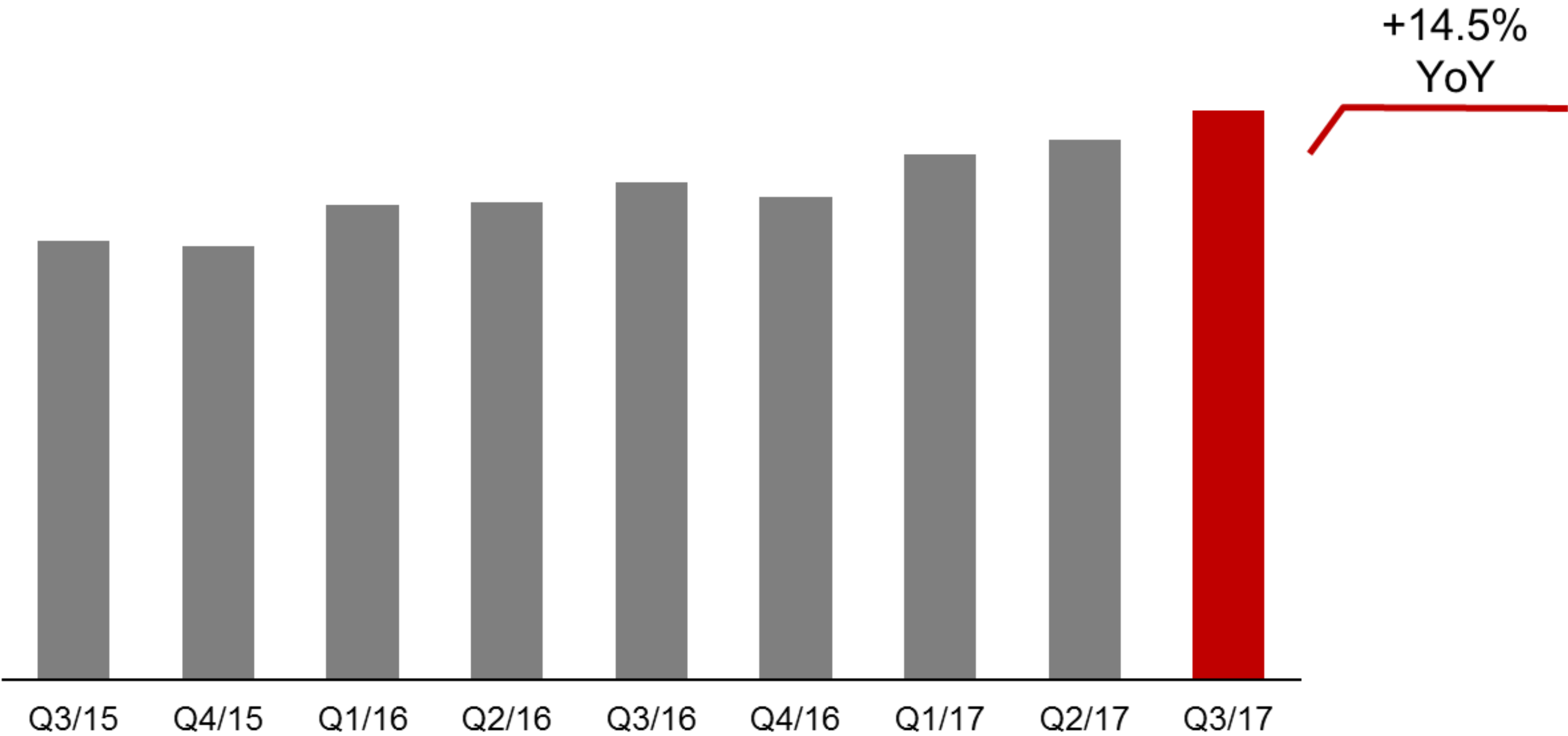
	Sep/15	Sep/16	Sep/17
Number of Merchants	41,718	42,602	45,519

# Kobo: Content Net Sales\*



\* Including Tolino acquired in Q1/17

# OverDrive: Total Checkouts\*



\* Total Checkouts includes e-books, audio books, and videos etc.

# FinTech

# Rakuten Card: Results

(JPY mm)

IFRS	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	YoY
Total revenues	35,223	37,718	37,099	39,824	40,782	15.8%
Shopping	22,220	23,728	23,874	25,227	25,773	16.0%
Revolving	13,193	13,590	13,985	14,424	14,841	12.5%
Others	9,027	10,137	9,888	10,803	10,932	21.1%
Credit guarantee	4,467	4,567	4,528	4,722	4,806	7.6%
Cash advances	3,641	3,783	3,814	3,958	4,275	17.4%
Others	4,894	5,641	4,883	5,917	5,928	21.1%
Total operating expenses	27,499	30,541	29,266	32,435	33,057	20.2%
Personnel costs	2,486	2,517	2,583	2,581	2,613	5.1%
General expenses	15,891	18,529	17,824	20,099	20,099	26.5%
Interest expenses	2,324	2,448	2,460	2,612	2,689	15.7%
Expenses related to doubtful accounts	6,762	6,997	6,306	7,031	7,499	10.9%
Others	35	50	94	112	156	349.8%
Operating income	7,724	7,177	7,832	7,389	7,725	0.0%

