

# FY2017 Fourth Quarter and Full Year Consolidated Financial Results

February 13, 2018  
Rakuten, Inc.



# **1** FY2017 Highlights

# Rakuten Ecosystem: Massive Expansion

**Membership × Data × Brand**

# 2017 Highlights

2017 Revenue 

**+20.8%** YoY

2017 Non-GAAP Operating Income 

**+39.6%** YoY

Global Annual GTV 

**+21.1%** YoY

Rakuten Card GTV and Membership 

GTV

Membership\*<sup>1</sup>

JPY **6.1** tn

**15** mm

C2C Annualized GMS\*<sup>2</sup> 

Approx.

JPY **140** bn

Global Investments 

**+31%** IRR

\*1: As of January 2018

\*2: Based on December 2017 monthly GMS

# Q4/17 Highlights

Q4/17 Revenue



**+20.4%** YoY

Q4/17 Non-GAAP Operating Income



**+9.5%** YoY

Q4/17 Global GTV



**+19.4%** YoY

Q4/17 FinTech Non-GAAP  
Operating Income



**+19.3%** YoY

Q4/17 Domestic E-Commerce GMS



**+13.0%** YoY

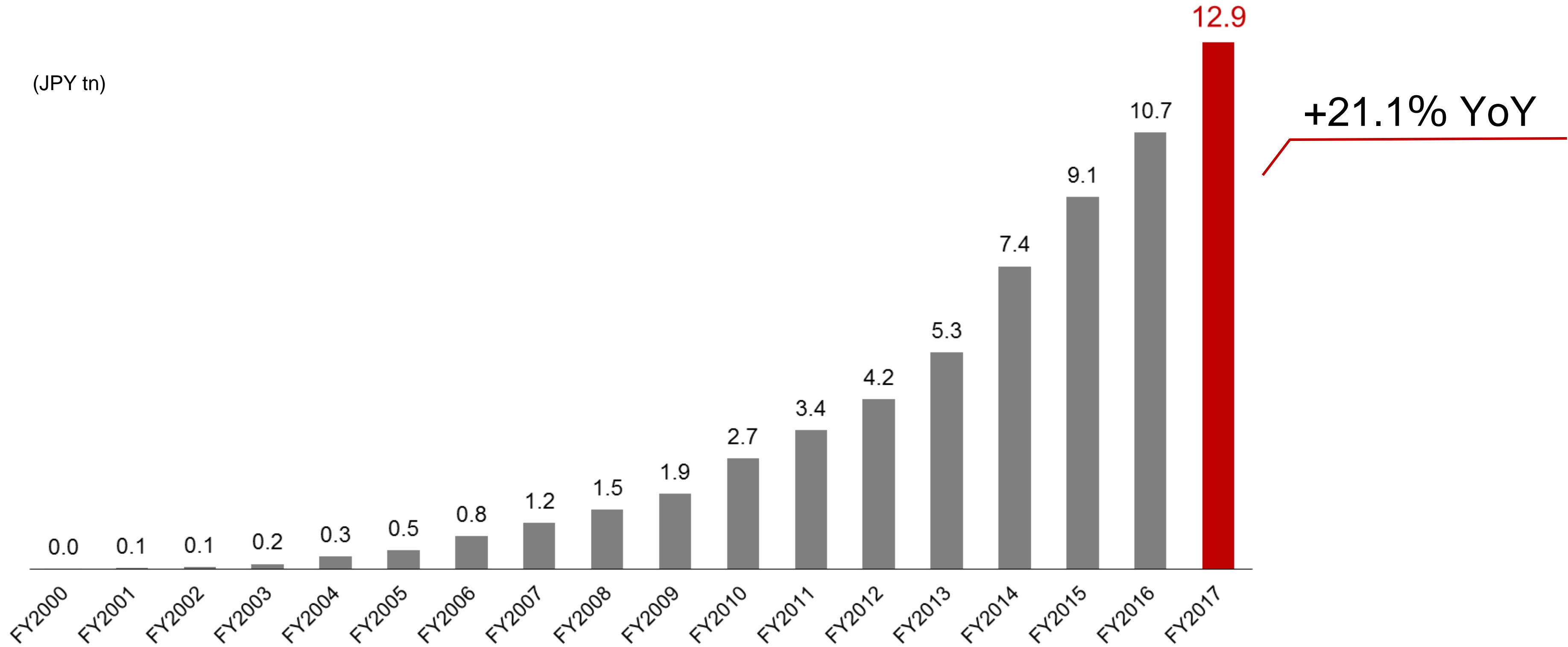
C2C Q4/17 GMS



**2.7x** YoY

# Total Global GTV\*

(JPY tn)



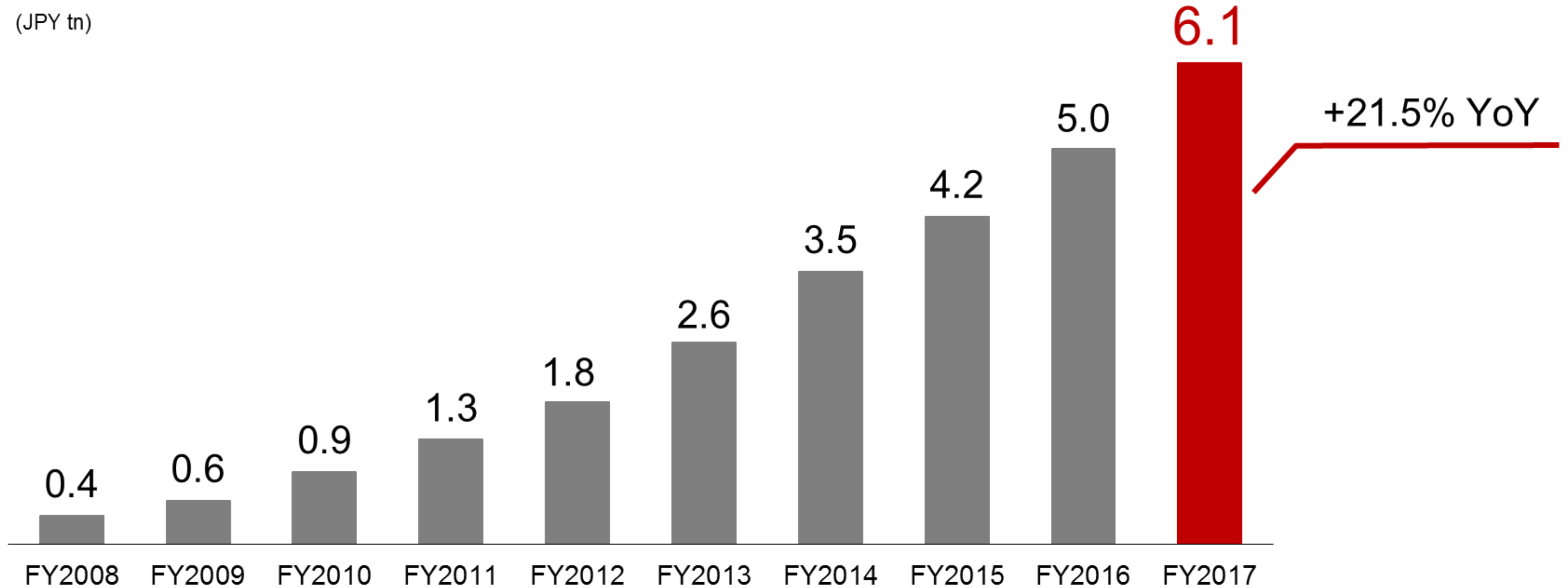
\* Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card GTV + Edy GTV + Rakuten Point Card GTV + Overseas E-Commerce GMS + Ebates GMS + Digital Contents GTV + Rakuten Marketing GTV

\* Includes intercompany transactions for settlement and affiliate services

# Rakuten Card Shopping GTV\*

■ Shopping GTV exceeded 6 trillion in FY2017

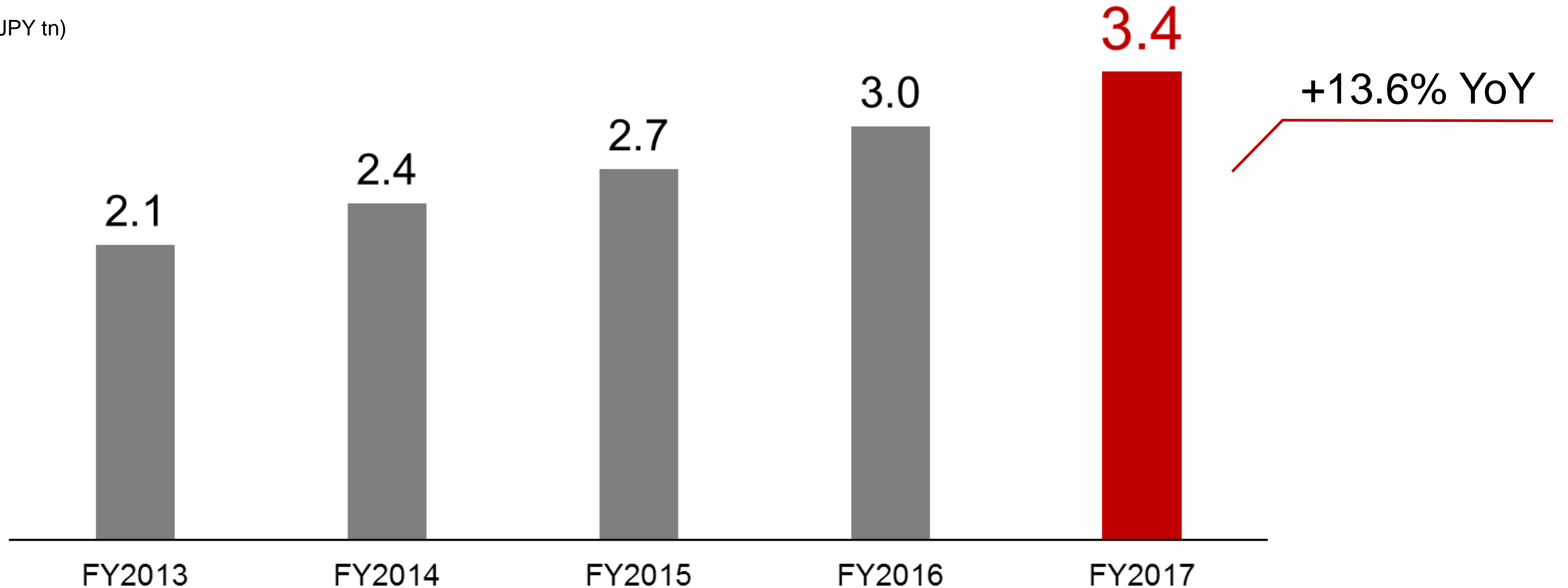
(JPY tn)



\* Calculated on a managerial accounting basis, using different definitions from data in the Appendix. Detailed credit card data is shown in the Appendix.

# Domestic E-Commerce GMS\*

(JPY tn)



\*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, Stylife, Dream businesses, Dining, Beauty, Mart, Delivery, Rakuten Direct, 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



## C2C Business

- Active marketing activities including TV commercials has led to rapid increases in GMS

(JPY)

Q4/17 GMS

2.7x

YoY

Annualized GMS\*

Approx.

JPY 140bn

\* Based on December 2017 monthly GMS

## C2C Platform Integration

- Rakuma and FRIL platforms to be integrated and renamed “Rakuma” on February 26

 Rakuma

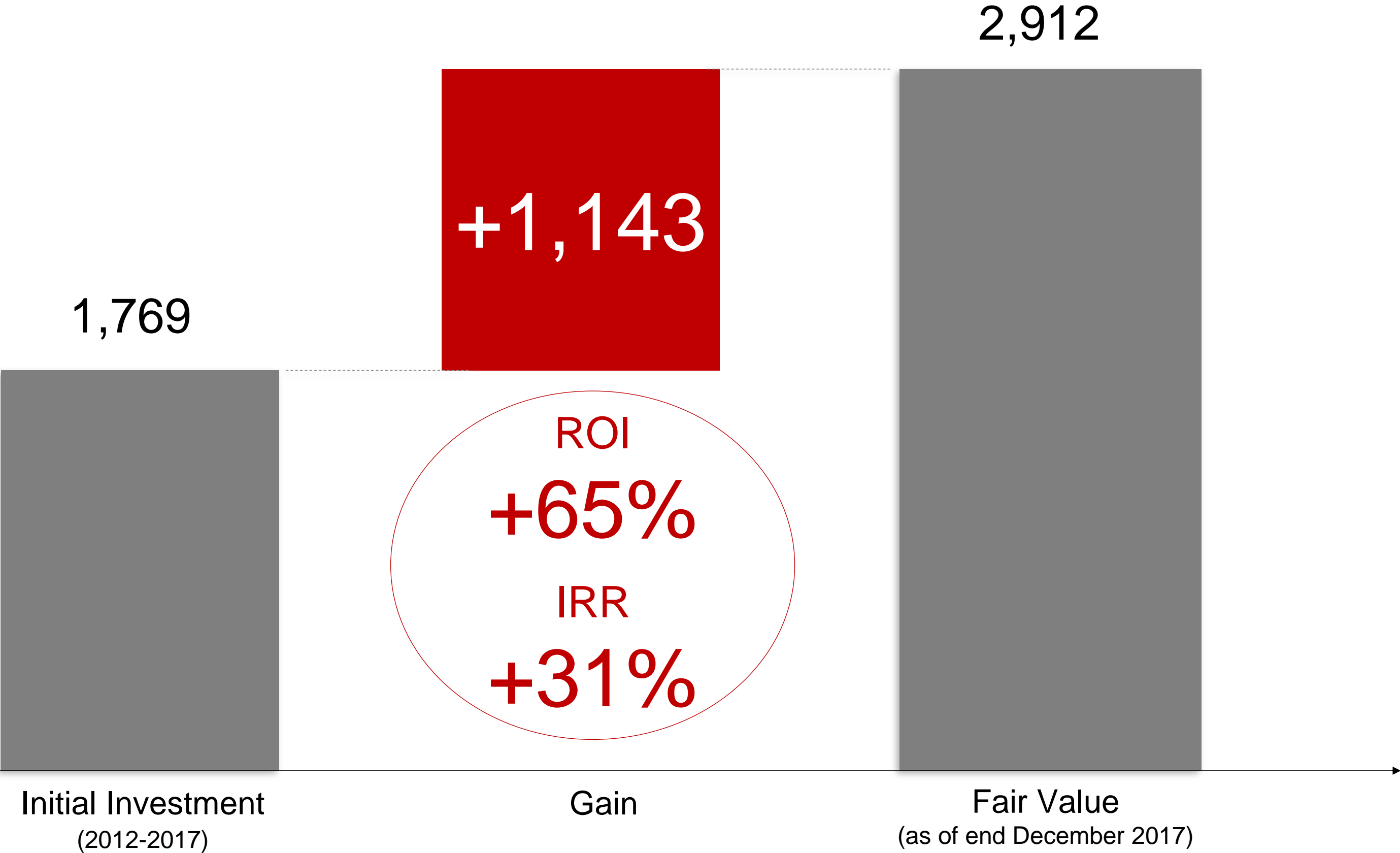


From February 26, 2018



# Rakuten Capital Historical Performance

(USD mm)



# Strategic Alliance with Walmart



# Alliance with BIC CAMERA to Strengthen First Party Electronics

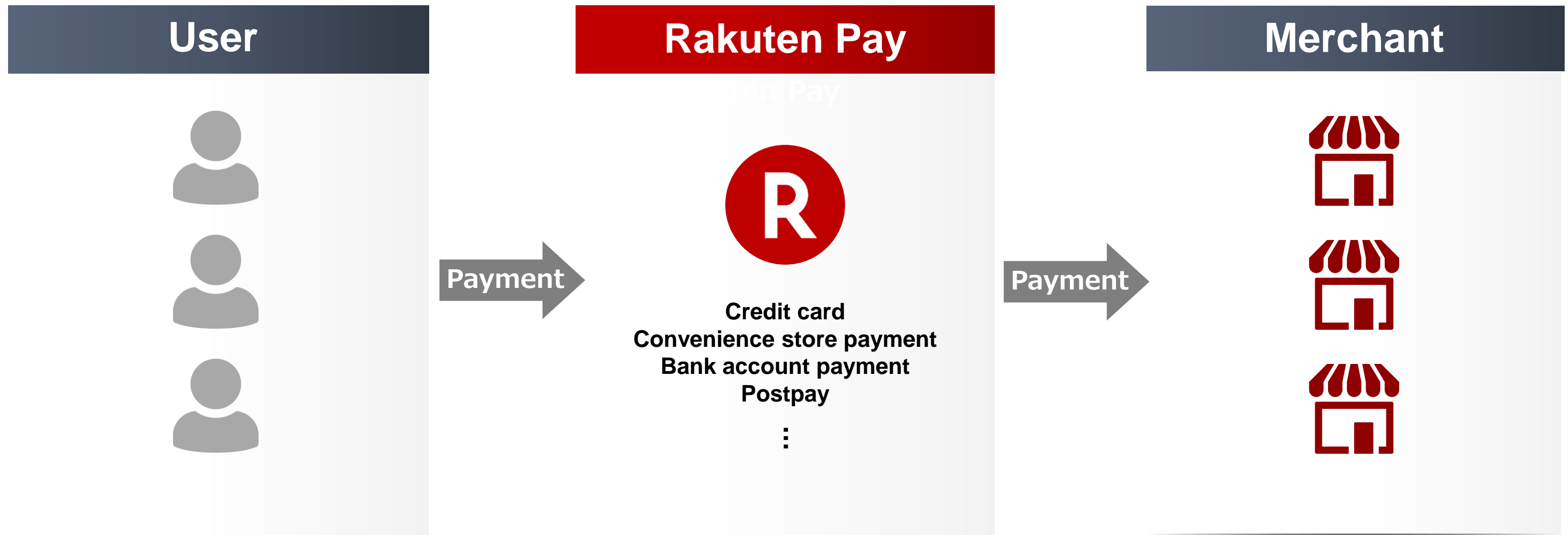


BIC CAMERA



# Improvement of User Experience: One Payment Platform

- Same payment method for users in all stores



# Improvement of User Experience: One Delivery

- Provide unified delivery experience for users



# Insurance Company

- Expanding line up of insurance products, with planned start of non-life insurance business
- Aiming for high profitability by distributing non-life insurance within the Rakuten ecosystem

**R** 楽天生命

**R** 楽天の保険比較

**R** 楽天アンセル

Rakuten Life Insurance

Rakuten Insurance Planning

Rakuten Anser Insurance

(Life Insurance and Agency Businesses)



朝日火災

Asahi Fire & Marine Insurance

(Non-life Insurance)



# Expected Synergies from Entering into Non-life Insurance

- Rakuten to take over the risks associated with existing services, providing a safer and more comfortable user experience
- Provision of Rakuten Group services to existing contract holders of Asahi Fire & Marine Insurance



## Expected Synergies (examples)

**R Rakuten Travel**  
Travel insurance

**R Rakuten GORA**  
Golf insurance

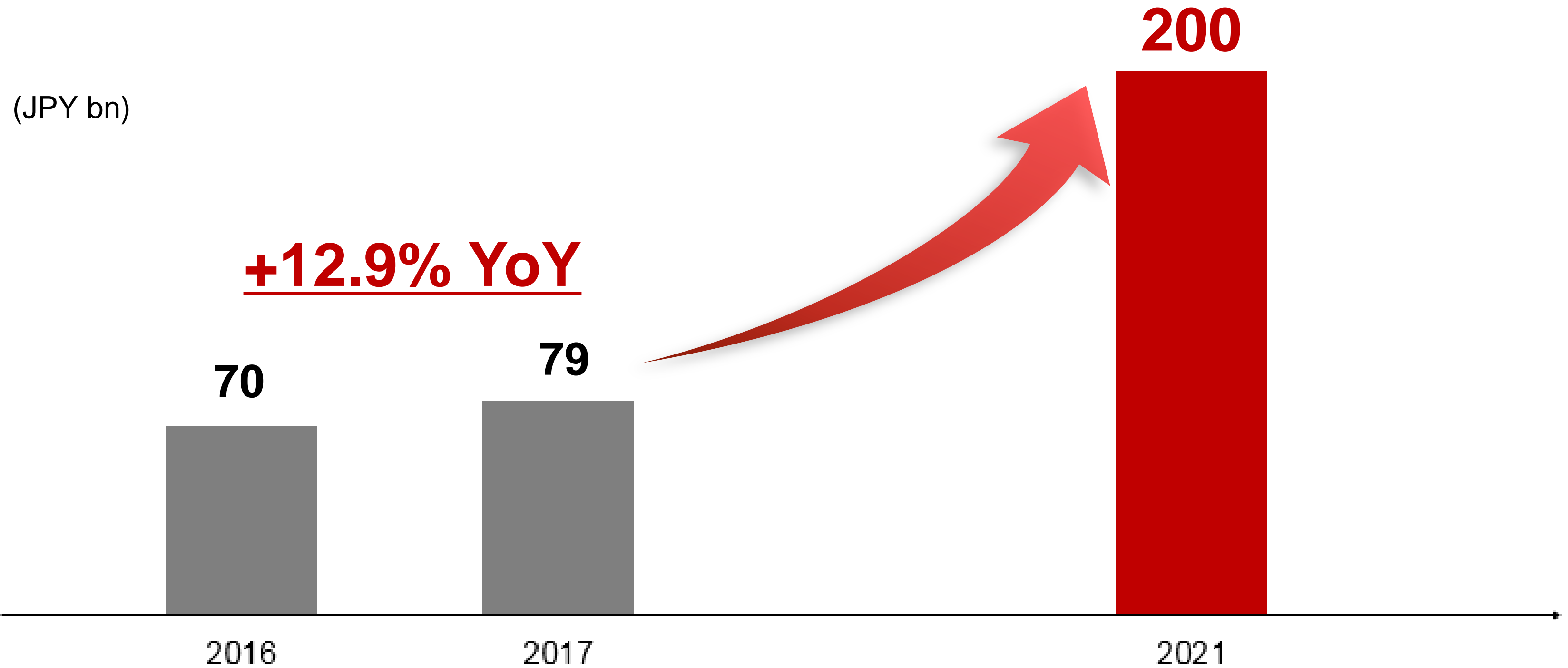
**R Rakuten STAY**  
Fire and home contents insurance for  
vacation rental platform

**R Rakuten 楽天市場**

Offering products utilizing purchase history data

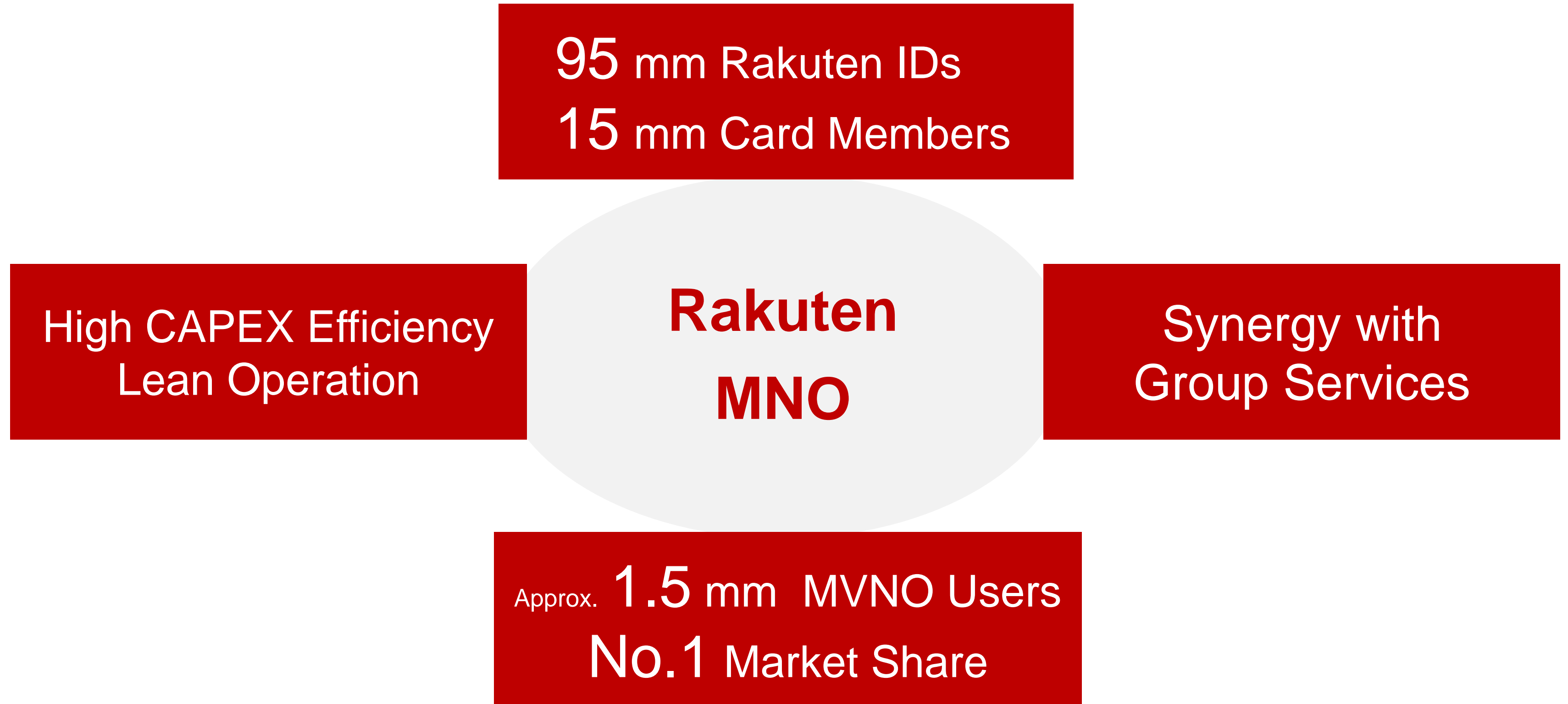
# Ad Business Revenue\* Plan in Japan

- Advertising revenue still a small part of total revenue
- In view of the market size, there is great potential for growth



\* Including internal transactions

# Planning MNO Entry



## Making Good Progress on Preparations for Application for Spectrum Allocation and Launch by the end of 2019

- ✓ Obtained initial estimates from external vendors for efficient infrastructure construction
- ✓ Appointed a large number of experts including some originally from the three existing MNOs
- ✓ Capital investment around JPY 600bn is enough to build a nationwide network
- ✓ Considering financing by lease finance, securitization etc

## **2** Financial Results

# FY2017 Consolidated Results Summary

(JPY bn, IFRS)

	FY2016	FY2017	YoY
Revenue	781.9	944.5	+20.8%
Non-GAAP Operating Income	119.6	167.0	+39.6%
IFRS Operating Income	78.5	149.3	+90.2%

# Q4/17 Consolidated Results Summary

(JPY bn, IFRS)

	Q4/16	Q4/17	YoY
Revenue	222.6	268.0	+20.4%
Non-GAAP Operating Income	30.5	33.4	+9.5%
IFRS Operating Income	2.8	29.2	10.3x

# FY2017 Revenue and Operating Income

(JPY bn, IFRS)

	FY2016	FY2017	YoY
<b>Domestic E-Commerce</b>			
Revenue	311.2	390.9	+25.6%
Operating Income	77.5	74.6	-3.8%
<b>Communications &amp; Sports</b>			
Revenue	67.5	90.0	+33.4%
Operating Income	-9.0	-6.2	+2.8
<b>Other Internet Services</b>			
Revenue	181.9	199.5	+9.6%
Operating Income	-12.9	32.4	+45.3
<b>Internet Services Segment</b>			
Revenue	560.6	680.3	+21.4%
Operating Income	55.6	100.8	+81.3%
<b>FinTech Segment</b>			
Revenue	296.1	333.2	+12.5%
Operating Income	65.6	72.8	+11.0%
<b>Adjustments</b>			
Revenue	-74.7	-69.0	+5.7
Operating Income	-1.5	-6.6	-5.0
<b>Consolidated</b>			
Revenue	781.9	944.5	+20.8%
Non-GAAP Operating Income	119.6	167.0	+39.6%
IFRS Operating Income	78.5	149.3	+90.2%



# Q4/17 Revenue and Operating Income

(JPY bn, IFRS)

	Q4/16	Q4/17	YoY
<b>Domestic E-Commerce</b>			
Revenue	90.1	105.7	+17.4%
Operating Income	20.4	19.0	-6.8%
<b>Communications &amp; Sports</b>			
Revenue	17.5	24.2	+38.3%
Operating Income	-4.0	-2.8	+1.2
<b>Other Internet Services</b>			
Revenue	58.3	67.7	+16.1%
Operating Income	-1.2	1.4	+2.6
<b>Internet Services Segment</b>			
Revenue	165.8	197.6	+19.1%
Operating Income	15.2	17.6	+15.8%
<b>FinTech Segment</b>			
Revenue	77.3	89.4	+15.7%
Operating Income	16.4	19.6	+19.3%
<b>Adjustments</b>			
Revenue	-20.5	-19.0	+1.6
Operating Income	-1.1	-3.8	-2.7
<b>Consolidated</b>			
Revenue	222.6	268.0	+20.4%
Non-GAAP Operating Income	30.5	33.4	+9.5%
IFRS Operating Income	2.8	29.2	10.3x

# FY2017 Revenue and EBITDA

(JPY bn, IFRS)

		FY2016	FY2017	YoY
<b>Domestic E-Commerce</b>				
	Revenue	311.2	390.9	+25.6%
	EBITDA	85.3	85.1	-0.3%
<b>Communications &amp; Sports</b>				
	Revenue	67.5	90.0	+33.4%
	EBITDA	-4.8	-0.7	+4.1
<b>Other Internet Services</b>				
	Revenue	181.9	199.5	+9.6%
	EBITDA	-0.7	42.9	+43.6
<b>Internet Services Segment</b>				
	Revenue	560.6	680.3	+21.4%
	EBITDA	79.7	127.2	+59.5%
<b>FinTech Segment</b>				
	Revenue	296.1	333.2	+12.5%
	EBITDA	82.5	94.8	+14.9%
<b>Adjustments</b>				
	Revenue	-74.7	-69.0	+5.7
	EBITDA	-3.6	-5.6	-2.0
<b>Consolidated</b>				
	Revenue	781.9	944.5	+20.8%
	Non-GAAP EBITDA	158.6	216.3	+36.4%

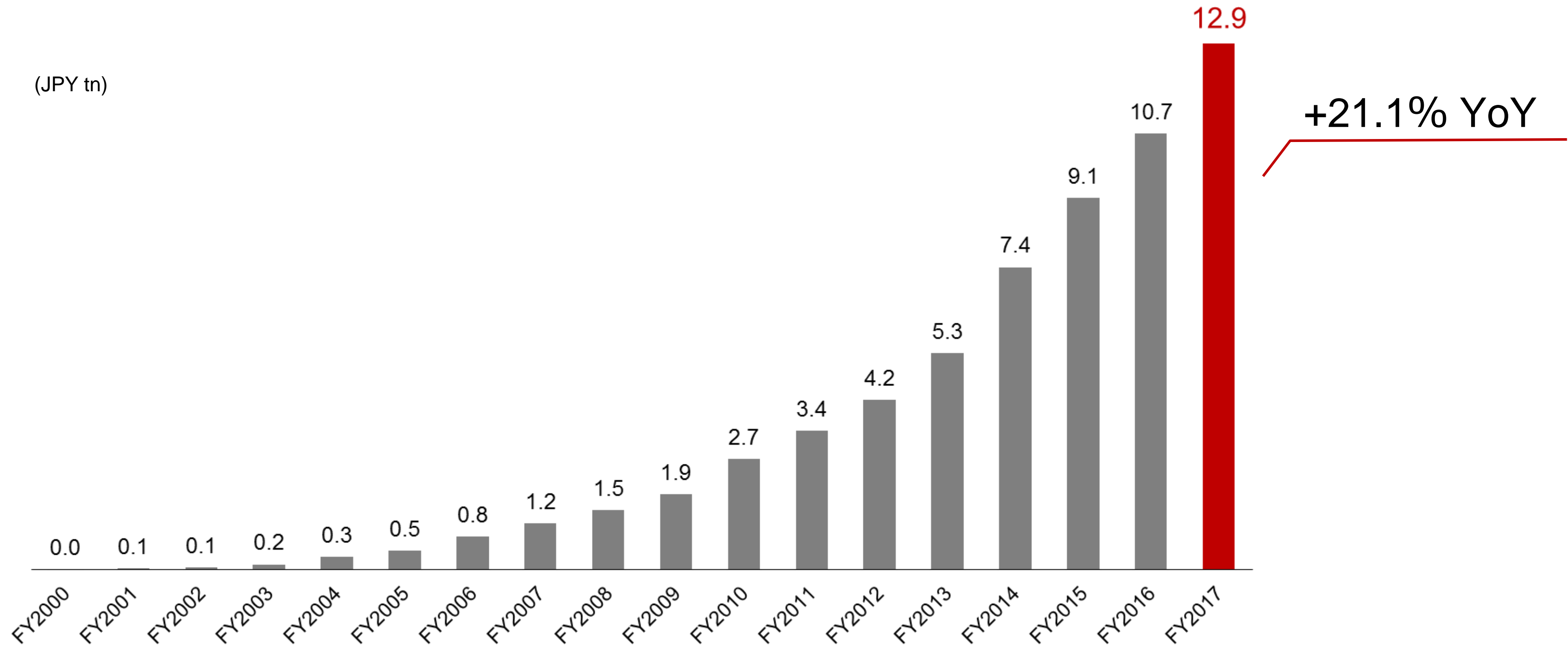
# Q4/17 Revenue and EBITDA

(JPY bn, IFRS)

		Q4/16	Q4/17	YoY
<b>Domestic E-Commerce</b>				
Revenue		90.1	105.7	+17.4%
EBITDA		22.6	22.0	-2.7%
<b>Communications &amp; Sports</b>				
Revenue		17.5	24.2	+38.3%
EBITDA		-2.9	-1.4	+1.5
<b>Other Internet Services</b>				
Revenue		58.3	67.7	+16.1%
EBITDA		2.2	4.1	+84.4%
<b>Internet Services Segment</b>				
Revenue		165.8	197.6	+19.1%
EBITDA		22.0	24.8	+12.6%
<b>FinTech Segment</b>				
Revenue		77.3	89.4	+15.7%
EBITDA		21.0	25.6	+22.2%
<b>Adjustments</b>				
Revenue		-20.5	-19.0	+1.6
EBITDA		-1.7	-2.9	-1.2
<b>Consolidated</b>				
Revenue		222.6	268.0	+20.4%
Non-GAAP EBITDA		41.3	47.5	+15.1%

# Total Global GTV\*

(JPY tn)

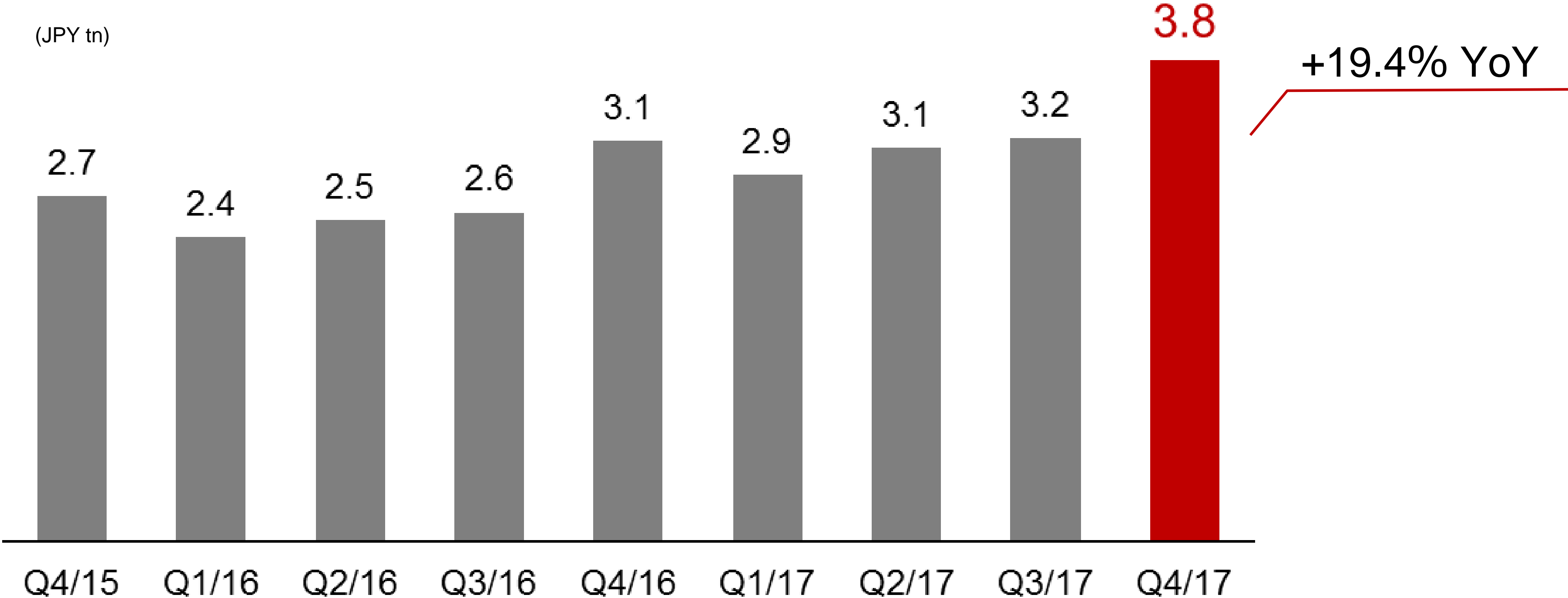


\* Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card GTV + Edy GTV + Rakuten Point Card GTV + Overseas E-Commerce GMS + Ebates GMS + Digital Contents GTV + Rakuten Marketing GTV

\* Includes intercompany transactions for settlement and affiliate services

# Total Global GTV\*

(JPY tn)

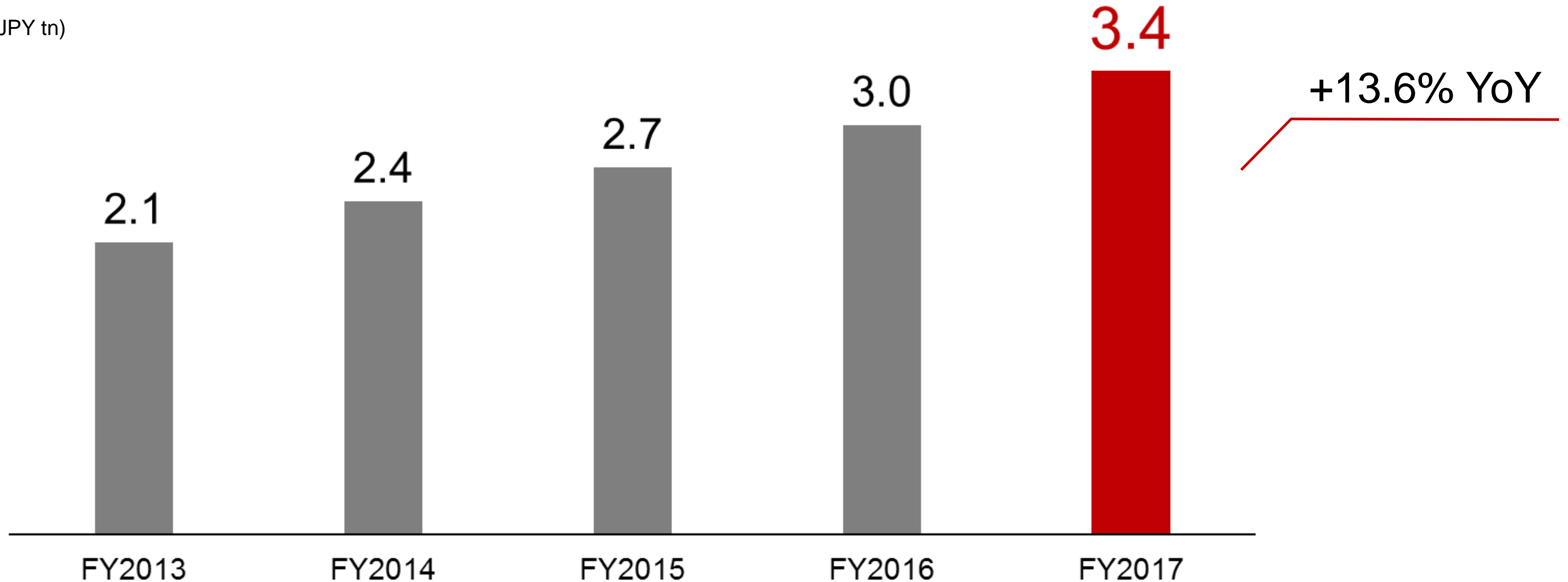


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# Domestic E-Commerce GMS\*

(JPY tn)

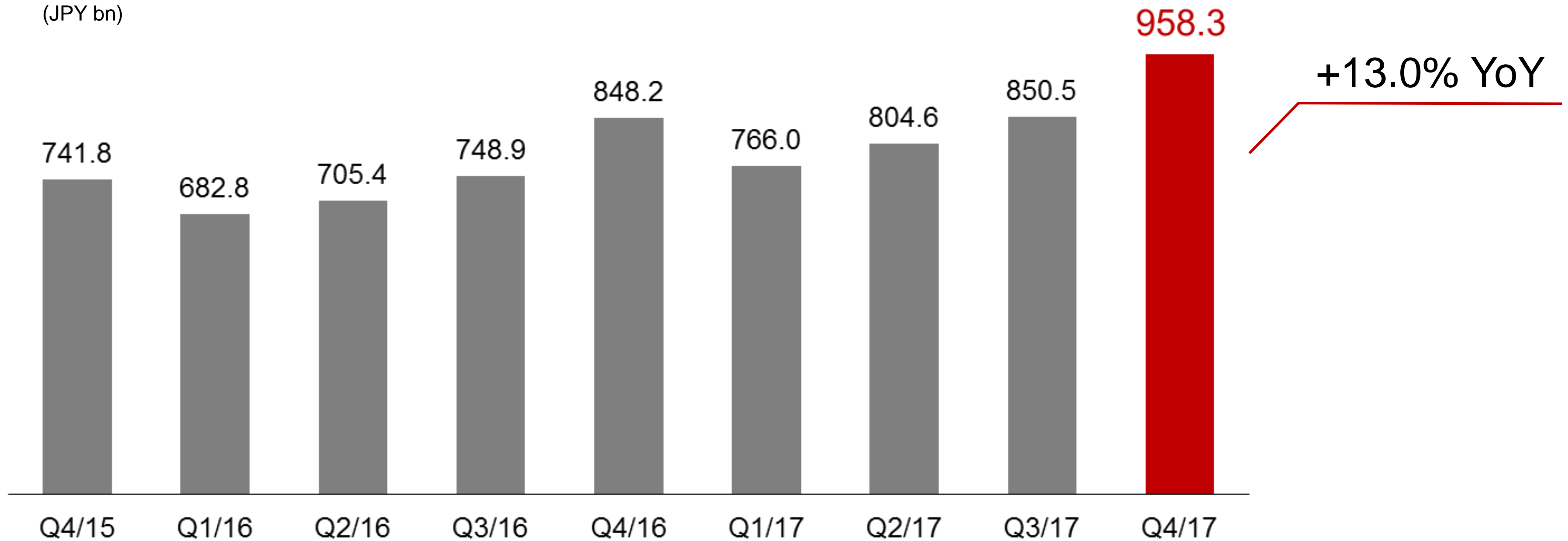


\*1: Domestic E-Commerce GMS includes consumption tax. Consumption tax not included in GMS for businesses not required to pay consumption tax. GMS comprises Ichiba, Travel GTV on checkout basis, Books, Golf, Ticket, Stylife, Dream businesses, Dining, Beauty, Mart, Delivery, Rakuten Direct, Car Life, 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 GMS\*

(JPY bn)

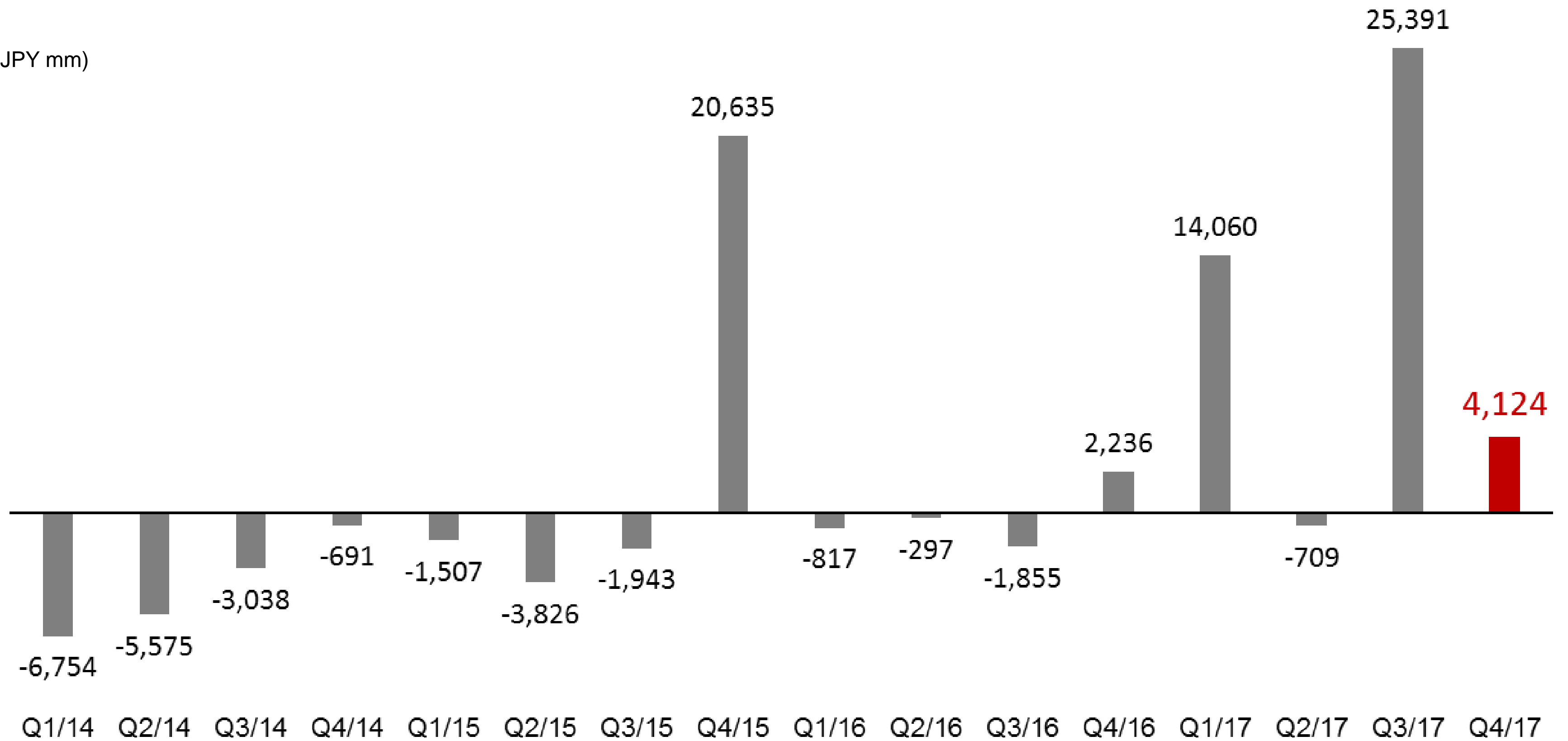


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\*2: Definition of GMS for first party businesses was revised mainly upon the merger between Soukai Drug and Kenko.com. This has resulted in retroactive adjustments to Domestic E-Commerce GMS