# Rakuten Card: Transaction Volume

(JPY mm)

	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	YoY
General services	1,244,752	1,385,928	1,383,187	1,485,814	1,512,795	+21.5%
Card shopping	1,243,863	1,385,064	1,382,288	1,484,922	1,511,883	+21.5%
Others	889	864	899	892	912	+2.6%
Financing	33,848	35,395	36,579	39,590	38,903	+14.9%
Card cash advances	32,956	34,286	35,521	38,396	37,736	+14.5%
Loan cards, Others	892	1,108	1,058	1,194	1,167	+30.9%
Others	6,767	6,732	6,677	6,872	7,015	+3.7%
Total transaction volume	1,285,368	1,428,055	1,426,442	1,532,276	1,558,714	+21.3%

# Rakuten Card: Loan Receivables Balance

(JPY mm)

	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	YoY
General services	788,282	895,264	883,195	911,961	933,309	+18.4%
Card shopping	787,986	894,913	882,885	911,623	932,982	+18.4%
Revolving balance (principal)	362,076	373,716	383,497	396,305	408,056	+12.7%
Others	296	351	310	338	327	+10.3%
Financing	119,973	123,639	130,479	136,631	142,019	+18.4%
Card cash advances	79,350	80,611	86,007	90,641	95,009	+19.7%
Loan cards	3,250	3,090	2,936	2,777	2,679	-17.6%
Others	37,373	39,938	41,536	43,213	44,331	+18.6%
Foreclosed credit guarantees for Rakuten Bank Super Loans	27,038	28,520	29,836	31,575	32,810	+21.3%
Installments	17	17	18	17	18	+4.7%
Total balance	935,311	1,047,440	1,043,528	1,080,185	1,108,157	+18.5%
Differences between J-GAAP and IFRS	-2,096	-2,304	-2,521	-2,780	-3,018	-
Amount reported in IFRS B/S <sup>*1</sup>	933,215	1,045,137	1,041,008	1,077,405	1,105,138	+18.4%
Credit Guarantee <sup>*2</sup> for Rakuten Bank super loan (Off-balance)	326,786	329,846	339,820	343,322	347,660	+6.4%

\*1: Before deducting allowance for doubtful accounts

\*2: Balance of Rakuten Bank Super Loans guaranteed by Rakuten Card



# Rakuten Card: Allowance for Doubtful Accounts

(JPY mm)

	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	YoY
Expenses related to doubtful accounts	6,762	6,997	6,306	7,031	7,499	+10.9%
Ratio of expenses related to doubtful accounts <sup>*1</sup>	2.16%	2.12%	1.82%	2.00%	2.08%	-

	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	YoY
Rakuten Card	909,692	1,020,232	1,015,374	1,050,360	1,077,372	+18.4%
Normal	891,377	999,707	994,736	1,029,986	1,057,648	+18.7%
Doubtful (4 months-and-over-delinquent)	18,315	20,525	20,638	20,375	19,724	+7.7%
Secured	1,986	1,916	1,800	1,692	1,656	-16.6%
Rakuten Bank Super Loans	353,824	358,366	369,656	374,897	380,470	+7.5%
Normal (Credit guarantees <sup>*2</sup> )	326,786	329,846	339,820	343,322	347,660	+6.4%
Doubtful (Foreclosed credit guarantees)	27,038	28,520	29,836	31,575	32,810	+21.3%
Total balance of loan receivables	1,265,503	1,380,514	1,386,830	1,426,950	1,459,498	+15.3%
Allowance for doubtful accounts	32,451	34,907	35,523	35,975	35,667	+9.9%
Write-off for bad debt	4,179	4,538	5,666	6,609	7,848	+87.8%

\*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

# Rakuten Bank: Results

(JPY mm)

	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	YoY
Revenue (IFRS)	16,549	17,111	17,923	18,606	19,048	+15.1%
Differences between J-GAAP and IFRS, and etc.	717	791	319	584	610	-14.9%
Ordinary income (J-GAAP)	17,266	17,903	18,241	19,190	19,658	+13.9%
Interest income	11,470	11,795	11,882	12,740	13,121	+14.4%
Fees and commissions	5,062	5,308	5,362	5,446	5,470	+8.1%
Other ordinary income	454	631	623	814	815	+79.5%
Other income	155	48	241	67	121	-21.9%
Trust fees	125	122	133	124	130	+4.2%
Ordinary expenses (J-GAAP)	12,897	12,969	13,009	13,441	14,067	+9.1%
Interest expenses	523	505	440	466	475	-9.1%
Fees and commissions payments	6,656	6,949	6,914	7,268	7,369	+10.7%
Other ordinary expenses	179	260	-293	-	-	-
General and administrative expenses	5,406	5,151	5,723	5,546	6,038	+11.7%
Other expenses	134	104	226	160	184	+37.9%
Ordinary profit (J-GAAP)	4,369	4,934	5,232	5,749	5,592	+28.0%
Differences between J-GAAP and IFRS and etc.	205	158	284	180	194	-5.7%
Operating income (IFRS)	4,163	4,776	4,948	5,569	5,398	+29.7%

# Rakuten Bank: Balance Sheet (IFRS)

(JPY bn)

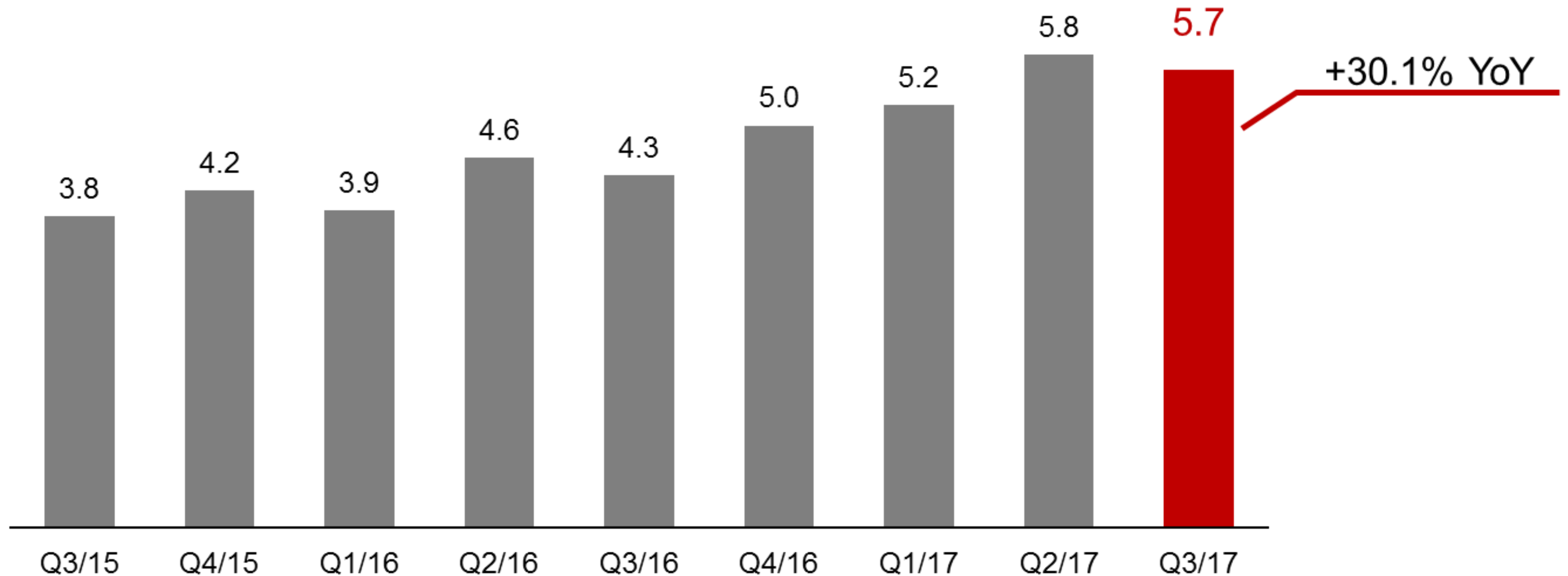
Assets		Sep/17	Liabilities and Net Assets		Sep/17
Invested assets		2,081.2	Deposits (received)		1,824.1
Deposits (paid)		443.3	Ordinary Deposits		1,169.6
Deposits with the Bank of Japan		431.1	Time Deposits		594.3
Other deposits		12.2	Other Deposits <sup>*2</sup>		60.2
Call loans		0.0	Other liabilities		203.3
Securitized loan receivables		766.9	Total Liabilities		2,027.5
Rakuten Card securitized assets <sup>*1</sup>		704.9	Total net assets		100.8
Others		62.1	Total liabilities and net assets		2,128.3
Securities		147.7			
JGBs, Local Government bonds, Authority bonds		111.7			
Short-term bonds		16.5			
Corporate bonds, Foreign bonds		19.5			
Others		0.0			
Loan Receivables		723.2			
Rakuten Bank Super Loan		365.8			
Others		357.5			
Other assets		47.2			
Total assets		2,128.3			

\*1: Intercompany elimination on IFRS consolidation

\*2: Other deposits include deposits in foreign currencies and others

# Rakuten Bank: Core Net Business Profit\*

(JPY bn)