# Other Internet Services Non-GAAP EBITDA

(JPY mm)





# 3 FinTech

# FY2017 FinTech Results Summary

(JPY bn, IFRS)

	Revenue	YoY	Operating Income	YoY
Card	160.8	+15.5%	31.1	+4.2%
Bank	75.3	+13.0%	21.8	+28.0%
Securities	50.6	+9.8%	18.4	+5.7%
Life Insurance	32.4	-1.4%	1.7	+4.6%
Others	13.9	+25.7%	-0.1	+ 0.1
FinTech Total	333.2	+12.5%	72.8	+11.0%

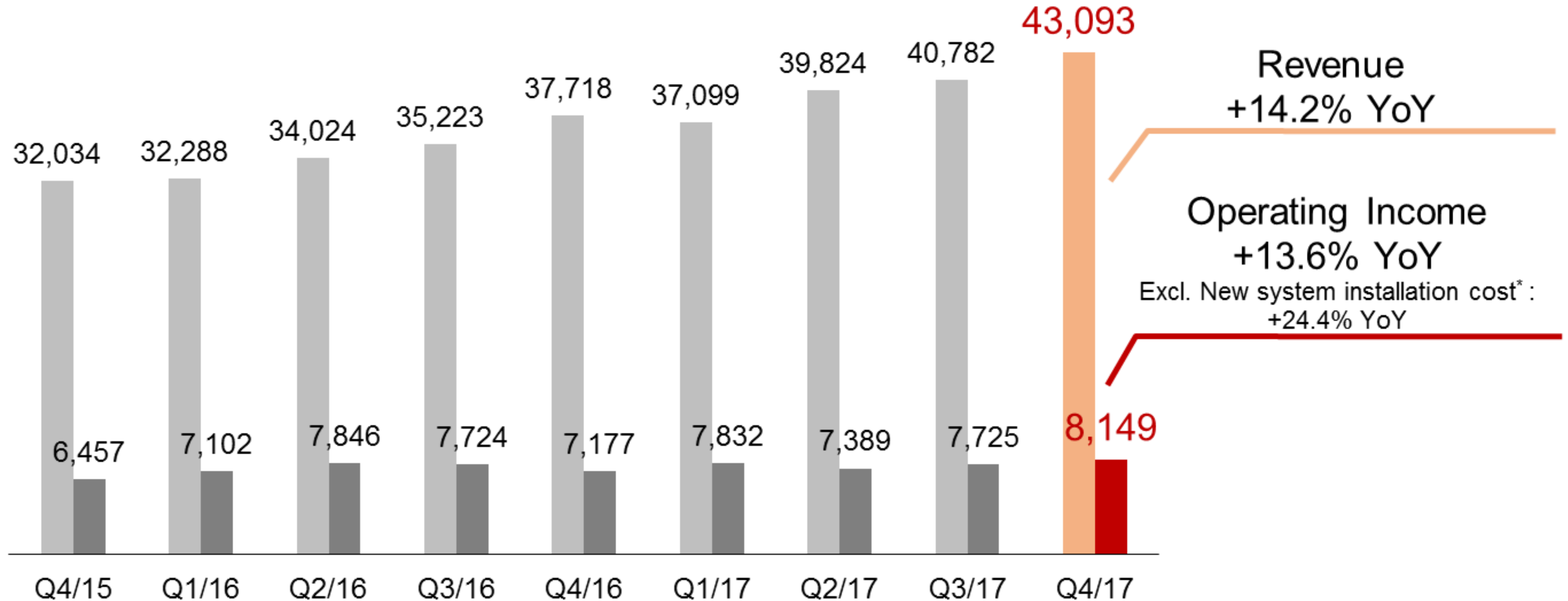
# Q4/17 FinTech Results Summary

(JPY bn, IFRS)

	Revenue	YoY	Operating Income	YoY
Card	43.1	+14.2%	8.1	+13.6%
Bank	19.8	+15.5%	5.9	+22.7%
Securities	14.6	+28.0%	5.9	+34.6%
Life Insurance	8.1	-0.2%	-0.2	-0.6
Others	3.8	+31.8%	-0.1	+0.2
FinTech Total	89.4	+15.7%	19.6	+19.3%

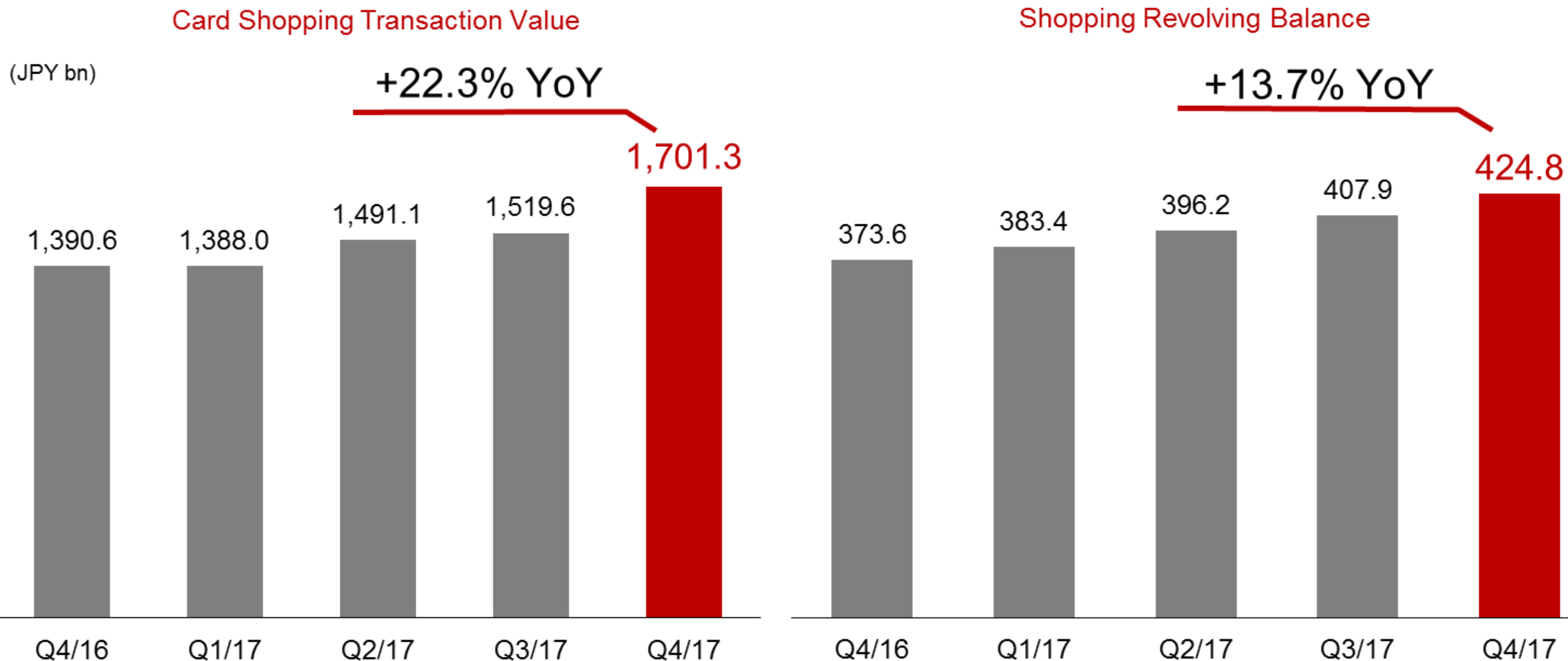
# Rakuten Card Results

(JPY mm)



\* New system installation cost: JPY 0.8bn

# Rakuten Card KPIs\*(1)

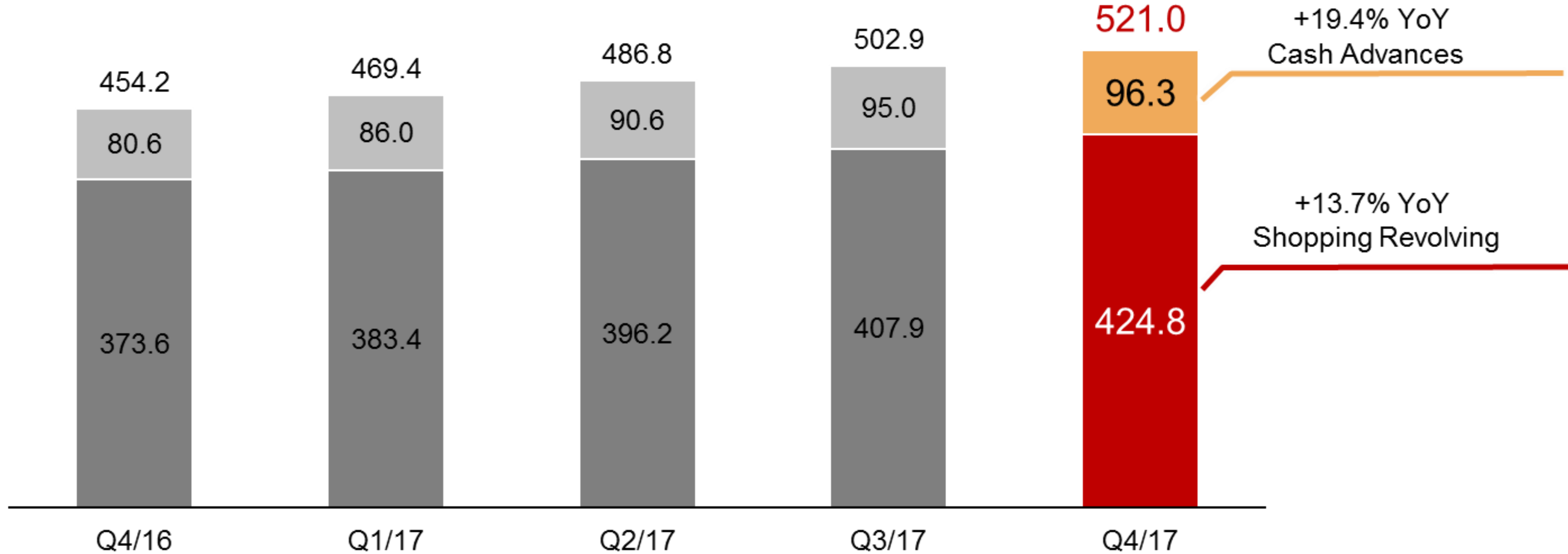


\* Calculated on a managerial accounting basis, using different definitions from data in the Appendix.  
Detailed credit card data is shown in the Appendix. Revolving balance is calculated on a principal basis.

# Rakuten Card KPIs\* (2)

(JPY bn)

## Shopping Revolving and Cash Advances Balance

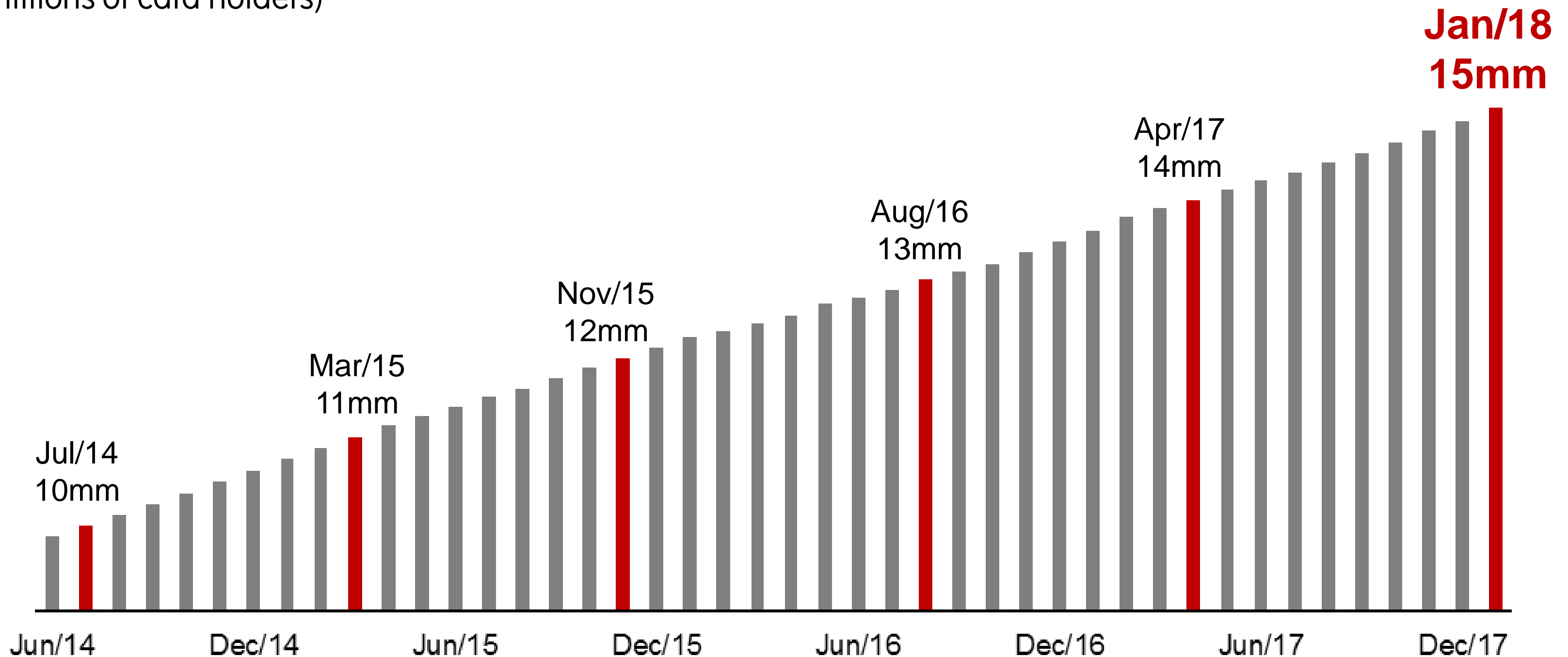


\* Calculated on a managerial accounting basis, using different definitions from data in the Appendix.  
Detailed credit card data is shown in the Appendix. Revolving balance is on a principal basis

# Increase of Rakuten Card Holders

- Rakuten Card members exceeded 15 million in January, spending only 9 months to add another 1 million

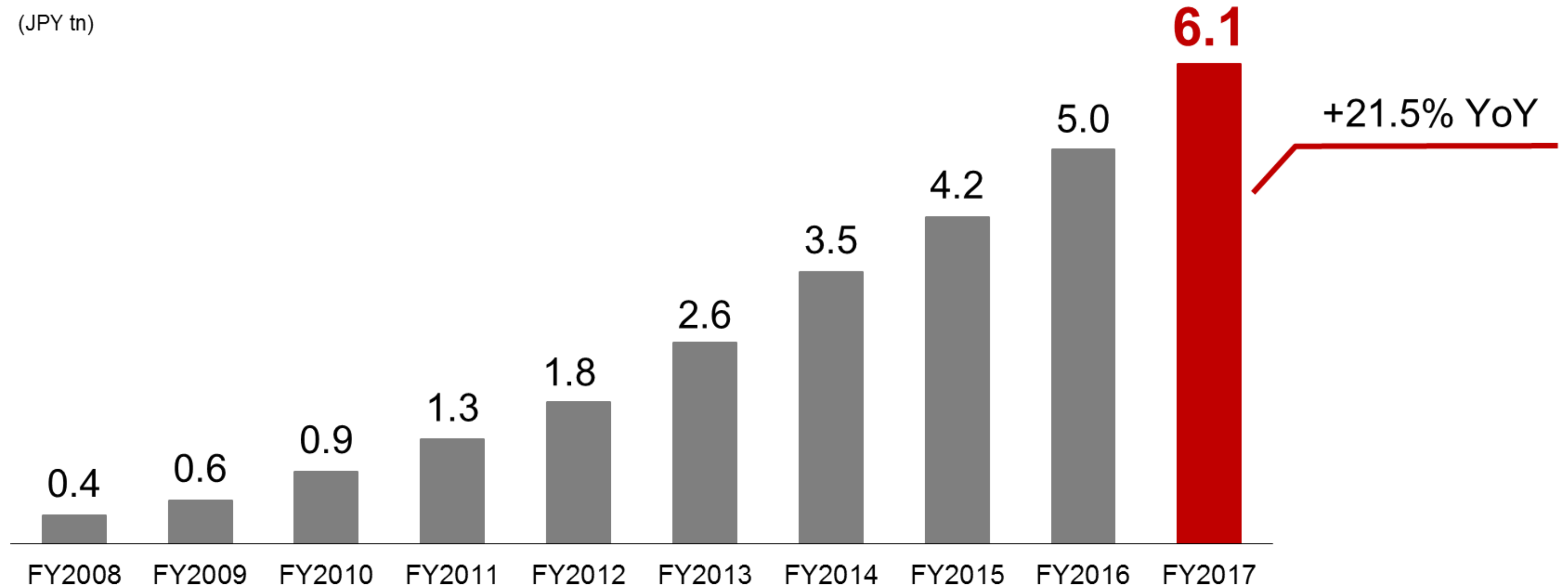
(millions of card holders)



# Rakuten Card Shopping GTV\*

■ Shopping GTV exceeded JPY 6tn in FY2017

(JPY tn)



\* Calculated on a managerial accounting basis, using different definitions from data in the Appendix. Detailed credit card data is shown in the Appendix.



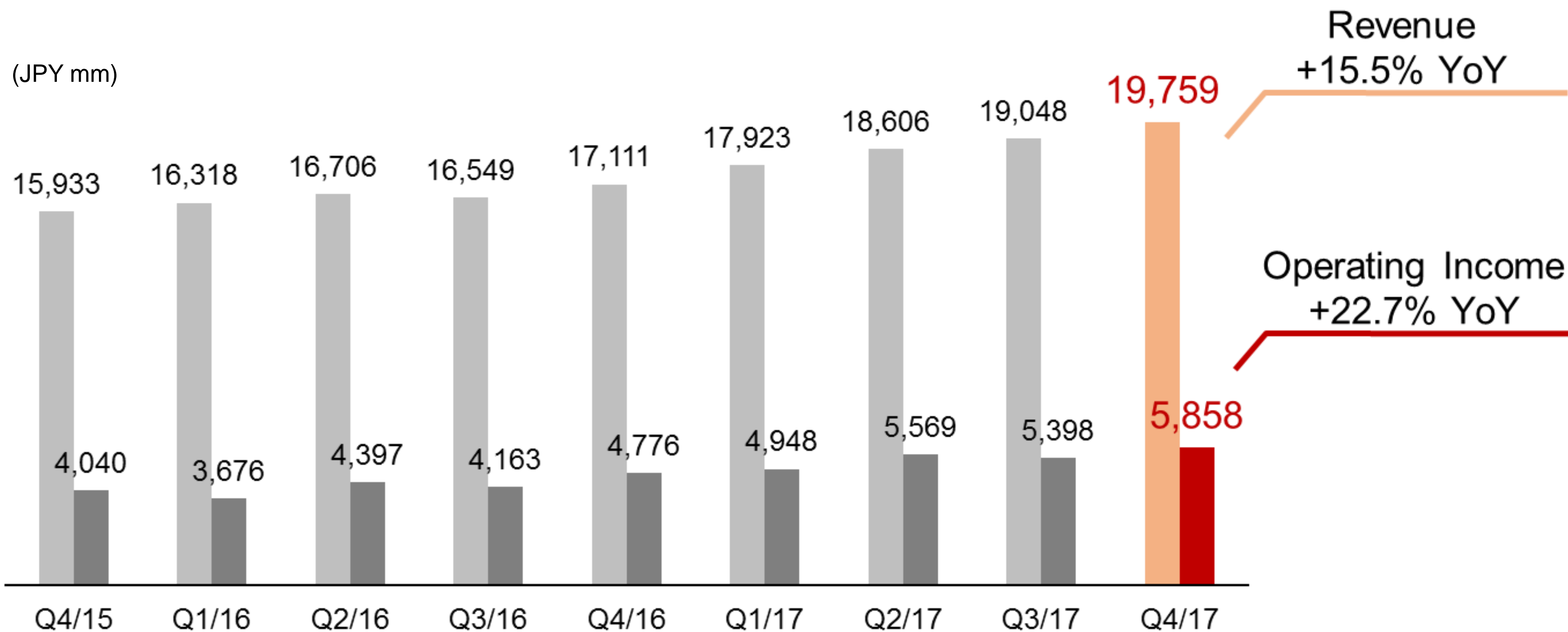
## Impact of Adoption of IFRS 9

- Changes to the rules of reporting allowances for doubtful debts on financial assets (Q1/18 onwards)
- ✓ Increase in balance of allowances due to a change from 'Incurred Loss' approach to the 'Expected Credit Losses' approach
- Faster timing in provisioning for future expected loss events
- Main applicable assets: Card business loans (credit card balances), Bank business loans (housing loans etc.)