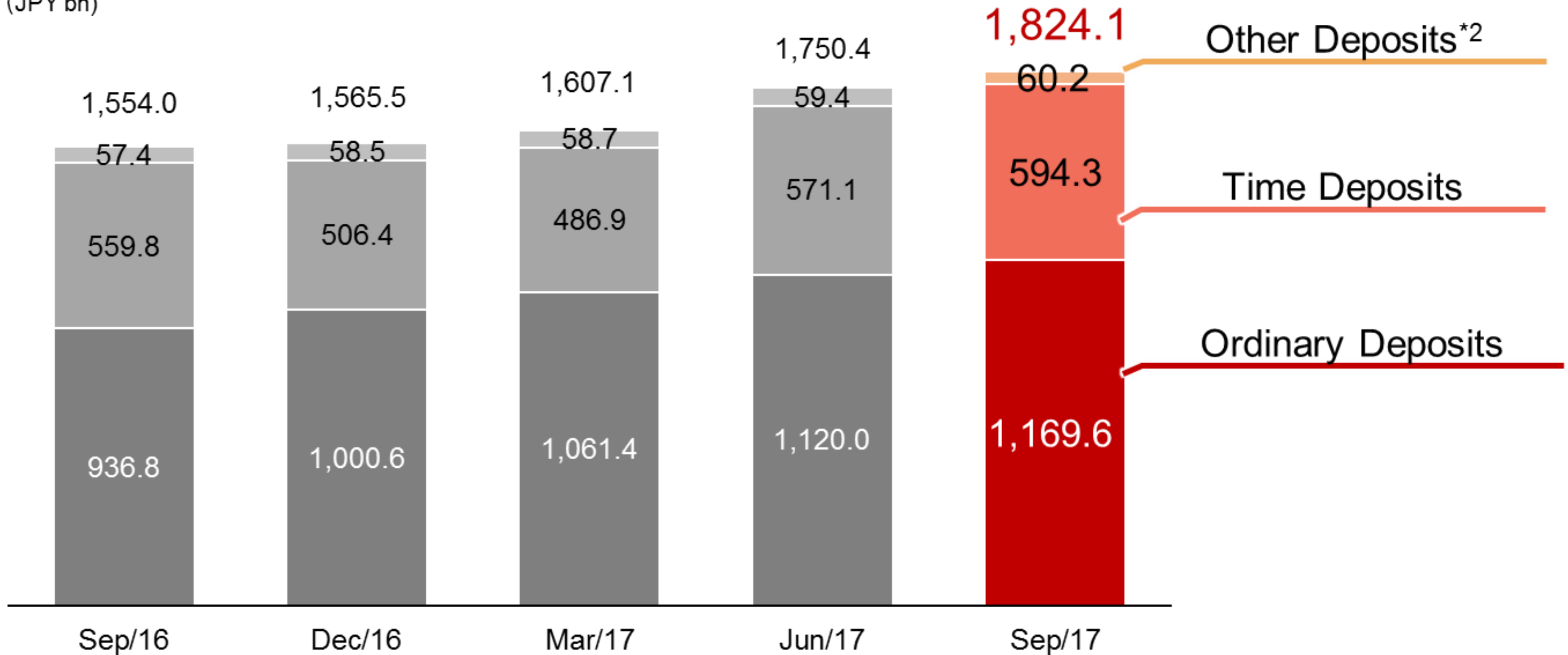


\* Core net business profit = Net business profit - General and administrative expenses - Gains (losses) related to bonds

Net business profit = Net interest income and expenses + Net fees and commissions + Net other ordinary income and expenses + Trust fees

# Rakuten Bank: Deposits\*1

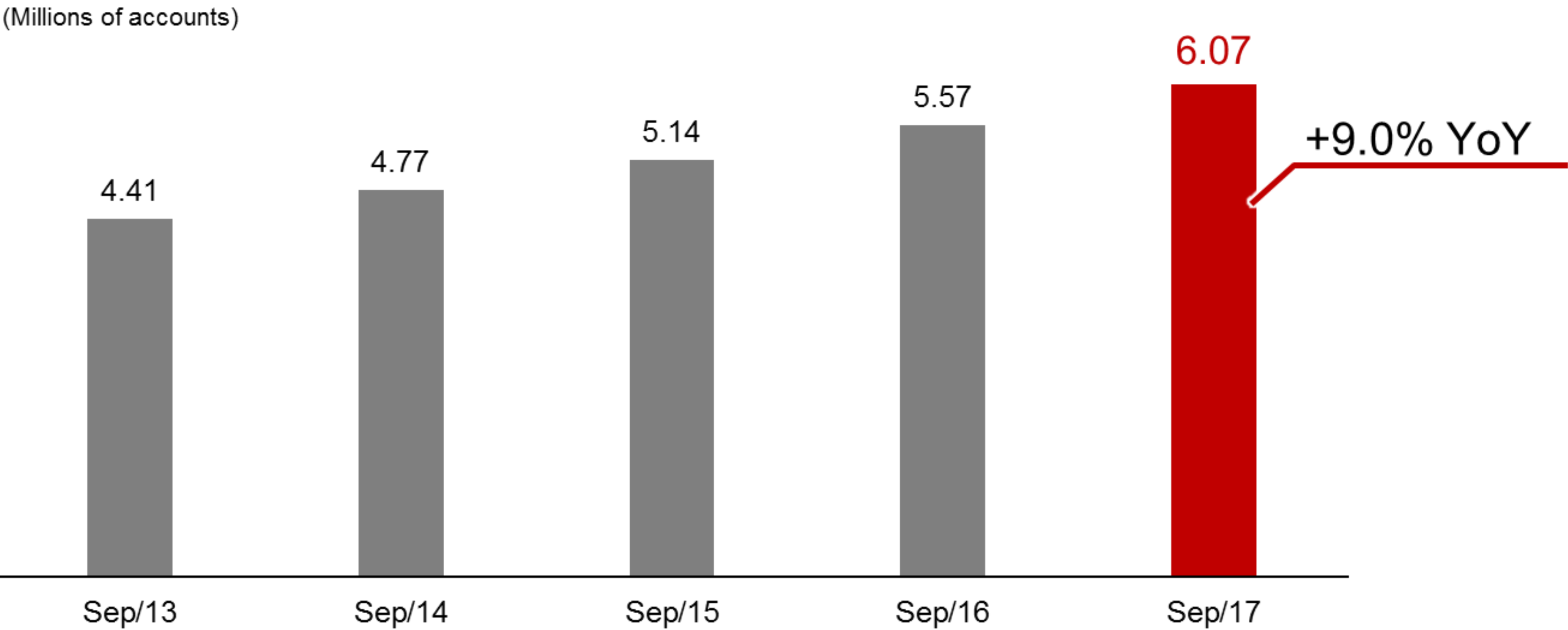
(JPY bn)



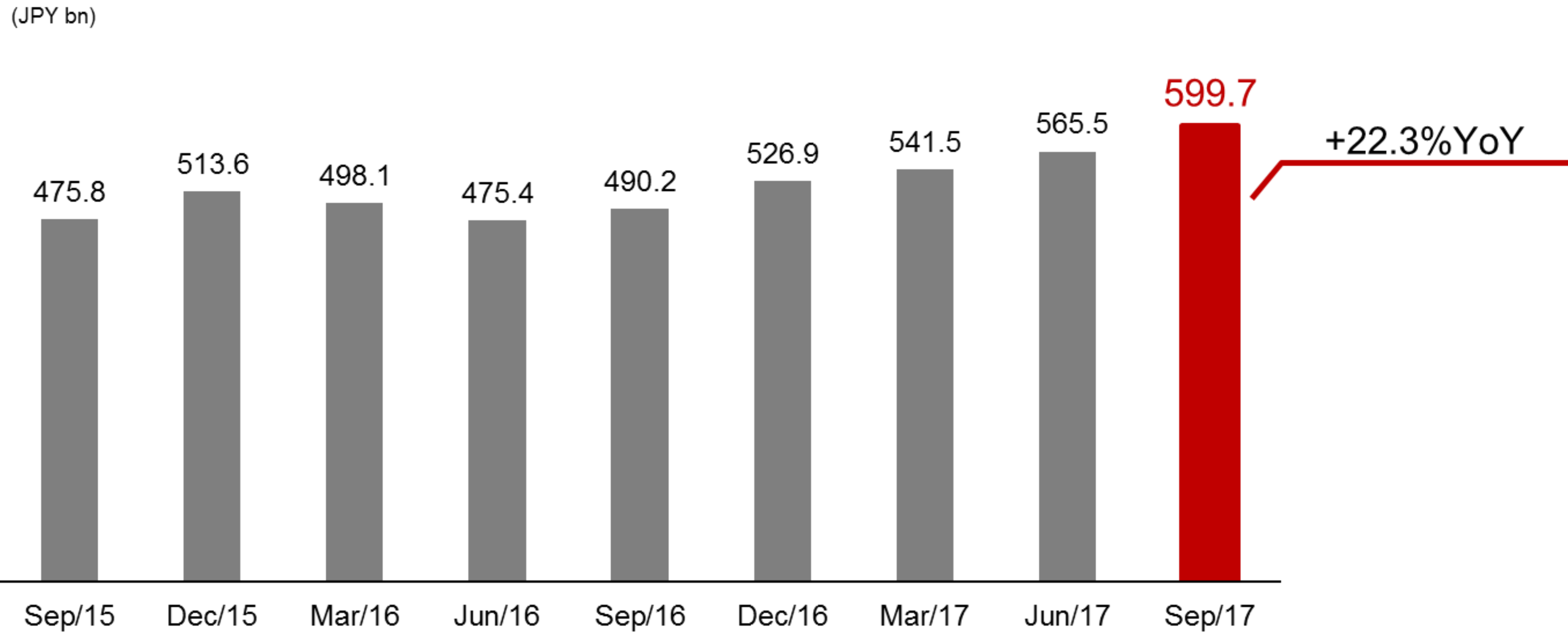
\*1: Based on IFRS which includes derivatives in structured term deposits.