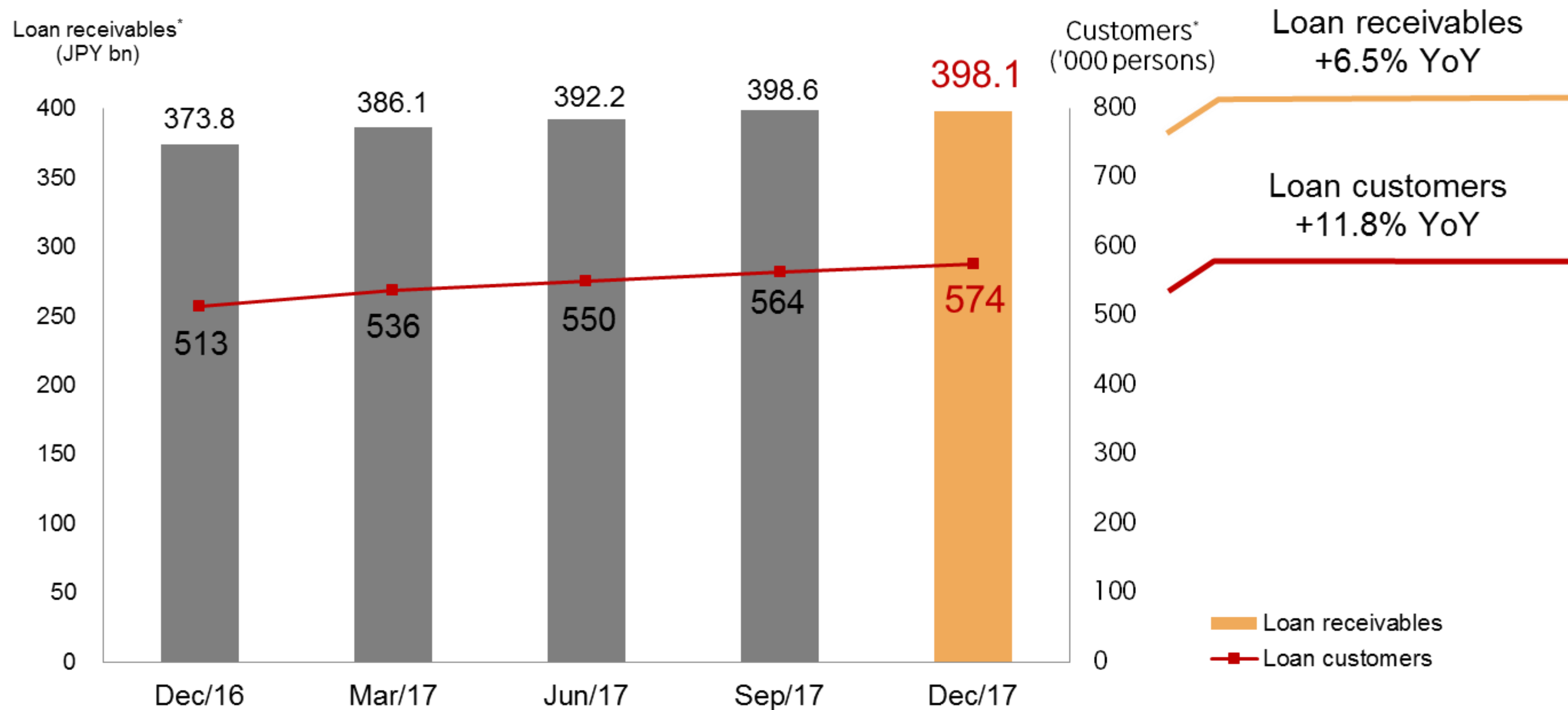
\* Amount subtracted from the cash flow estimated to actually come from the contractual incoming cash flow

= Exposure × Default rate × Default impairment rate

# Rakuten Bank Results



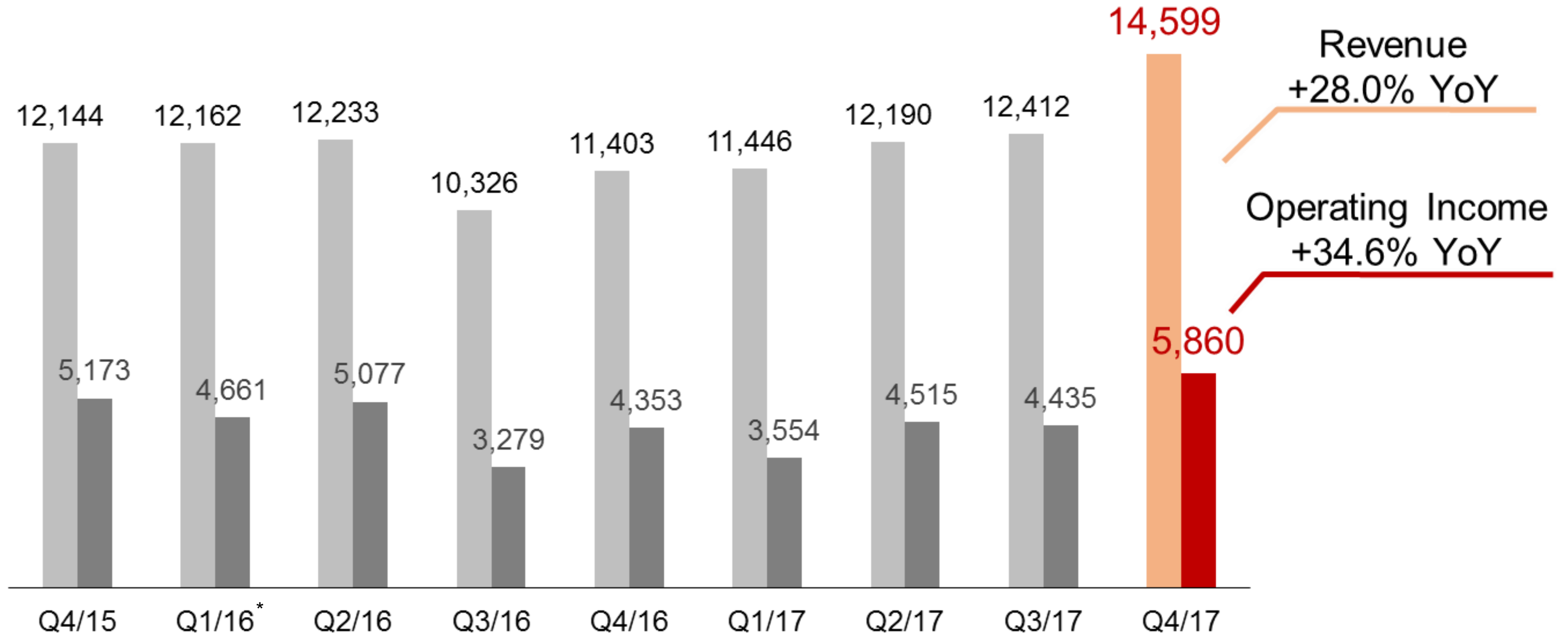
# Rakuten Bank Super Loan Balance (IFRS)



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

# Rakuten Securities Results

(JPY mm)

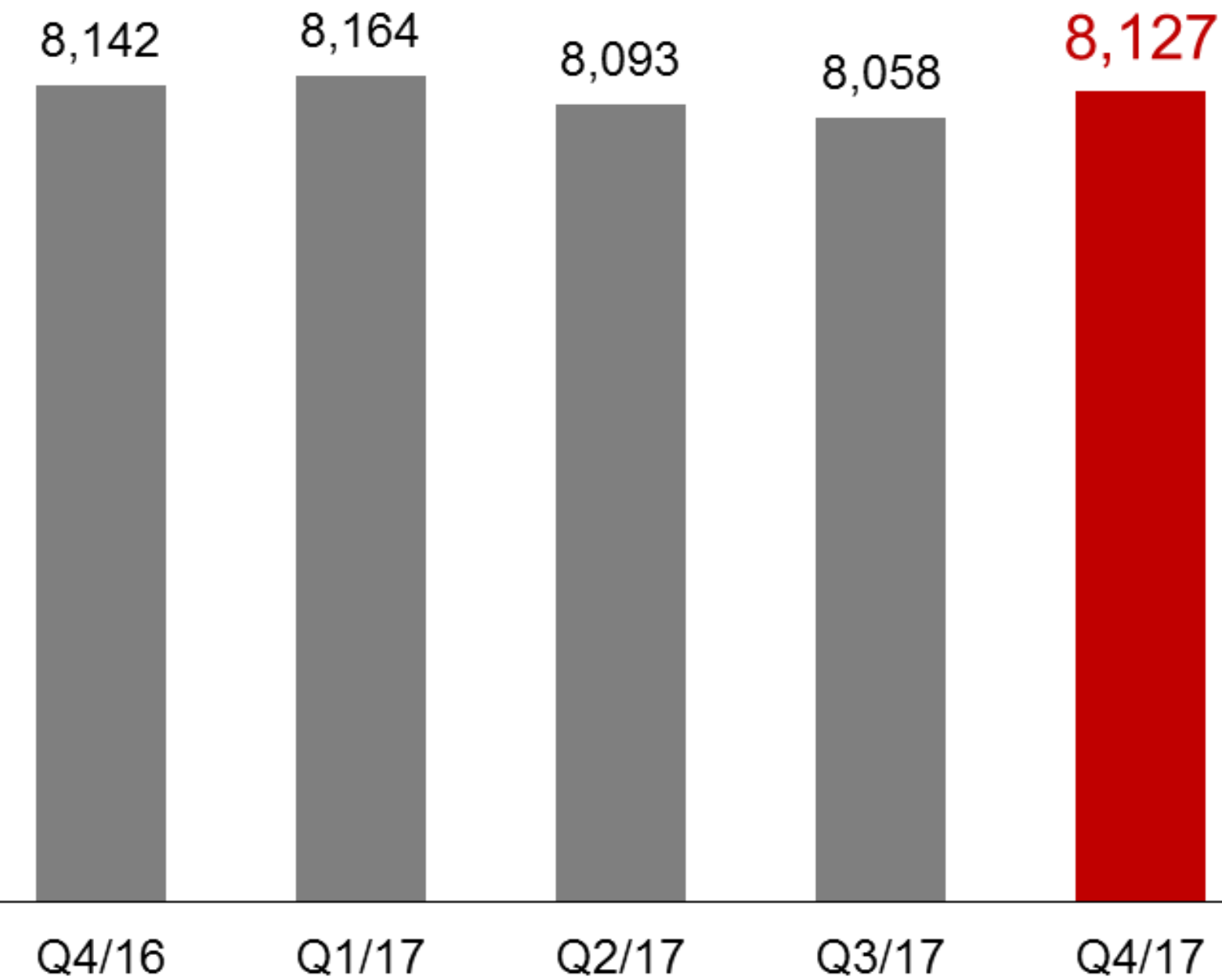


\* Q1/16 IFRS revenue and operating income does not include JPY 3bn from the sale of stocks of in a minority investment, while it was recorded under J-GAAP.

# Rakuten Life Insurance Results

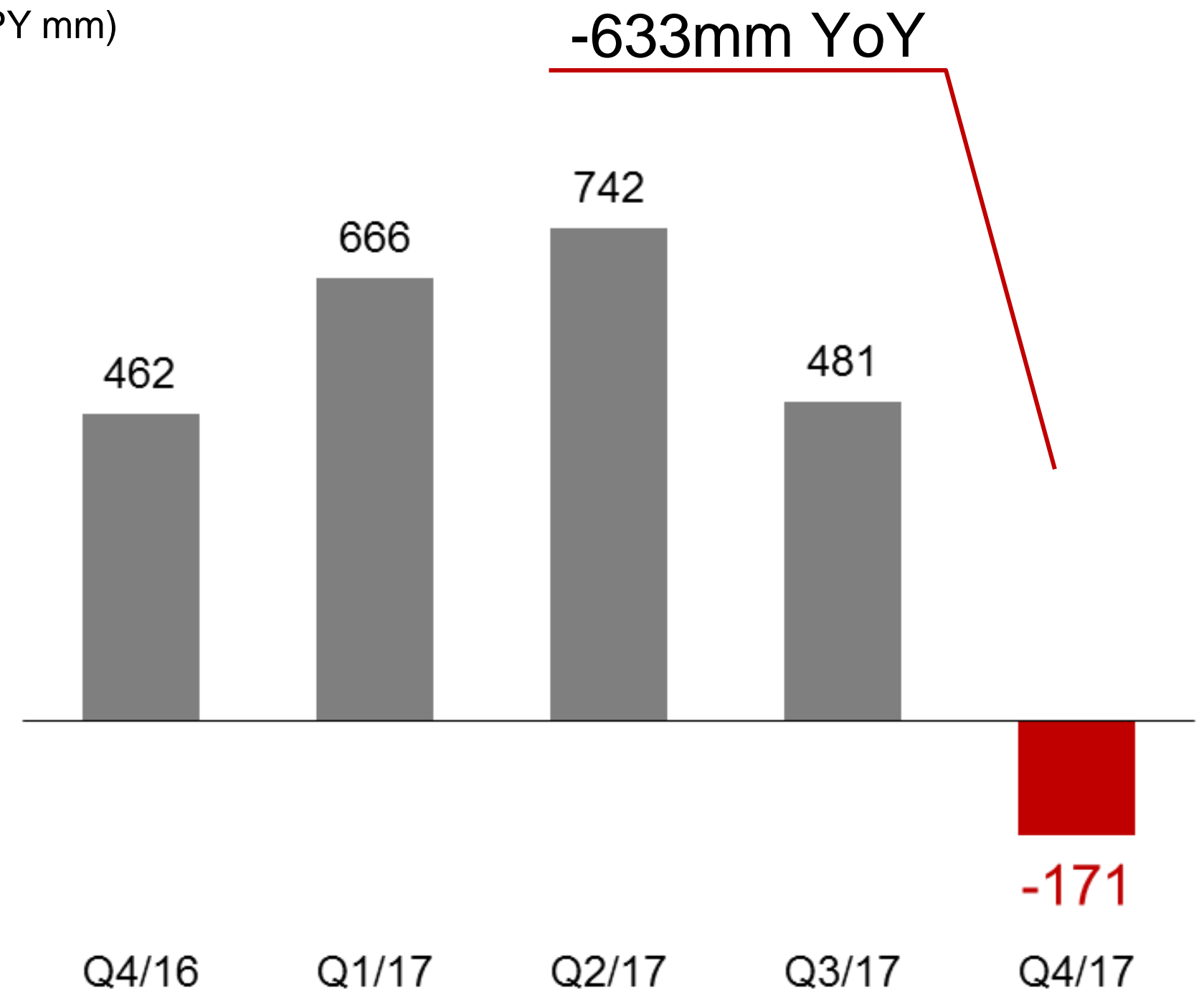
## Revenue

(JPY mm)



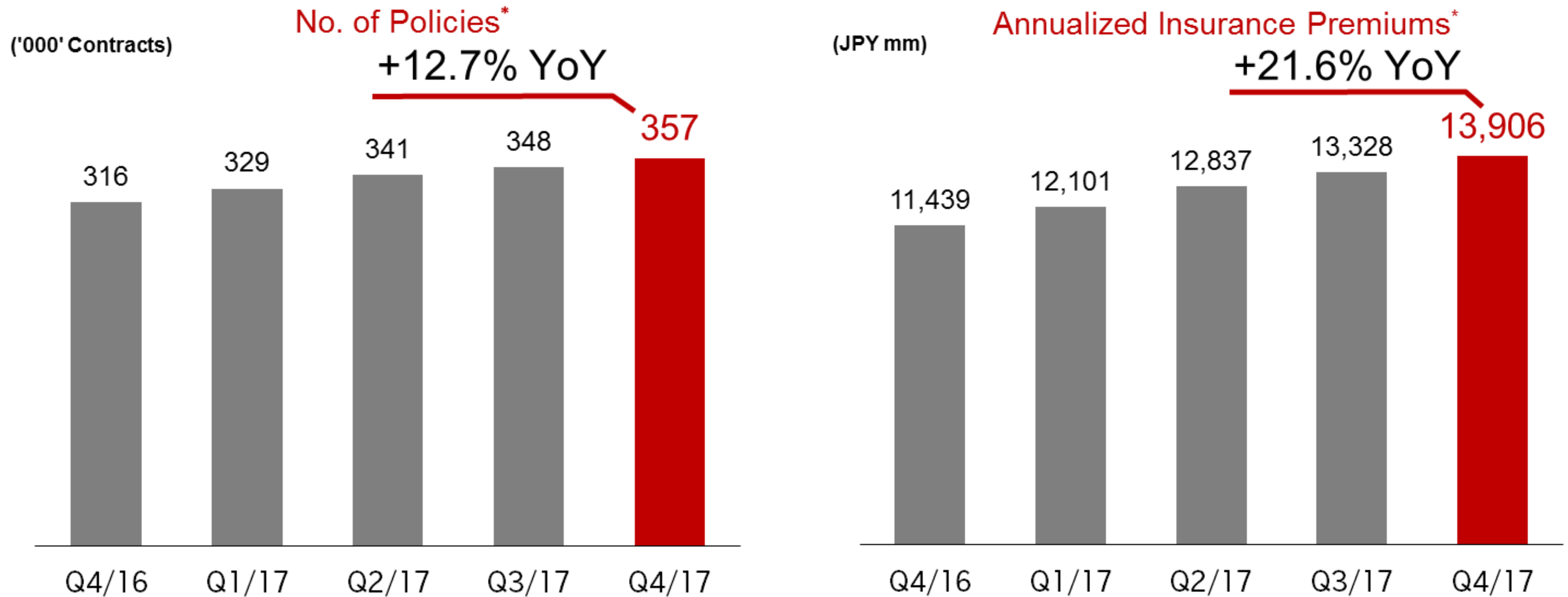
## Retroactively Adjusted OI\*

(JPY mm)



\* 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

- New Business ANP rose +19.0% YoY, driven by continuous and effective TV ads, along with a marked increase of +126.0% YoY in direct marketing channels\*<sup>1</sup>

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

**+19.0% YoY**

**Q4/17**

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

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

**+126.0% YoY**

**Q4/17**

\*1: Internet & mail-order

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

# Insurance Business

- Expanding line up of insurance products, with planned start of non-life insurance business
- Aiming for high profitability by distributing non-life insurance within the Rakuten ecosystem

**R 楽天生命**

**R 楽天の保険比較**

**R 楽天アンセル**

Rakuten Life Insurance  
Rakuten Insurance Planning  
Rakuten Anser Insurance  
(Life Insurance and Agency Businesses)



**朝日火災**

Asahi Fire & Marine Insurance  
(Non-life Insurance)



# Expected Synergies from Entering into Non-life Insurance

- Rakuten to take over the risks associated with existing services, providing a safer and more comfortable user experience
- Provision of Rakuten Group services to existing contract holders of Asahi Fire & Marine Insurance



## Expected Synergies (examples)

**R Rakuten Travel**  
Travel insurance

**R Rakuten GORA**  
Golf insurance

**R Rakuten STAY**  
Fire and home contents insurance for vacation rental platform

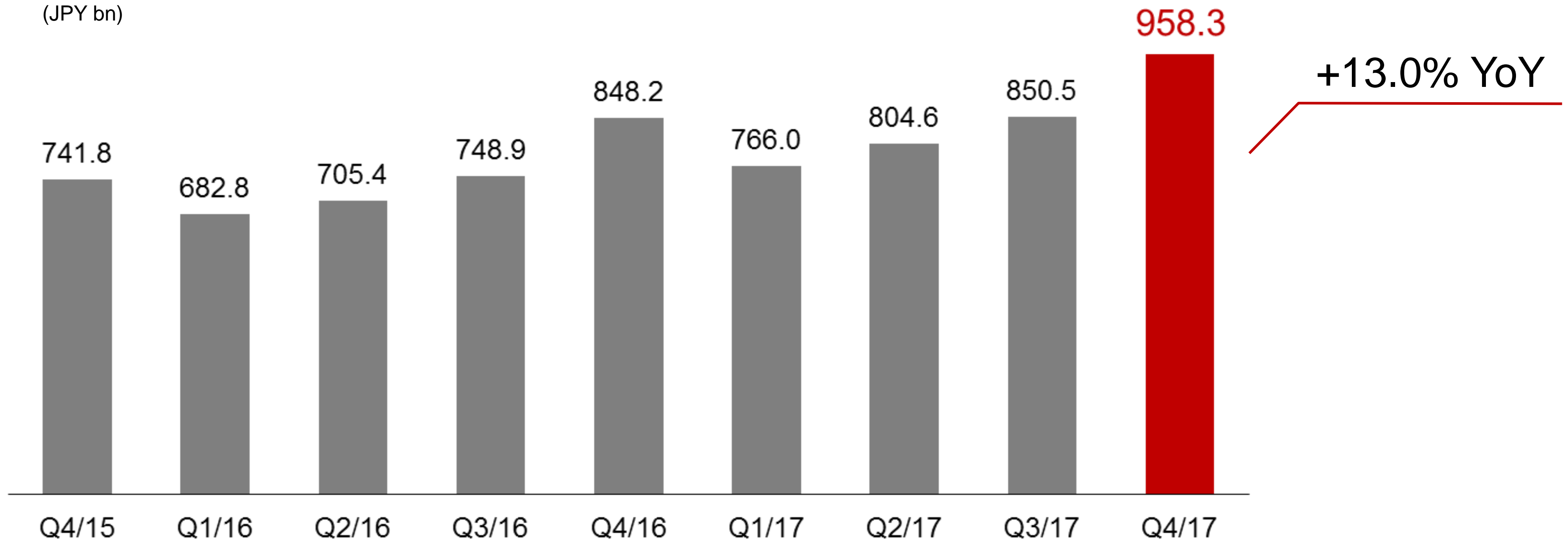
**R Rakuten 楽天市場**

Offering products utilizing purchase history data

# 4 Internet Services

# Domestic E-Commerce GMS\*

(JPY bn)

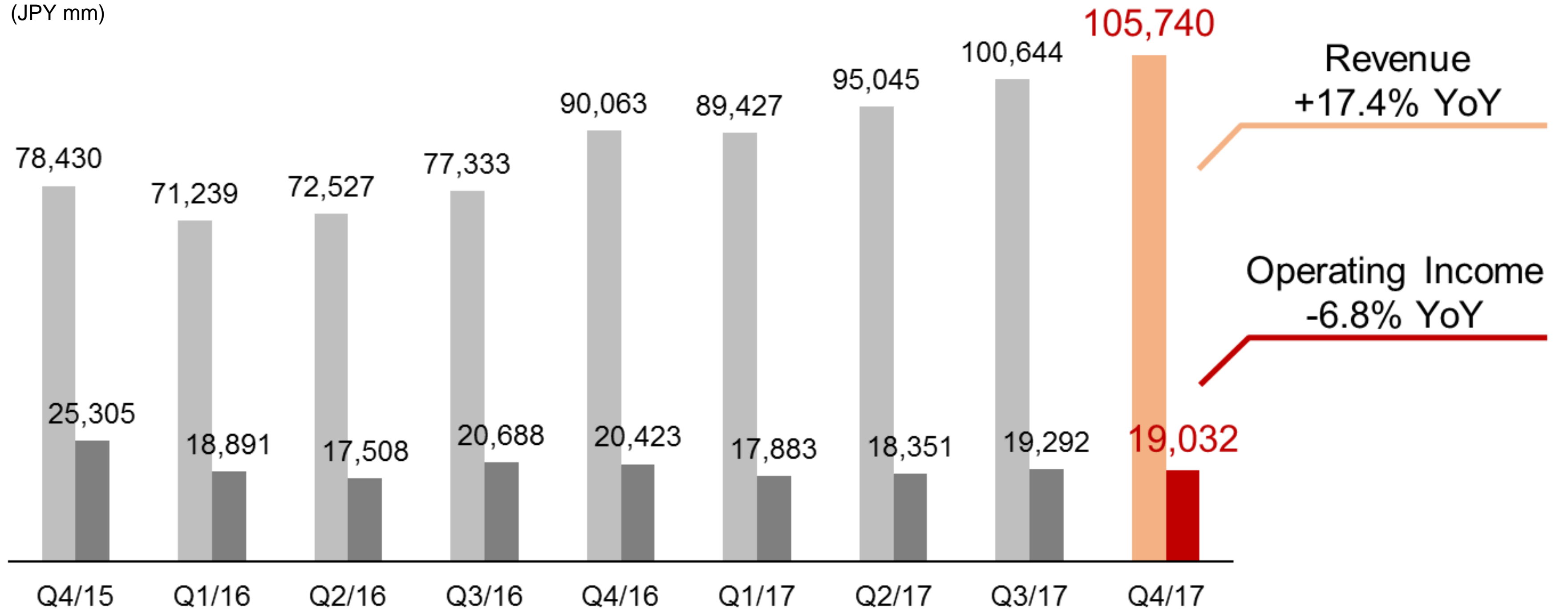


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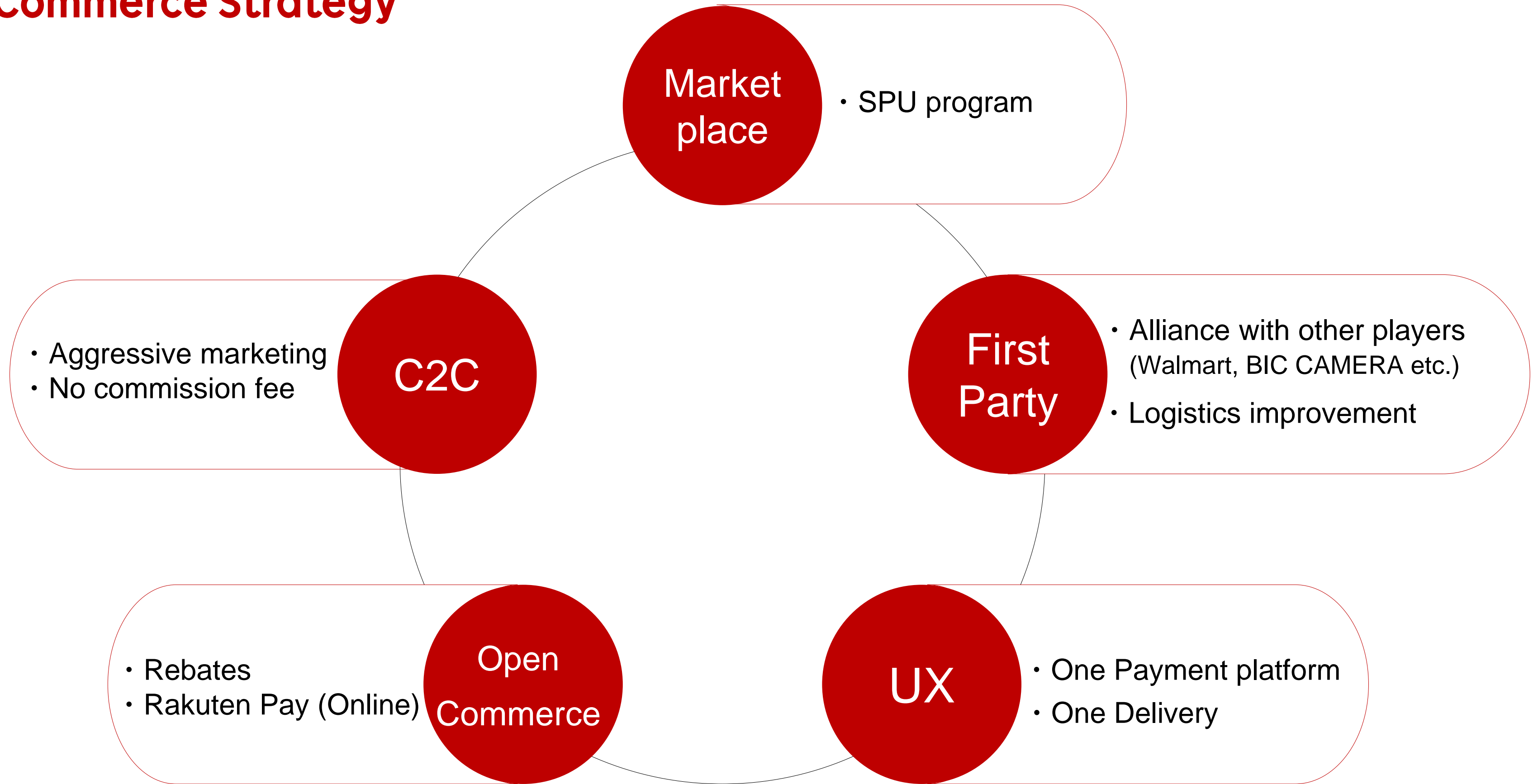
# Domestic E-Commerce Results\*

(JPY mm)



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

# E-Commerce Strategy



# SPU Program

- Rakuten Books added to SPU program in October



SPU Program promotional banner for Rakuten Books. The banner features a red background with white and yellow text. At the top, there are three yellow banners: 'エントリー不要' (Entry not required), '全会員様対象' (All members eligible), and '全ショップ対象' (All shops eligible). To the right, a blue banner with white stars says '安心' (Peace of mind). Below these, a white box contains the text: '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, you can be安心! Safety! Free compensation service for all members), followed by three numbered points: '1 未着・遅延・欠陥品にも対応' (Responds to non-delivery, delay, and defective products), '2 購入金額分を最大30万円まで補償' (Compensation up to 300,000 yen for purchase amount), and '3 万が一の模倣品も、1,000ブランド以上を補償' (Compensation for counterfeit products, 10,000 brands or more). 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, anytime), and the largest text says '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!).

Rakuten Books GMS

in Dec/17

+33% YoY

# SPU Program

- Nurturing of light users to become loyal users succeeding due to SPU program

KPIs: Dec/15 → **Dec/17**


Number of diamond and platinum  
monthly unique purchasers

 **+35%**

Number of diamond and platinum  
monthly orders

 **+33%**

Ichiba App GMS

 **+80%**

Mobile GMS ratio of Ichiba GMS

56% → **65%**

# Rakuten Ichiba Mobile Ratio

## Rakuten Ichiba Mobile Ratio on January 1, 2018

76.7%

Mobile GMS ratio

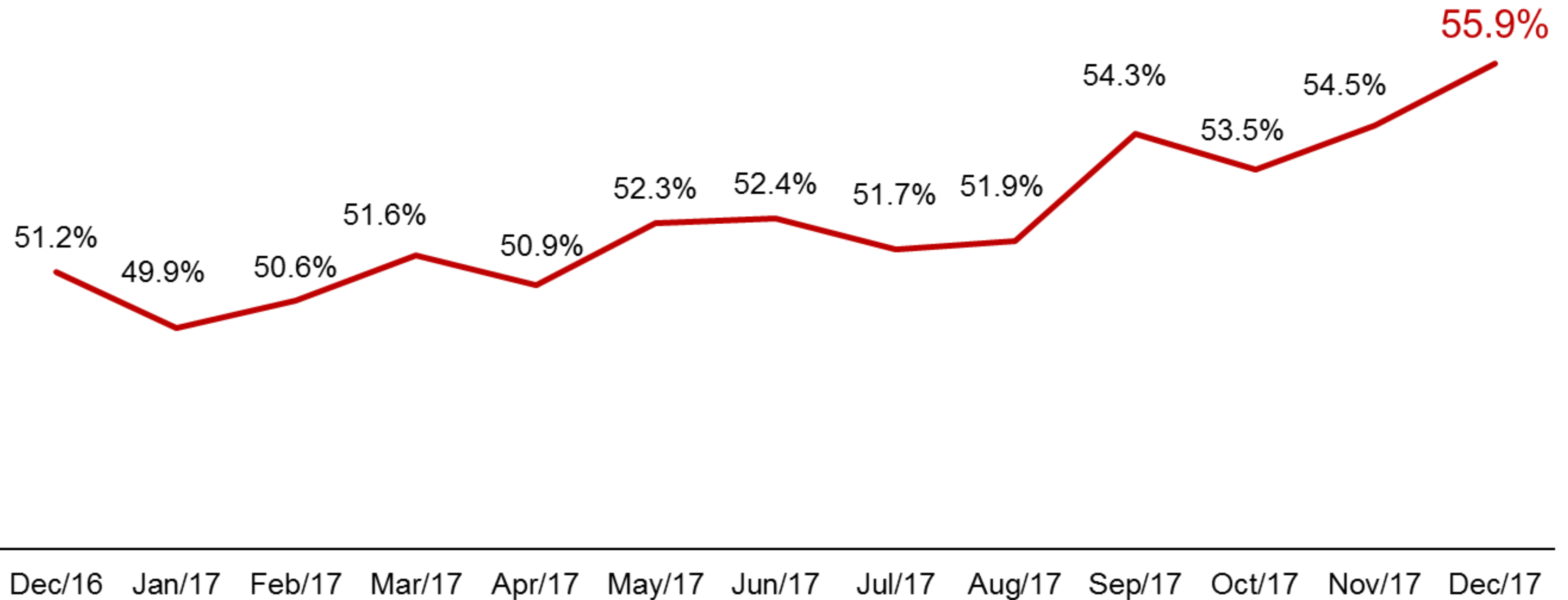
86.1%

Mobile visit ratio



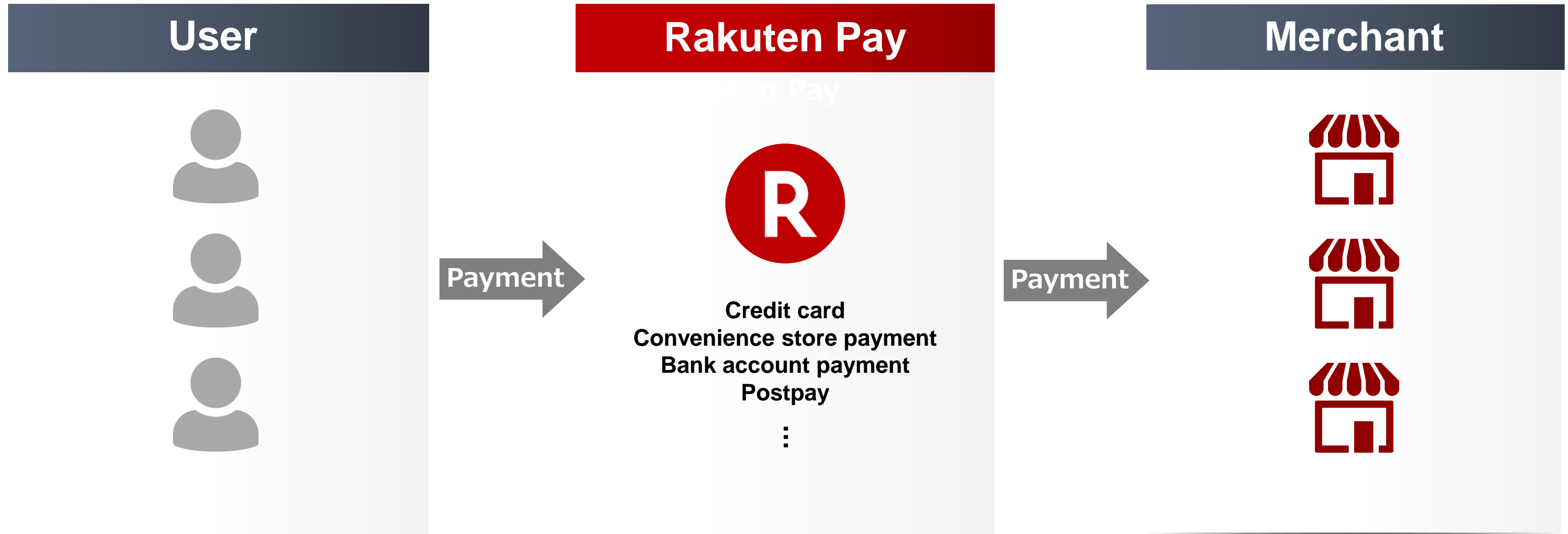
# Rakuten Card Share of Rakuten Ichiba GMS

■ Rakuten Card share of Ichiba GMS is consistently growing



# Improvement of User Experience: One Payment Platform

- Same payment method for users in all stores



# Improvement of User Experience: One Delivery

- Provide unified delivery experience for users



## C2C Business

- Active marketing activities including TV commercials has led to rapid increases in GMS

(JPY)

Q4/17 GMS

2.7x

YoY

Annualized GMS\*

Approx.

JPY 140bn

\* Based on December 2017 monthly GMS

## C2C Platform Integration

- Rakuma and FRIL platforms will be integrated and renamed “Rakuma” on February 26

 Rakuma



From February 26, 2018

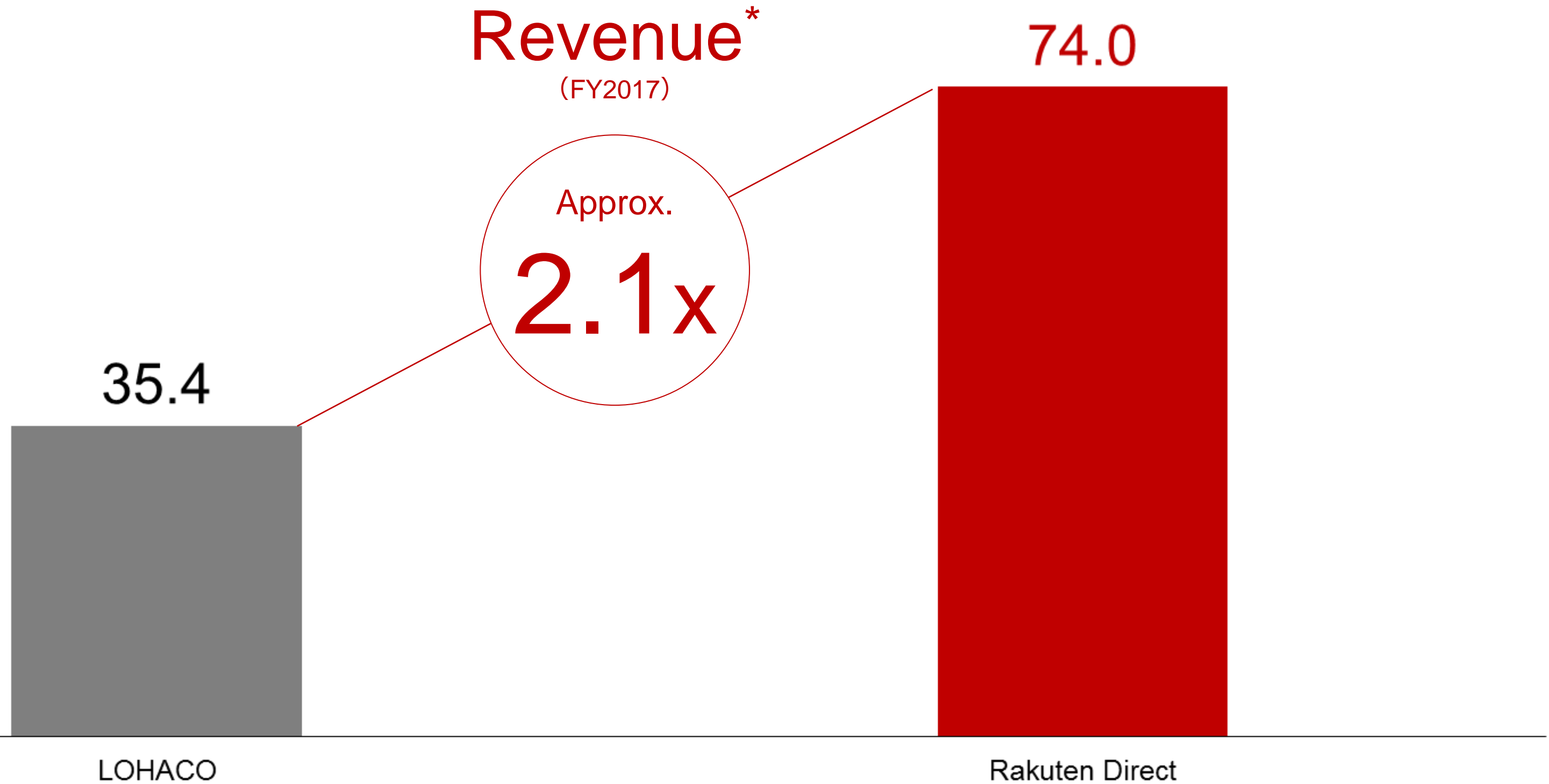


# Rakuten Direct: Revenue Scale

- Rakuten Direct (Soukai Drug + Kenko.com) revenues are significantly ahead of their main competitor

(JPY bn)

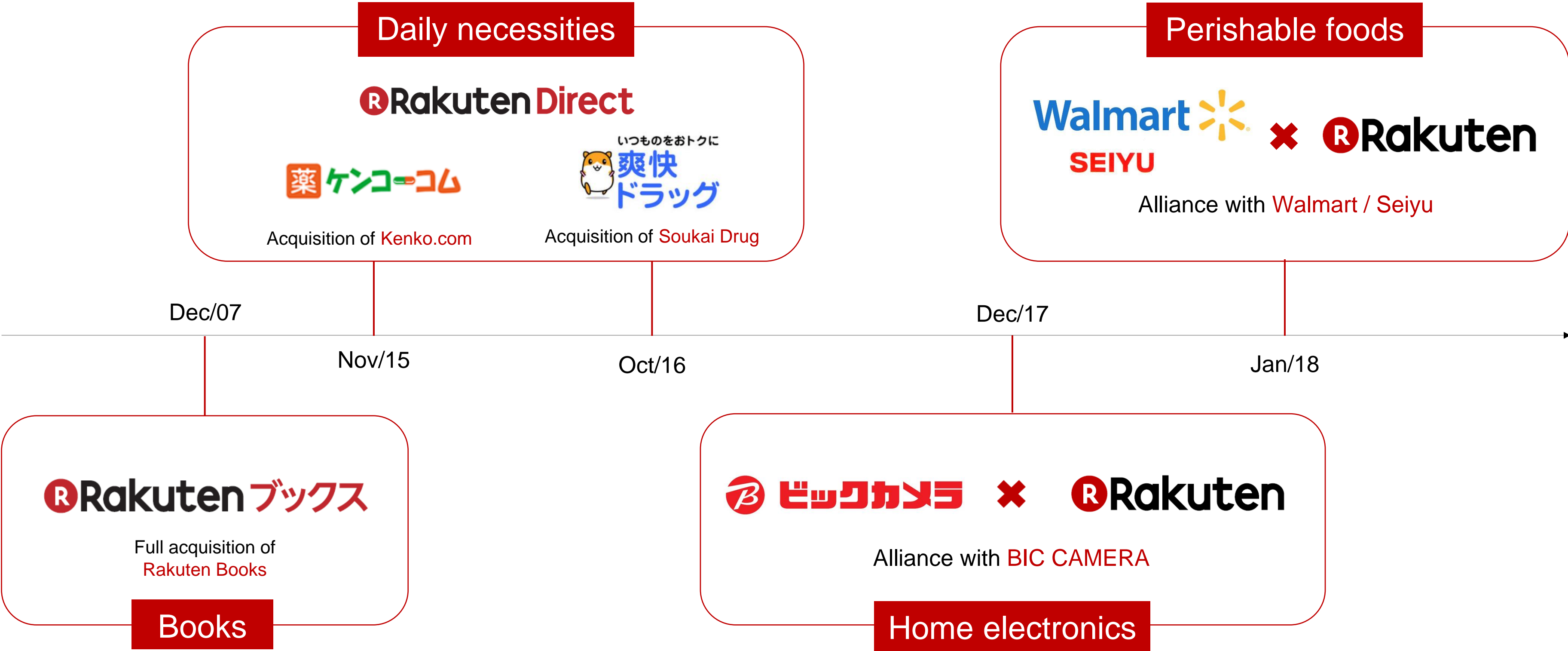
Revenue\*  
(FY2017)



\* Revenue is adjusted for differences in accounting policies

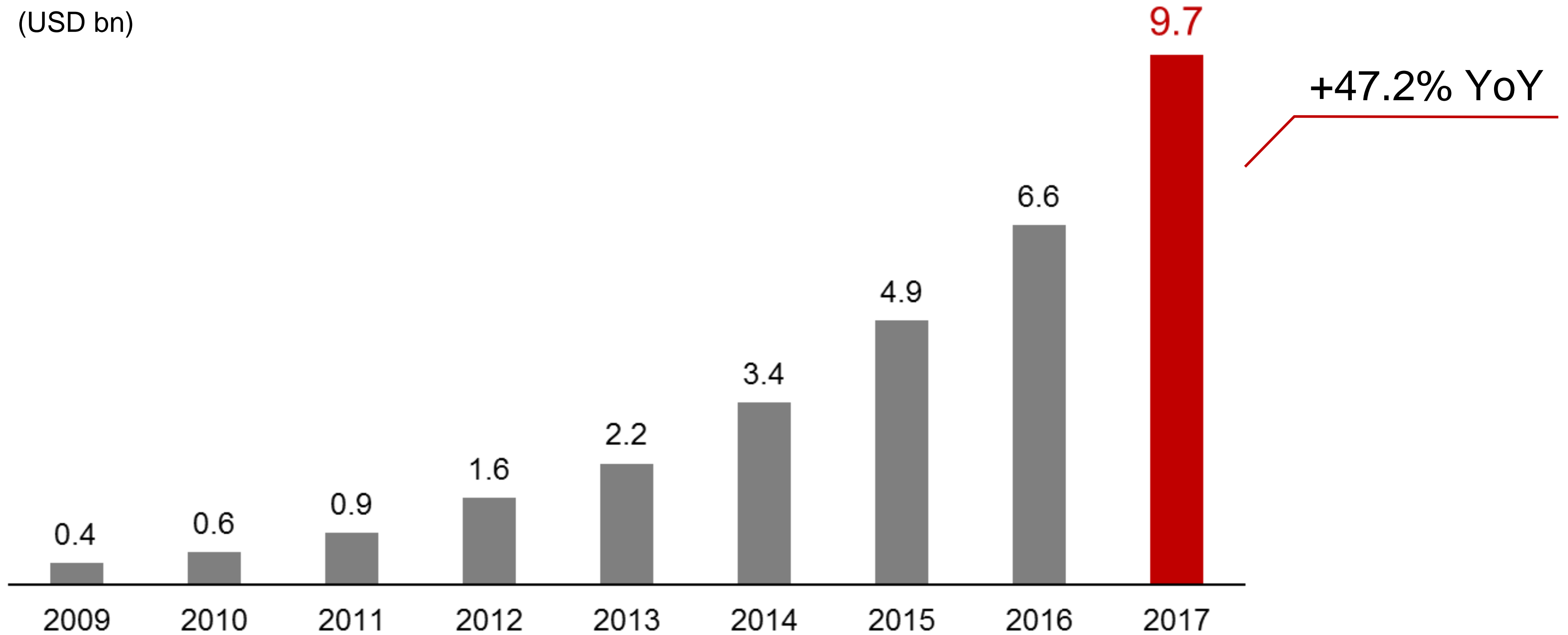
# First Party Expansion

- Strategy developed based on price, speed of delivery and genre dynamics



# Ebates Annual GMS\*

(USD bn)

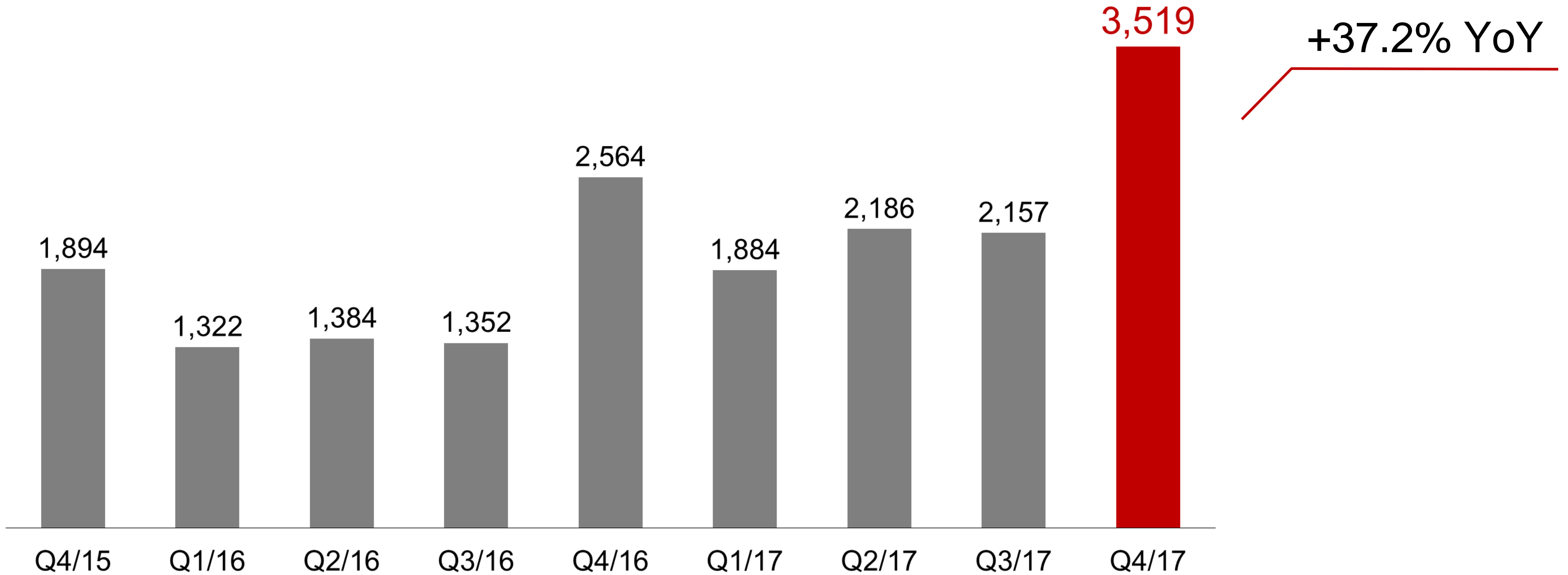


\* Includes GMS of Cartera acquired in Q1/17 and ShopStyle acquired in Q2/2017



# Ebates GMS\*

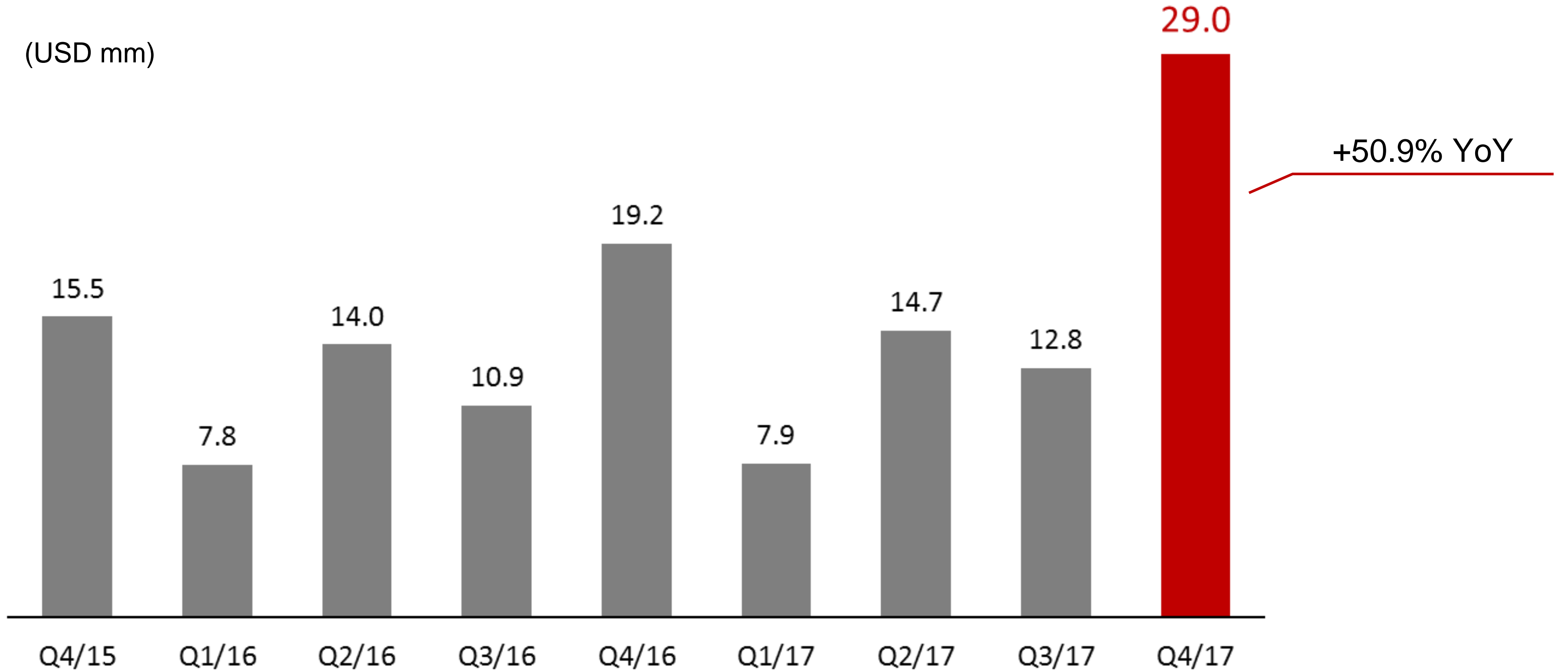
(USD mm)