\*2: Other deposits include deposits in foreign currencies and others.

# Rakuten Bank: Customer Accounts

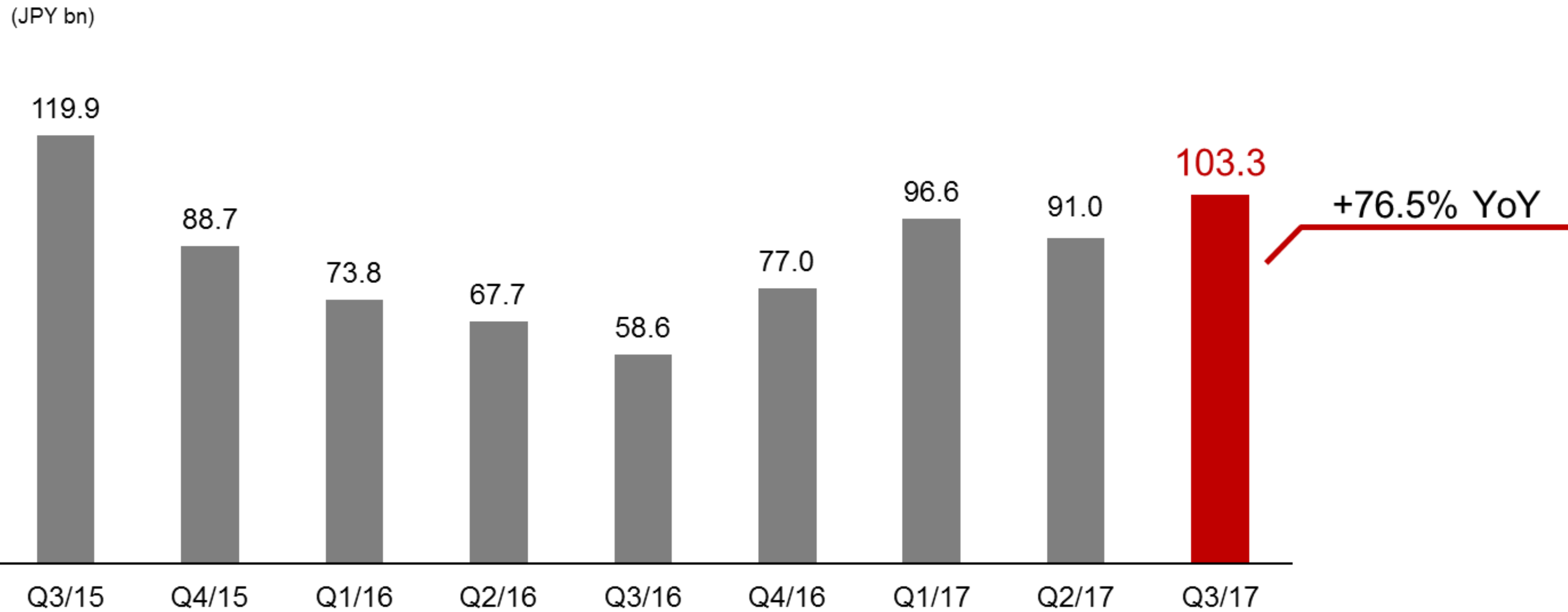


# Rakuten Securities: Investment Trust Asset Balance



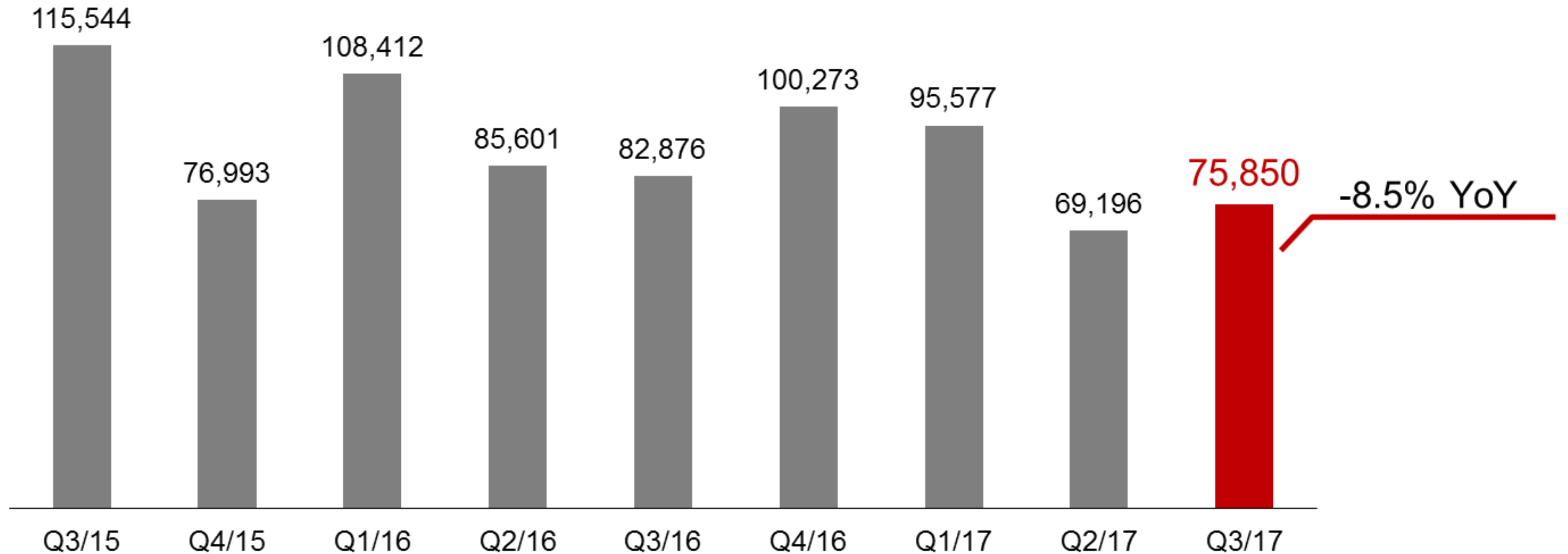


# Rakuten Securities: Investment Trust Sales



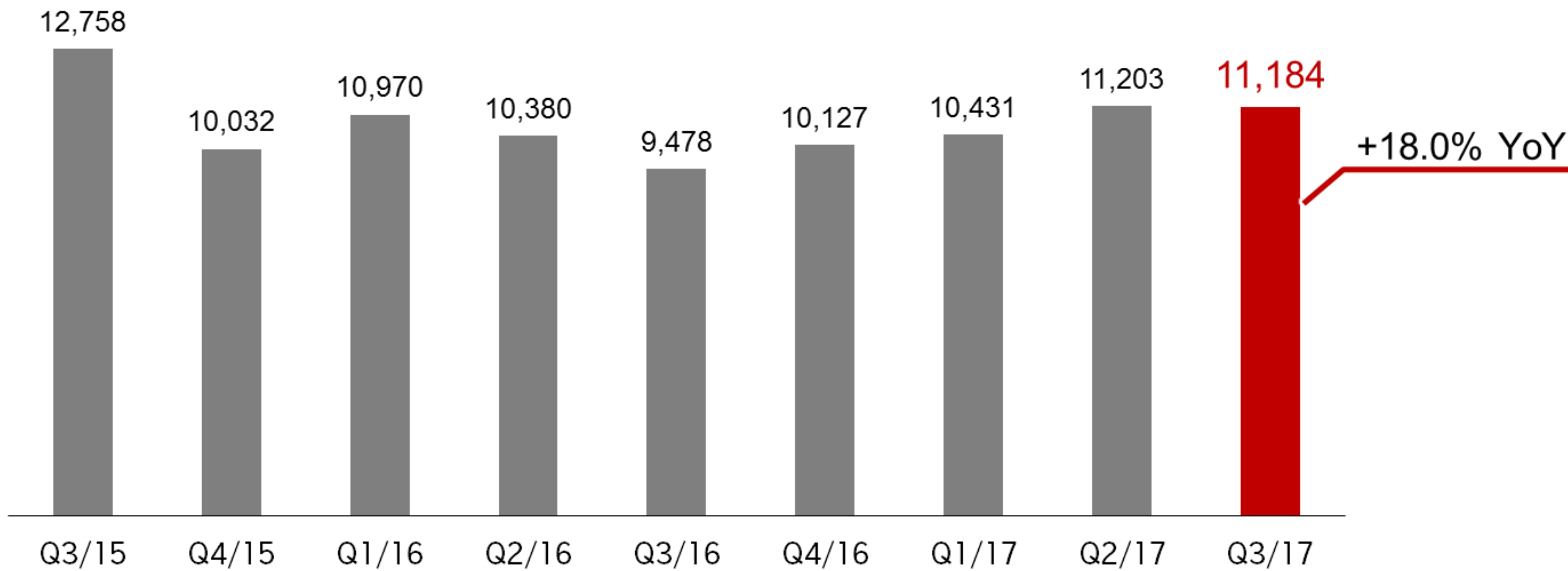
# Rakuten Securities: FX Trading Value

(JPY bn)



# Rakuten Securities: Stock Brokerage Trading Value

(JPY bn)



# Rakuten Life Insurance: Quarterly Results and Major Indices

(No. of contracts, JPY mm)