\* Includes GMS of Cartera acquired in Q1/17 and ShopStyle acquired in Q2/2017

# Ebates Operating Income\*

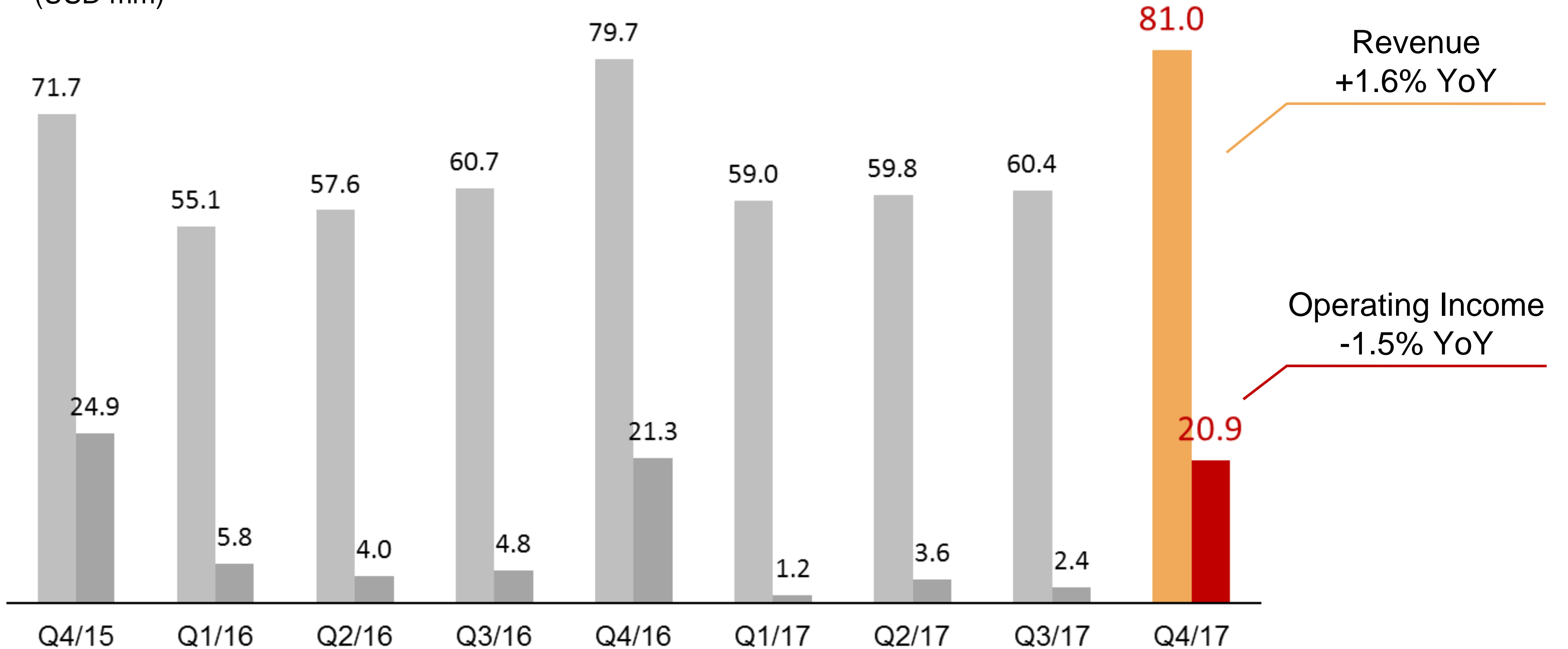
(USD mm)



\* Includes Cartera, ShopStyle, and Rebates.

# Rakuten Marketing Results

(USD mm)

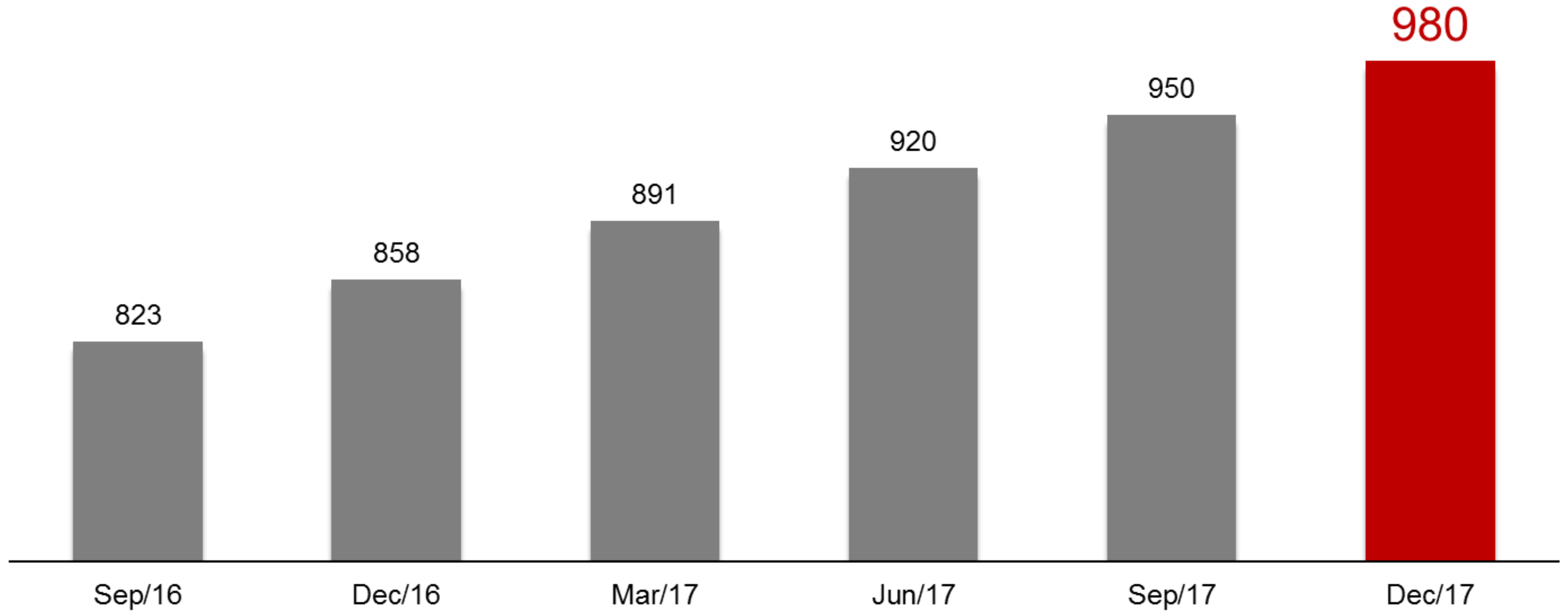


**5**

# Media & Communications

# Viber Unique IDs\*

(Millions of IDs)

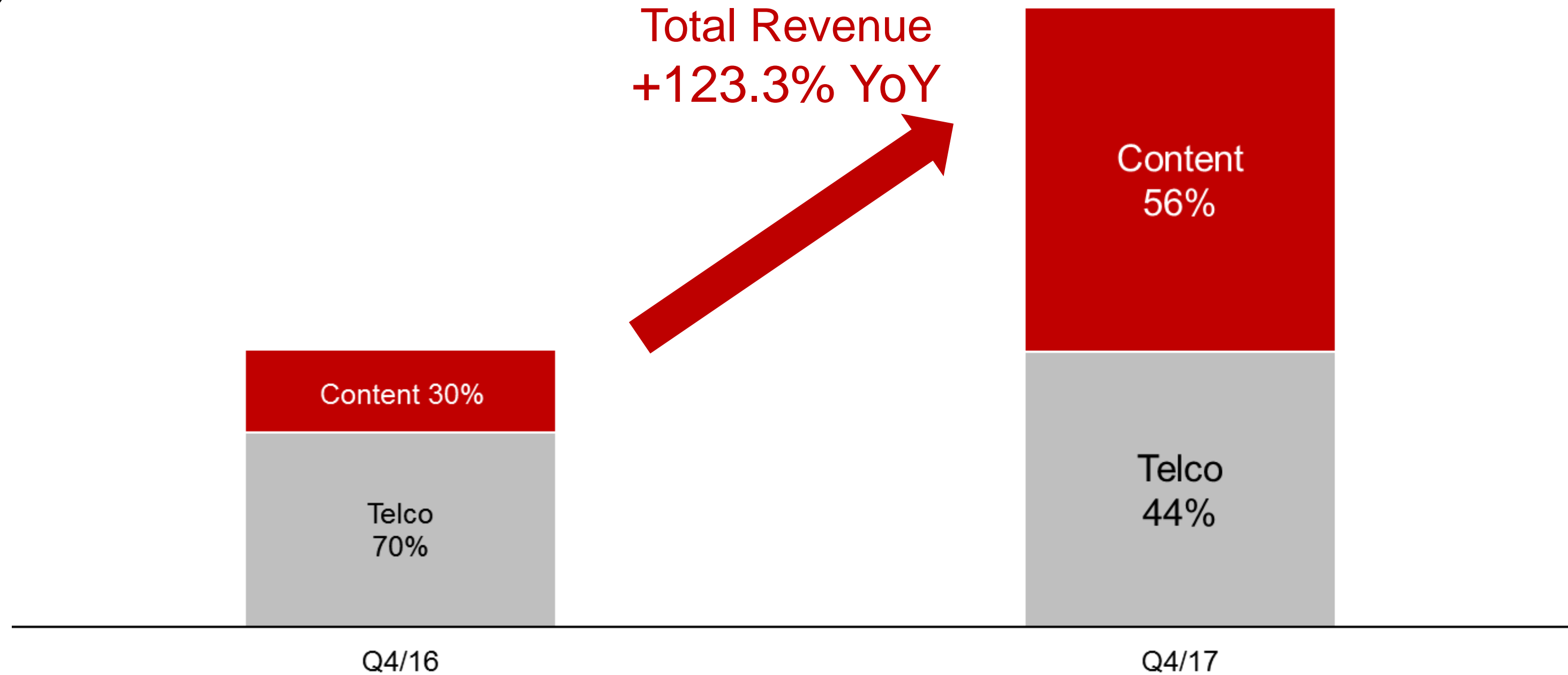


\* Unique IDs: Unique phone numbers excluding deactivations

# Viber Revenue\*

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

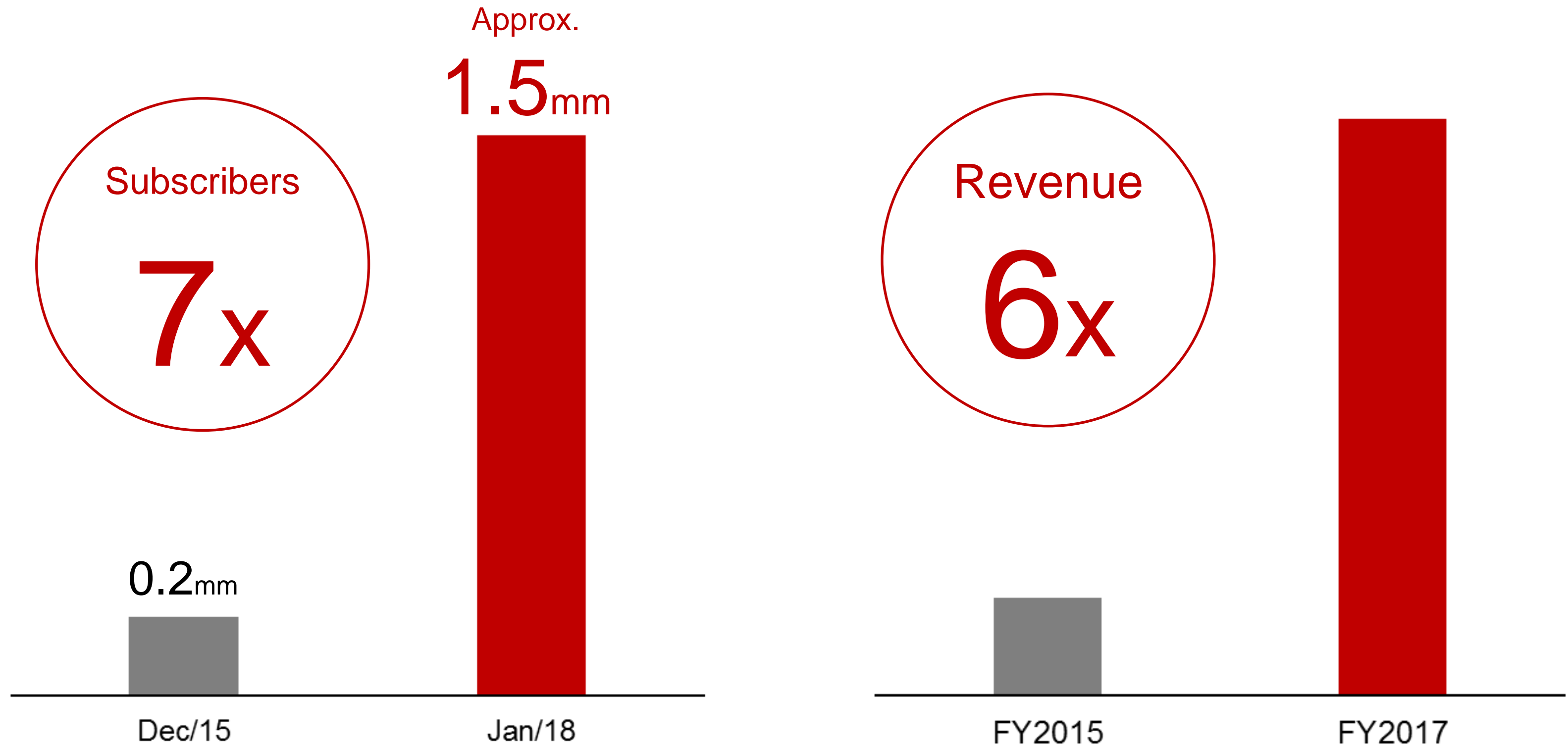
(USD)



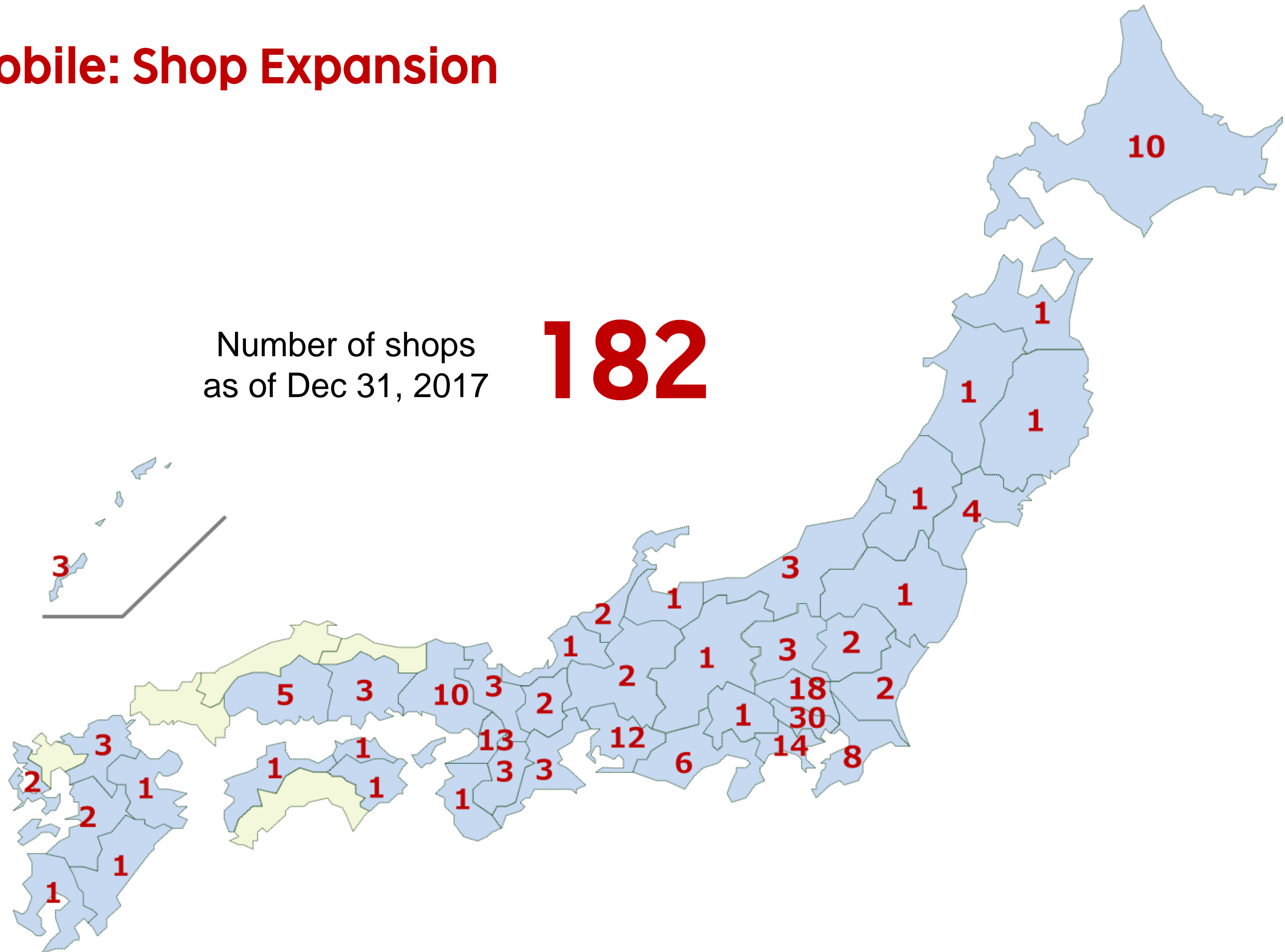
\* Telco: Viber Out, In. Content: Service messages, ads, stickers and others

# Rakuten Mobile Growth

- Rakuten Mobile subscribers and revenue showing strong growth in last 2 years



# Rakuten Mobile: Shop Expansion





# Rakuten Mobile: Synergies with Rakuten Group Services

- Ratio of Rakuten Card and Rakuten Super Point payment

Ratio of Rakuten Mobile subscribers who pay monthly fee by **Rakuten Card**\*

62%

 **Rakuten Card**

Ratio of Rakuten Mobile subscribers who registered to pay monthly fee with **Rakuten Super Points**\*