IFRS	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
Revenue	8,496	8,123	8,142	8,164	8,093	8,058
Operating Income	658	377	396	666	742	481
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
No. of New Policies <sup>*1</sup>	81,172	64,518	77,168	91,827	85,963	79,422
Annualized Insurance Premiums of New Policies <sup>*1,*3</sup>	614	661	708	965	1,083	823
No. of Policies in Force <sup>*2</sup>	940,492	896,230	876,340	866,843	869,220	883,385
Annualized Insurance Premiums in Force <sup>*2,*3</sup>	27,974	28,027	28,120	28,388	28,739	28,979
Solvency Margin Ratio <sup>*4</sup>	1,632.8%	1,584.5%	1,504.4%	1,262.3%	1,576.1%	1,194.6%

\*1: Includes one-year cancer insurance for eligible Rakuten members started from Q4/14

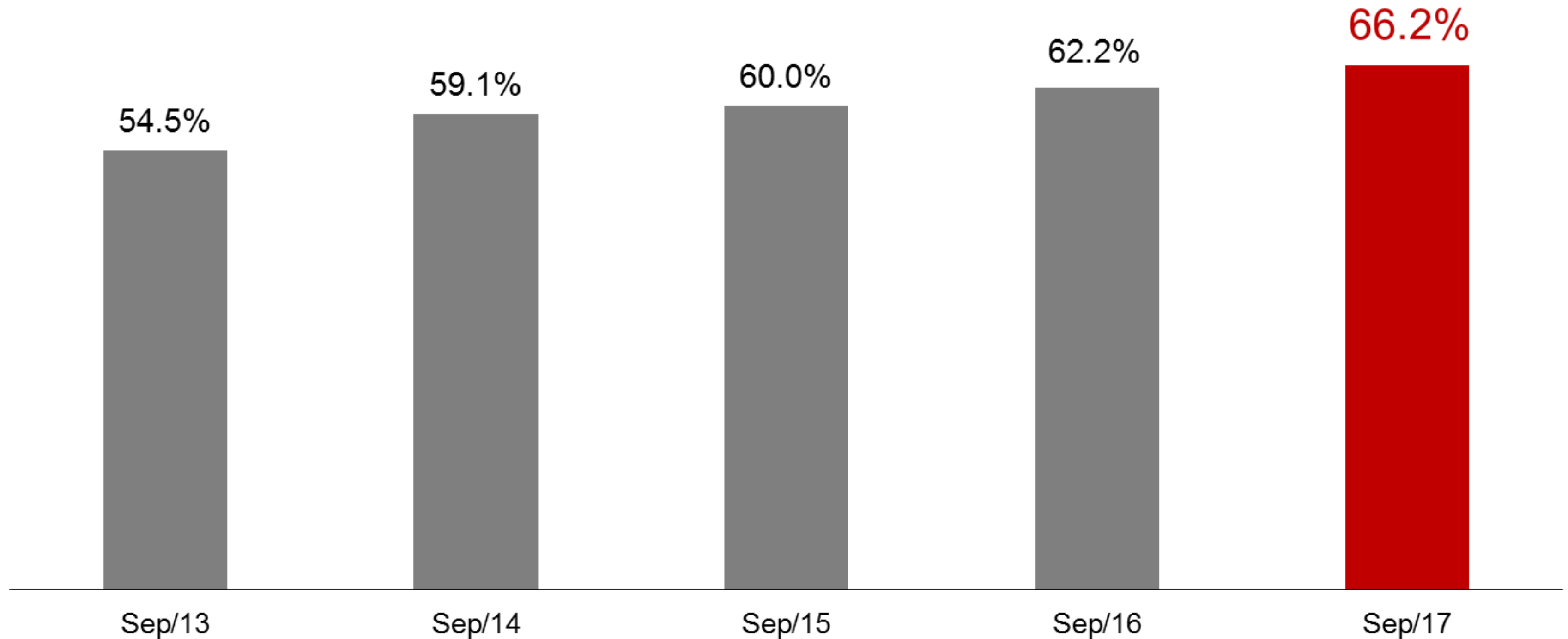
\*2: Includes policies of mutual aid association business transferred in 2008, and one-year cancer insurance for eligible Rakuten members started from Q4/14

\*3: Annualized Insurance Premiums as of Q4/16 is revised retroactively

\*4: Solvency Margin Ratio is pre-audited

# Other Information

# Advancing Cross-use Ratio\* in Japan



\* Purchasing ratio of Rakuten Members who have utilized two or more Rakuten services during the past 12 months of the listed month.  
Applicable services are limited to those which can earn Rakuten Super Points.

# Rakuten IDs

	Sep/15	Sep/16	Sep/17	YoY
Rakuten IDs <sup>*</sup>	76.6	88.3	93.4	+5.8%

<sup>\*</sup> Rakuten IDs where members logged in at least once after membership registration (excluding members who cancelled their membership)



This presentation includes forward-looking statements that reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this presentation are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strive to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. The Company is under no obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements. Names and logos of companies, products, and services and such that appear in this material are trademarks or registered marks of their respective companies.