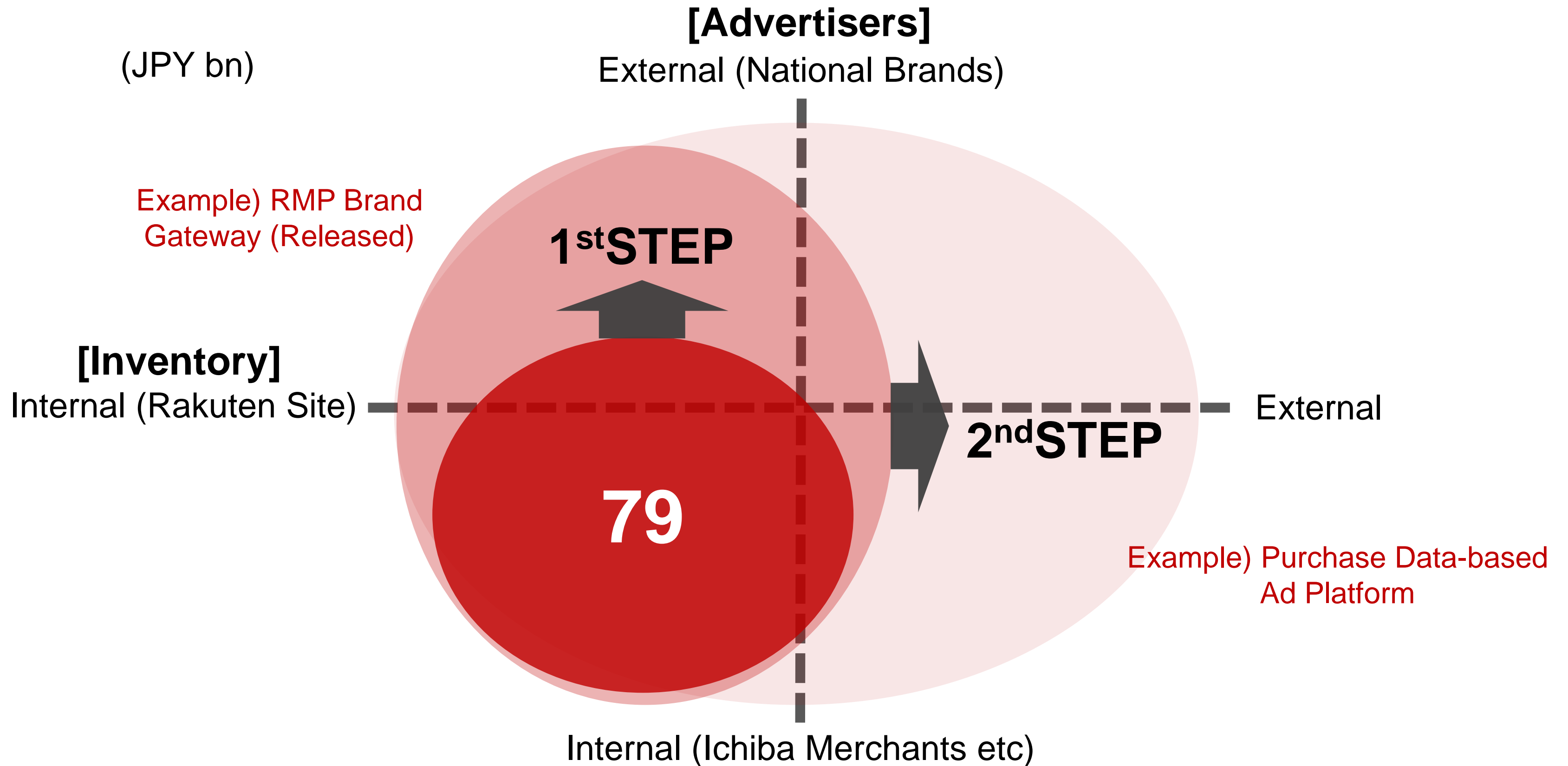
26%



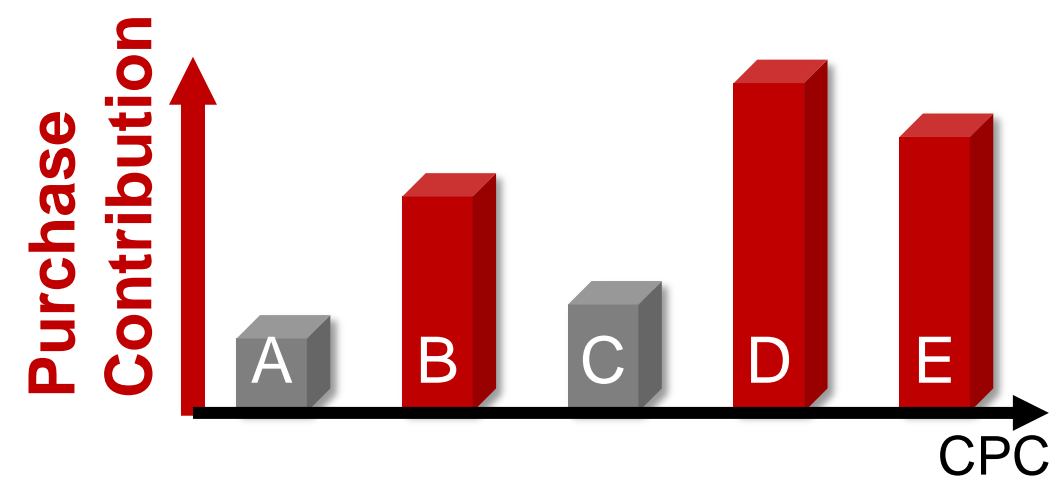
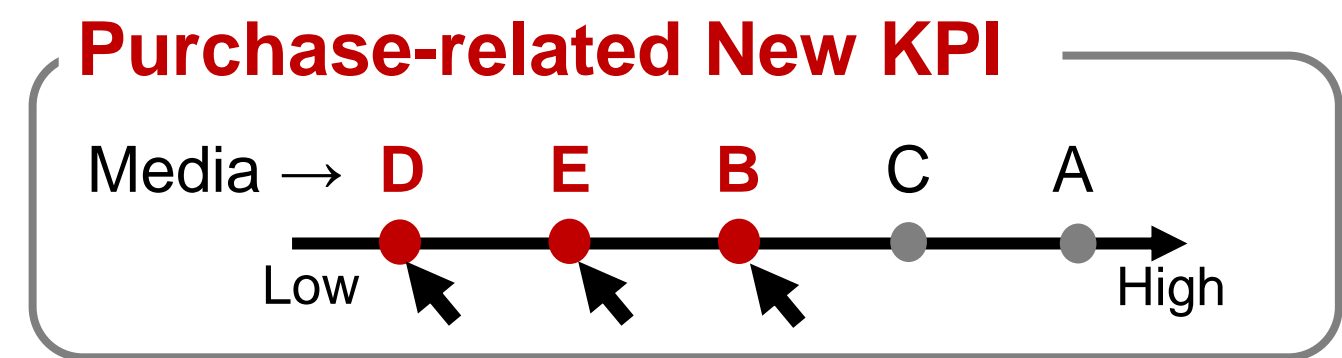
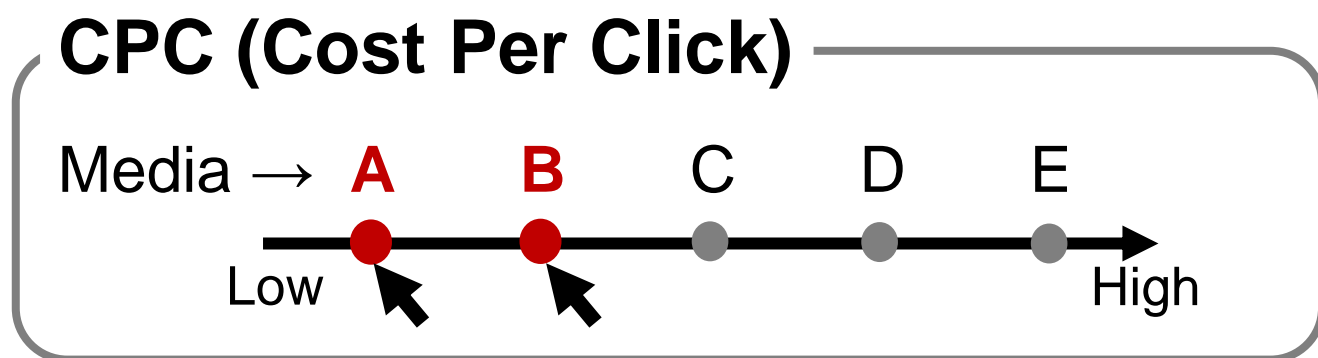
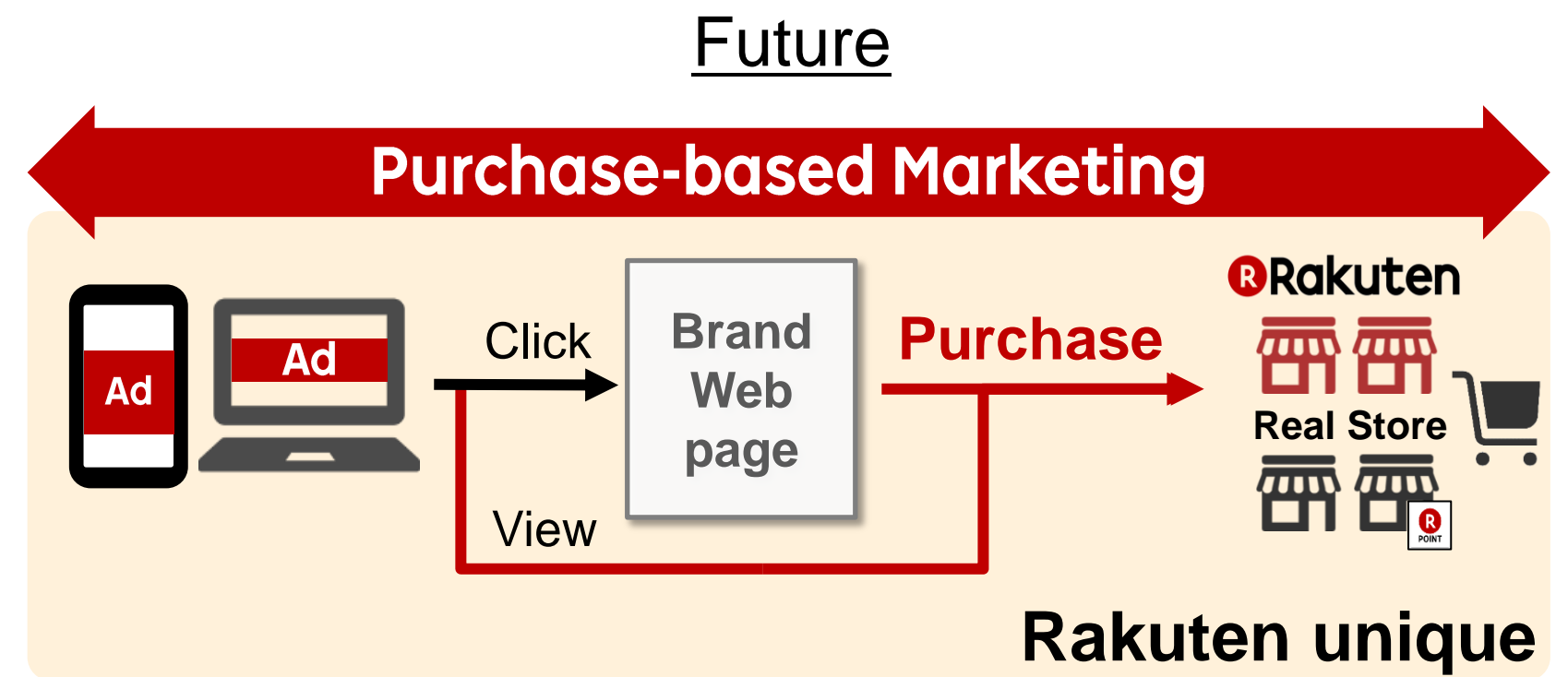
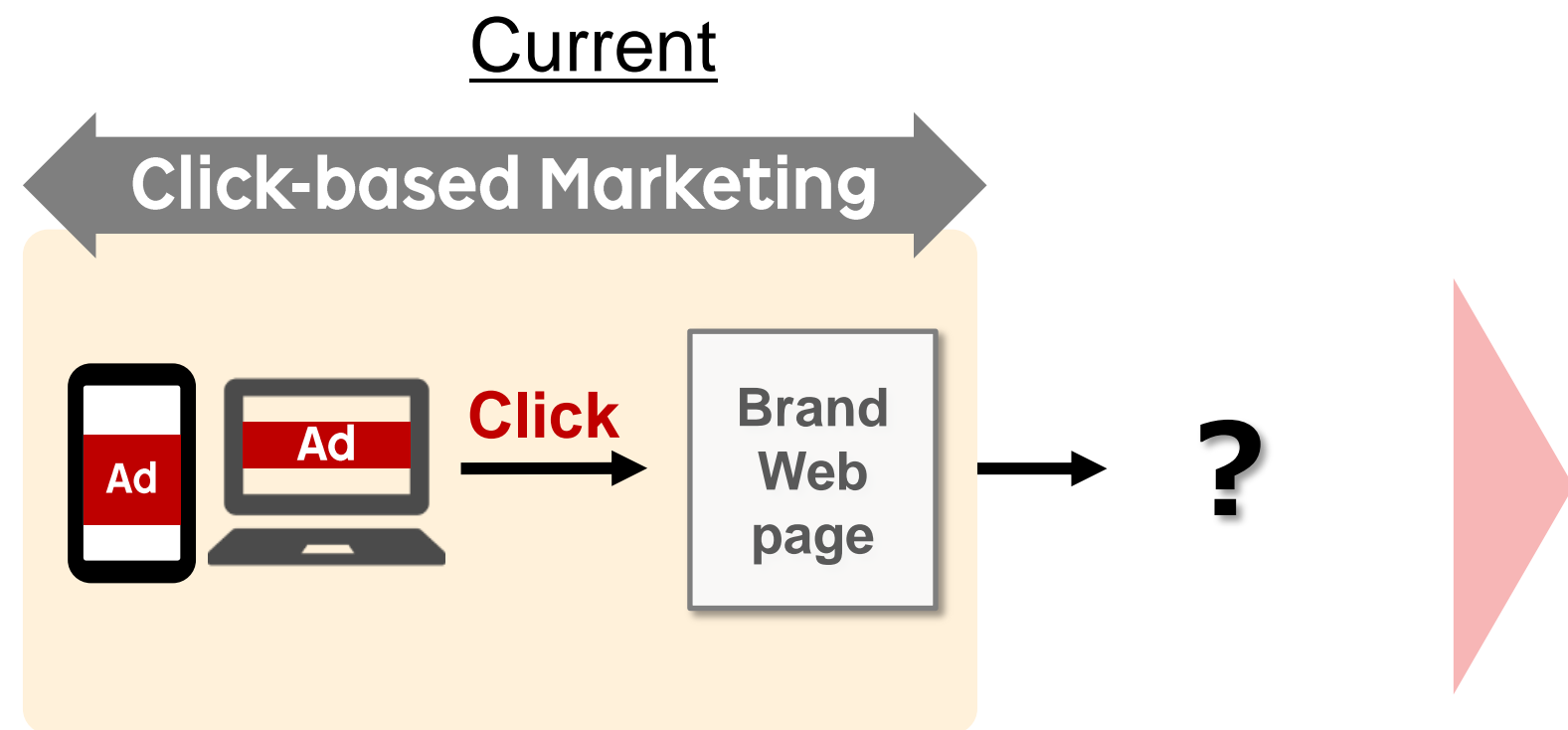
\* As of January 24, 2018

# 6 Ad Business

# Ad Business Revenue Resources



# Realization of Ad Optimization with Real Purchase Data



 **Rakuten**

# Appendix

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

# Group Financial Information

# FY2017 Operating Income Reconciliation

(JPY bn, IFRS)

	FY2016	FY2017	YoY
Non-GAAP Operating Income	119.6	167.0	+39.6%
Amortization of Intangible Assets (PPA)	-7.8	-7.8	+0.0
Stock Based Compensation	-7.3	-7.5	-0.2
One-off items	-26.0 <sup>*1</sup>	-2.4 <sup>*2</sup>	+23.6
IFRS Operating Income	78.5	149.3	+90.2%

\*1: Europe reorganization-related cost (JPY 2.0bn) was recorded in Q2/16 and impairment loss of Viki etc. (JPY 23.9bn) was recorded in Q4/16.

\*2: Impairment loss on fixed assets (JPY 2.4bn) was recorded in Q3/17



# Q4/17 Operating Income Reconciliation

(JPY bn, IFRS)

	Q4/16	Q4/17	YoY
Non-GAAP Operating Income	30.5	33.4	+9.5%
Amortization of Intangible Assets (PPA)	-1.7	-2.1	-0.5
Stock Based Compensation	-2.1	-2.1	-0.0
One-off items	-23.9 <sup>*</sup>	-	+23.9
IFRS Operating Income	2.8	29.2	10.3x

\* Impairment loss of Viki etc. (JPY 23.9bn) was recorded in Q4/16

# Rakuten Group: Balance Sheets (As of Dec 31, 2017)

(JPY bn)

Cash and cash equivalents 700.9	Bonds and borrowings 1,015.8
Financial assets for securities biz 1,889.2	Financial liabilities for securities biz 1,790.4
Investment securities and loans for banking biz 956.6	Deposits for banking biz 1,946.1
Loans for credit card biz 1,223.2	
Other assets 1,414.5	Other liabilities 748.6
	Total net assets 683.4

Total Assets 6,184.3

**Rakuten Group  
(Consolidated)**

Cash and cash equivalents 30.9	Bonds and borrowings 527.1
Other assets 1,313.3	Other liabilities 242.4
	Total net assets 574.6

Total Assets 1,344.2

**Rakuten, Inc.**

Cash and cash equivalents 496.7	Bonds and borrowings 188.2
Investment securities and loans for banking biz 1,804.5	Deposits for banking biz 2,000.5
Other assets 54.8	Other liabilities 62.3
	Total net assets 104.9

Total Assets 2,356.0

**Rakuten Bank, Ltd.**

Cash and cash equivalents 58.4	Bonds and borrowings 968.2
Loans for credit card biz 1,214.7	Other liabilities 344.0
Other assets 175.1	Total net assets 136.0

Total Assets 1,448.2

**Rakuten Card Co., Ltd.**

Cash and cash equivalents 58.1	Bonds and borrowings 108.0
Financial assets for securities biz 1,881.5	Financial liabilities for securities biz 1,782.6
Other assets 56.4	Other liabilities 11.0
	Total net assets 94.5

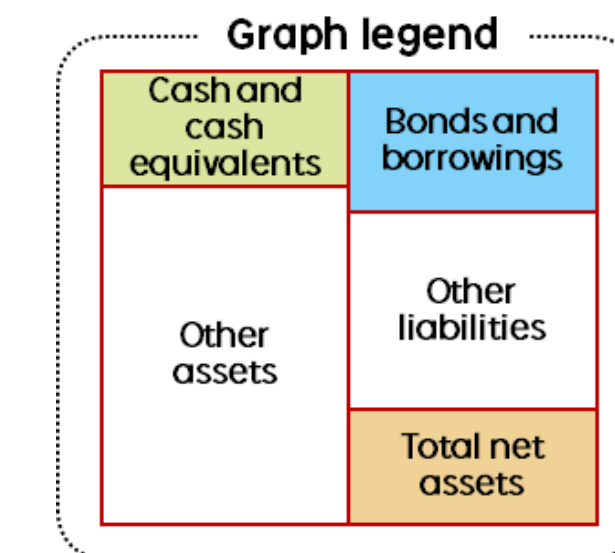
Total Assets 1,996.1

**Rakuten Securities, Inc.**

Cash and cash equivalents 1.9	Other liabilities 30.2
Other assets 52.6	Total net assets 24.2

Total Assets 54.5

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

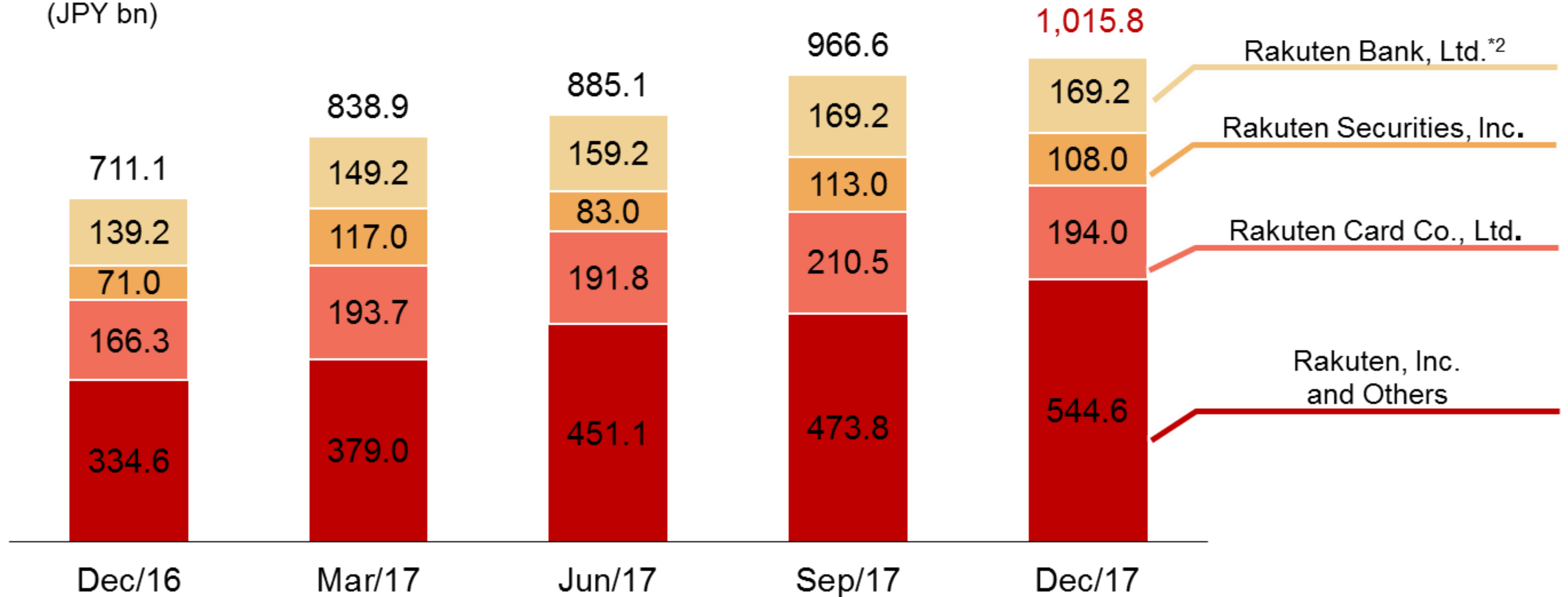


\*1: Rakuten, Inc., Rakuten Bank, Ltd., Rakuten Card Co., Ltd., Rakuten Securities, Inc. and Rakuten Life Insurance Co., Ltd. are based on IFRS non-consolidated balance sheets.

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

# Debt from Outside Financial Institutions\*1

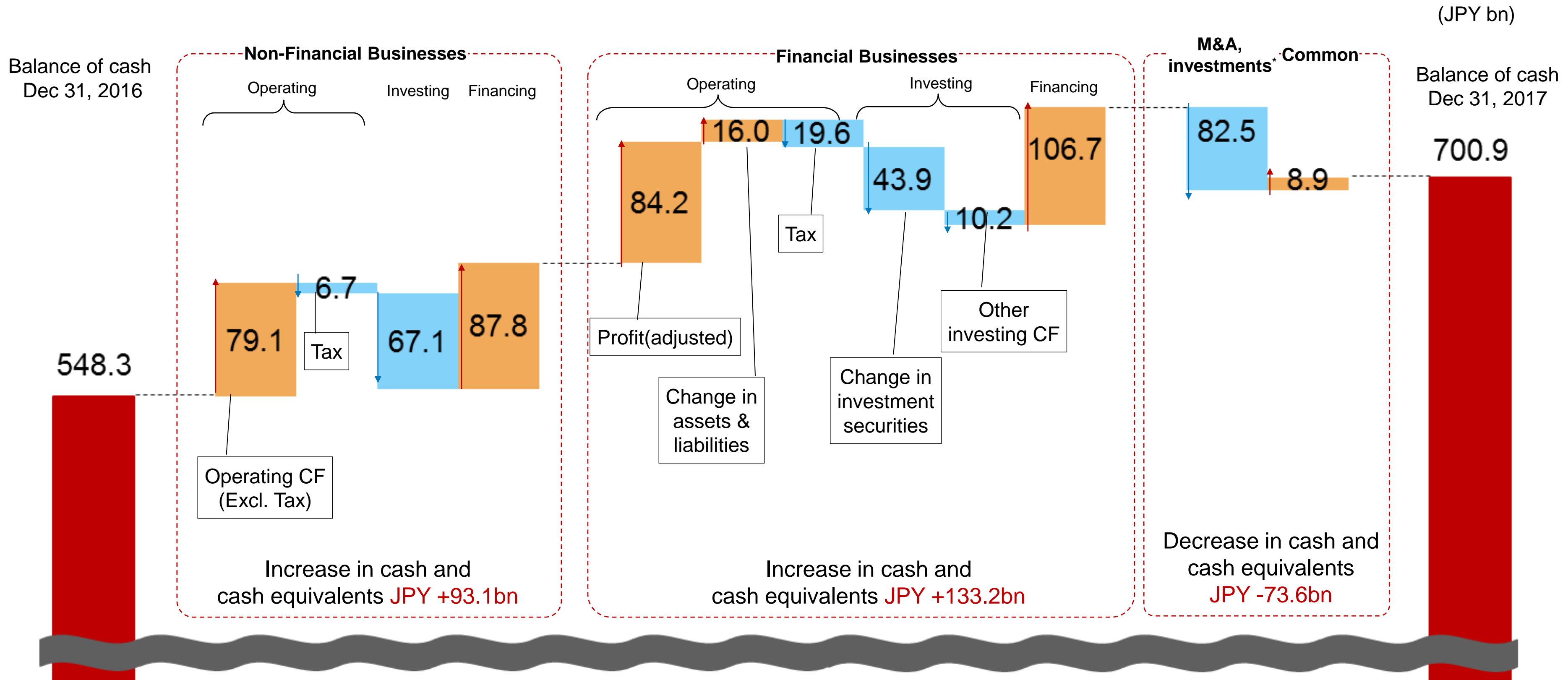
(JPY bn)



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

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

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

(JPY bn)

Overview of cash flows for FY2017	Consolidated	Financial	Non-Financial	Common
Income before income tax	138.1	63.6	74.5	-
Depreciation and amortization	54.4	20.4	34.0	-
Other loss (profit)	(25.1)	0.2	(34.4)	9.1
Decrease (Increase) in operating receivables	(9.2)	(0.0)	(9.2)	-
Decrease (Increase) in loans for credit card biz	(208.1)	(208.1)	-	-
Increase (Decrease) in deposits for banking biz	439.8	439.8	-	-
Decrease (Increase) in call loans for banking biz	(25.0)	(25.0)	-	-
Decrease (Increase) in loans for banking biz	(167.6)	(167.6)	-	-
Increase (Decrease) in operating payables	21.4	17.4	4.0	-
Decrease (Increase) in financial assets for securities biz	(768.7)	(768.7)	-	-
Increase (Decrease) in financial liabilities for securities biz	731.0	731.0	-	-
Others	4.9	(2.7)	7.6	-
Income tax paid	(26.3)	(19.6)	(6.7)	-
<b>Net cash flows from operating activities</b>	<b>162.1</b>	<b>80.6</b>	<b>72.4</b>	<b>9.1</b>

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

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

(JPY bn)

Overview of cash flows for FY2017	Consolidated	Financial	Non-Financial	Common
Increase in restricted deposits	(12.6)	-	(12.6)	-
Decrease in restricted deposits	12.0	-	12.0	-
Increase in time deposits	(8.9)	(8.8)	(0.1)	-
Decrease in time deposits	17.1	17.0	0.1	-
Purchase of property, plant and equipment	(31.9)	(3.2)	(28.6)	-
Purchase of intangible assets	(46.6)	(15.6)	(31.0)	-
Acquisition of subsidiaries	(5.8)	(0.6)	(5.2)	-
Acquisition of investments in associates and joint ventures	(20.6)	(0.3)	(20.3)	-
Purchase of investment securities for banking biz	(312.6)	(312.6)	-	-
Proceeds from sales and redemption of investment securities for banking biz	266.4	266.4	-	-
Purchase of investment securities for insurance biz	(12.4)	(12.4)	-	-
Proceeds from sales and redemption of investment securities for insurance biz	9.1	9.1	-	-
Purchase of investment securities	(61.9)	(5.2)	(56.8)	-
Proceeds from sales and redemption of investment securities	11.9	10.7	1.2	-
Other payments	(15.0)	(0.4)	(14.6)	-
Other proceeds	8.1	0.9	7.2	-
<b>Net cash flows from investing activities</b>	<b>(203.7)</b>	<b>(55.0)</b>	<b>(148.7)</b>	<b>-</b>
Net increase (decrease) in short-term borrowings	66.0	34.8	31.3	-
Increase (Decrease) in commercial papers	44.0	10.0	34.0	-
Proceeds from long-term debt	364.6	265.8	98.8	-
Repayment of long-term debt	(240.5)	(203.4)	(37.1)	-
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	(100.1)	-	(100.1)	-
Others	(2.4)	(0.2)	(2.2)	-
<b>Net cash flows from financing activities</b>	<b>194.5</b>	<b>106.7</b>	<b>87.8</b>	<b>-</b>
Effect of change in exchange rates on cash and cash equivalents	(0.2)	-	-	(0.2)
Net increase (decrease) in cash and cash equivalents	152.6	60.3	(45.1)	8.9
Cash and cash equivalents at beginning of the year	548.3	-	-	-
Cash and cash equivalents at end of December 2017	700.9	-	-	-

# Balance of Goodwill

(JPY mm, IFRS)

	December 31, 2016		December 31, 2017	
	Goodwill	Non-amortizable intangible assets	Goodwill	Non-amortizable intangible assets
Internet Services	305,536	2,938	303,854	3,236
FinTech	52,895	-	53,014	-
Rakuten Securities, Inc.	10,935	-	10,935	-
Rakuten Bank, Ltd.	32,886	-	32,886	-
Others	9,074	-	9,192	-
Total	358,432	2,938	356,868	3,236



# Rakuten Group CAPEX\*

(JPY bn, IFRS)

	FY2016				
	Q1	Q2	Q3	Q4	Total
Property, plant and equipment	5.2	1.9	2.7	3.1	12.9
Intangible assets	10.2	10.3	10.2	10.4	41.0
Total	15.4	12.2	12.9	13.5	53.9

	FY2017				
	Q1	Q2	Q3	Q4	Total
Property, plant and equipment	23.2	2.7	1.2	4.1	31.2
Intangible assets	11.0	9.8	10.4	22.6	53.8
Total	34.3	12.5	11.5	26.7	85.0

\* Acquisition Basis

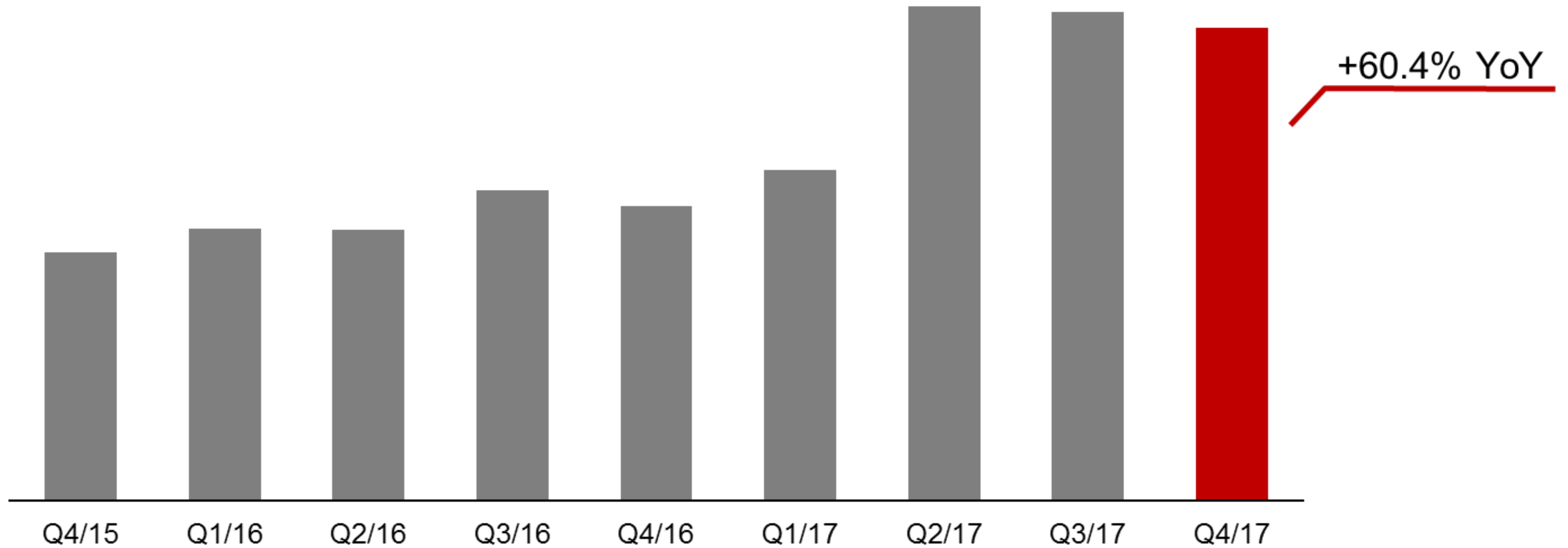


# Internet Services

## Ichiba: Number of Merchants

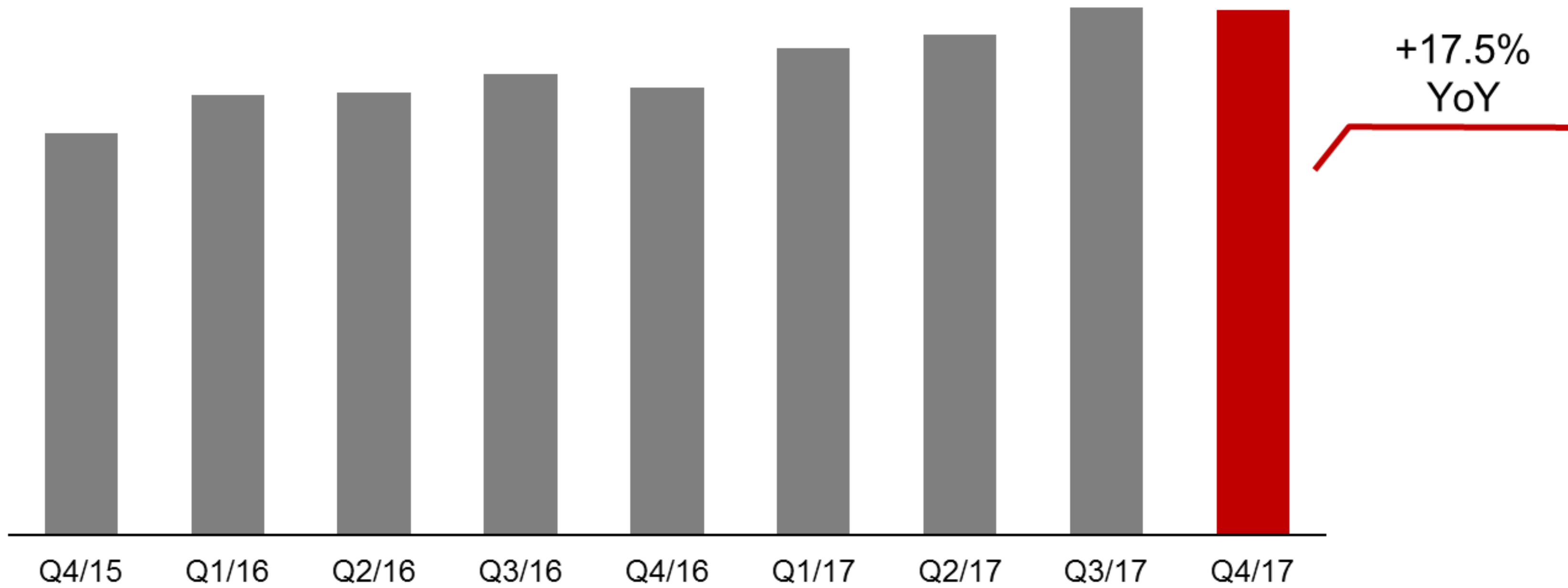
	Dec/15	Dec/16	Dec/17
Number of Merchants	44,201	44,528	45,619

# 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	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	YoY
Total revenues	37,718	37,099	39,824	40,782	43,093	14.2%
Shopping	23,728	23,874	25,227	25,773	27,780	17.1%
Revolving	13,590	13,985	14,424	14,841	15,334	12.8%
Others	10,137	9,888	10,803	10,932	12,446	22.8%
Credit guarantee	4,567	4,528	4,722	4,806	4,868	6.6%
Cash advances	3,783	3,814	3,958	4,275	4,450	17.6%
Others	5,641	4,883	5,917	5,928	5,995	6.3%
Total operating expenses	30,541	29,266	32,435	33,057	34,943	14.4%
Personnel costs	2,517	2,583	2,581	2,613	3,160	25.6%
General expenses	18,529	17,824	20,099	20,099	21,323	15.1%
Interest expenses	2,448	2,460	2,612	2,689	2,816	15.1%
Expenses related to doubtful accounts	6,997	6,306	7,031	7,499	7,377	5.4%
Others	50	94	112	156	267	428.8%
Operating income	7,177	7,832	7,389	7,725	8,149	13.6%

# Rakuten Card: Transaction Volume

(JPY mm)

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	YoY
General services	1,385,928	1,383,187	1,485,814	1,512,795	1,695,597	+22.3%
Card shopping	1,385,064	1,382,288	1,484,922	1,511,883	1,694,682	+22.4%
Others	864	899	892	912	915	+5.8%
Financing	35,395	36,579	39,590	38,903	40,654	+14.9%
Card cash advances	34,286	35,521	38,396	37,736	39,244	+14.5%
Loan cards, Others	1,108	1,058	1,194	1,167	1,410	+27.2%
Others	6,732	6,677	6,872	7,015	7,248	+7.7%
<b>Total transaction volume</b>	<b>1,428,055</b>	<b>1,426,442</b>	<b>1,532,276</b>	<b>1,558,714</b>	<b>1,743,499</b>	<b>+22.1%</b>

# Rakuten Card: Loan Receivables Balance

(JPY mm)

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	YoY
General services	895,264	883,195	911,961	933,309	1,073,527	+19.9%
Card shopping	894,913	882,885	911,623	932,982	1,073,194	+19.9%
Revolving balance (principal)	373,716	383,497	396,305	408,056	424,864	+13.7%
Others	351	310	338	327	333	-5.3%
Financing	123,639	130,479	136,631	142,019	146,493	+18.5%
Card cash advances	80,611	86,007	90,641	95,009	96,258	+19.4%
Loan cards	3,090	2,936	2,777	2,679	2,560	-17.2%
Others	39,938	41,536	43,213	44,331	47,676	+19.4%
Foreclosed credit guarantees for Rakuten Bank Super Loans	28,520	29,836	31,575	32,810	32,967	+15.6%
Installments	17	18	17	18	17	+1.5%
<b>Total balance</b>	<b>1,047,440</b>	<b>1,043,528</b>	<b>1,080,185</b>	<b>1,108,157</b>	<b>1,253,005</b>	<b>+19.6%</b>
Differences between J-GAAP and IFRS	-2,304	-2,521	-2,780	-3,018	-3,324	-
Amount reported in IFRS B/S <sup>*1</sup>	1,045,137	1,041,008	1,077,405	1,105,138	1,249,681	+19.6%
Credit Guarantee <sup>*2</sup> for Rakuten Bank super loan (Off-balance)	329,846	339,820	343,322	347,660	346,582	+5.1%

\*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)

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	YoY
Expenses related to doubtful accounts	6,997	6,306	7,031	7,499	7,377	+5.4%
Ratio of expenses related to doubtful accounts <sup>*1</sup>	2.12%	1.82%	2.00%	2.08%	1.93%	-

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	YoY
Rakuten Card	1,020,232	1,015,374	1,050,360	1,077,372	1,222,083	+19.8%
Normal	999,707	994,736	1,029,986	1,057,648	1,200,588	+20.1%
Doubtful (4 months-and-over-delinquent)	20,525	20,638	20,375	19,724	21,495	+4.7%
Secured	1,916	1,800	1,692	1,656	1,623	-15.3%
Rakuten Bank Super Loans	358,366	369,656	374,897	380,470	379,549	+5.9%
Normal (Credit guarantees <sup>*2</sup> )	329,846	339,820	343,322	347,660	346,582	+5.1%
Doubtful (Foreclosed credit guarantees)	28,520	29,836	31,575	32,810	32,967	+15.6%
Total balance of loan receivables	1,380,514	1,386,830	1,426,950	1,459,498	1,603,255	+16.1%
Allowance for doubtful accounts	34,907	35,523	35,975	35,667	34,955	+0.1%
Write-off for bad debt <sup>*3</sup>	4,538	5,666	6,609	7,848	8,165	+79.9%

\*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

\*3: Write-off for bad debt includes loss on transfer of loan receivables

# Rakuten Bank: Results

(JPY mm)

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	YoY
Revenue (IFRS)	17,111	17,923	18,606	19,048	19,759	+15.5%
Differences between J-GAAP and IFRS, and etc.	791	319	584	610	627	-20.7%
Ordinary income (J-GAAP)	17,903	18,241	19,190	19,658	20,386	+13.9%
Interest income	11,795	11,882	12,740	13,121	13,503	+14.5%
Interest on loans and discounts	9,860	9,861	10,402	10,670	10,923	+10.8%
Interest and dividends on securities	113	44	67	86	68	-39.8%
Fees and commissions	5,308	5,362	5,446	5,470	5,762	+8.6%
Other ordinary income	631	623	814	815	892	+41.4%
Other income	48	241	67	121	98	+105.5%
Trust fees	122	133	124	130	131	+8.1%
Ordinary expenses (J-GAAP)	12,969	13,009	13,441	14,067	14,304	+10.3%
Interest expenses	505	440	466	475	527	+4.4%
Interest on deposits	486	416	424	433	474	-2.6%
Fees and commissions payments	6,949	6,914	7,268	7,369	7,599	+9.4%
Other ordinary expenses	260	-293	-	-	-	-
General and administrative expenses	5,151	5,723	5,546	6,038	5,818	+12.9%
Other expenses	104	226	160	184	360	+246.4%
Ordinary profit (J-GAAP)	4,934	5,232	5,749	5,592	6,082	+23.3%
Differences between J-GAAP and IFRS and etc.	158	284	180	194	223	+41.7%
Operating income (IFRS)	4,776	4,948	5,569	5,398	5,858	+22.7%

# Rakuten Bank: Balance Sheet (IFRS)

(JPY bn)

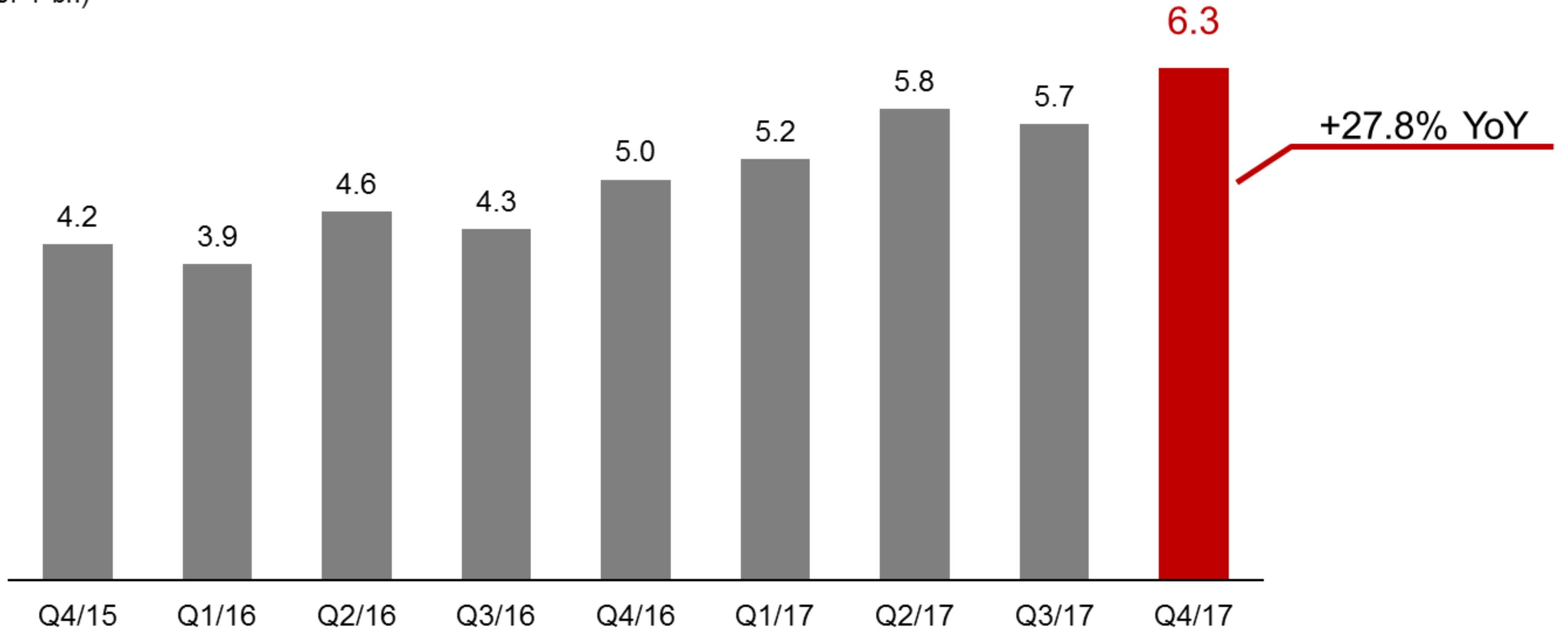
Assets		Dec/17	Liabilities and Net Assets		Dec/17
Invested assets		2,302.5	Deposits (received)		2,000.5
Deposits (paid)		496.7	Ordinary Deposits		1,267.6
Deposits with the Bank of Japan		475.7	Time Deposits		670.2
Other deposits		21.0	Other Deposits <sup>*2</sup>		62.7
Call loans		25.0	Other liabilities		250.5
Securitized loan receivables		876.1	<b>Total Liabilities</b>		<b>2,251.0</b>
Rakuten Card securitized assets <sup>*1</sup>		809.2	<b>Total net assets</b>		<b>104.9</b>
Others		66.9	<b>Total liabilities and net assets</b>		<b>2,356.0</b>
Securities		148.7			
JGBs, Local Government bonds, Authority bonds		115.6			
Short-term bonds		16.5			
Corporate bonds, Foreign bonds		16.6			
Others		0.0			
Loan Receivables		756.1			
Rakuten Bank Super Loan		365.2			
Others		390.9			
Other assets		53.5			
<b>Total assets</b>		<b>2,356.0</b>			

\*1: Intercompany elimination on IFRS consolidation

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

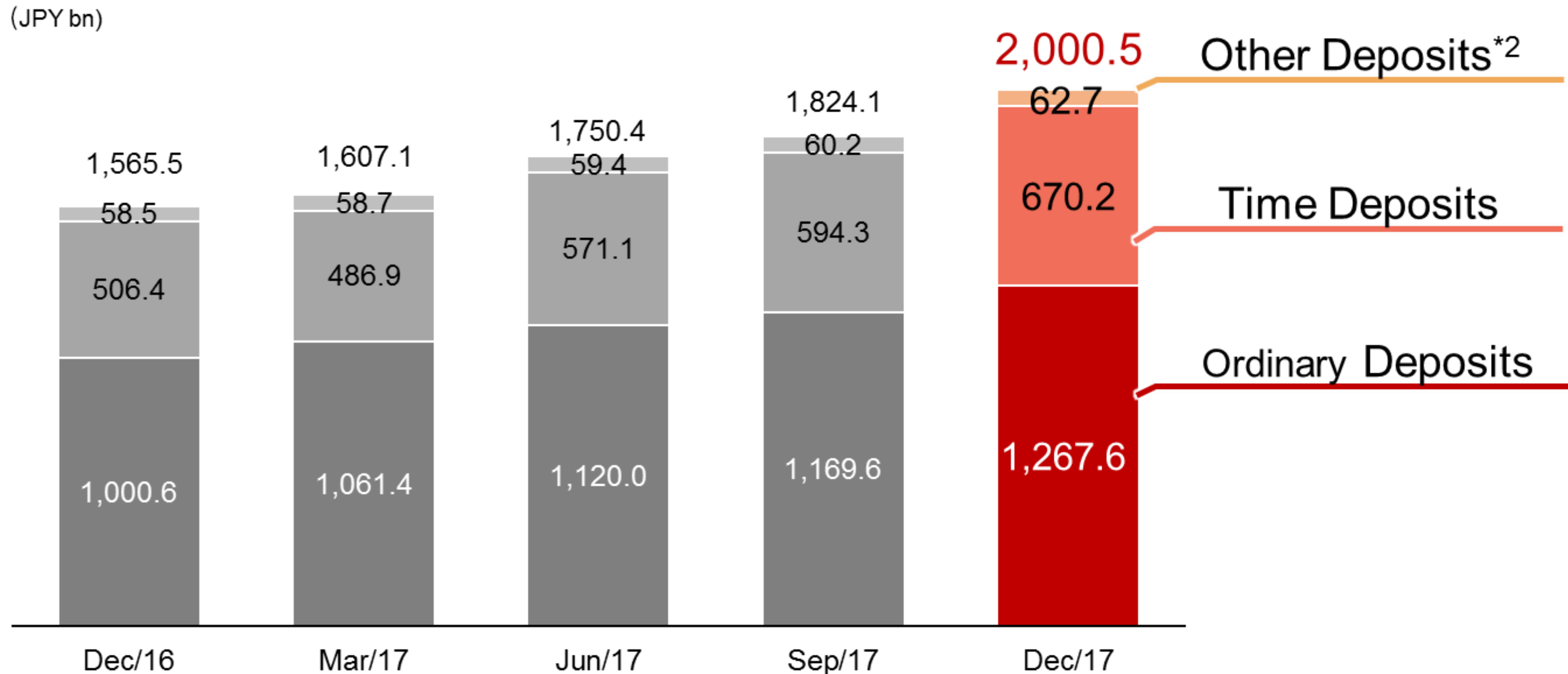
# Rakuten Bank: Core Net Business Profit\*

(JPY bn)



\* Core net business profit (J-GAAP) = 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

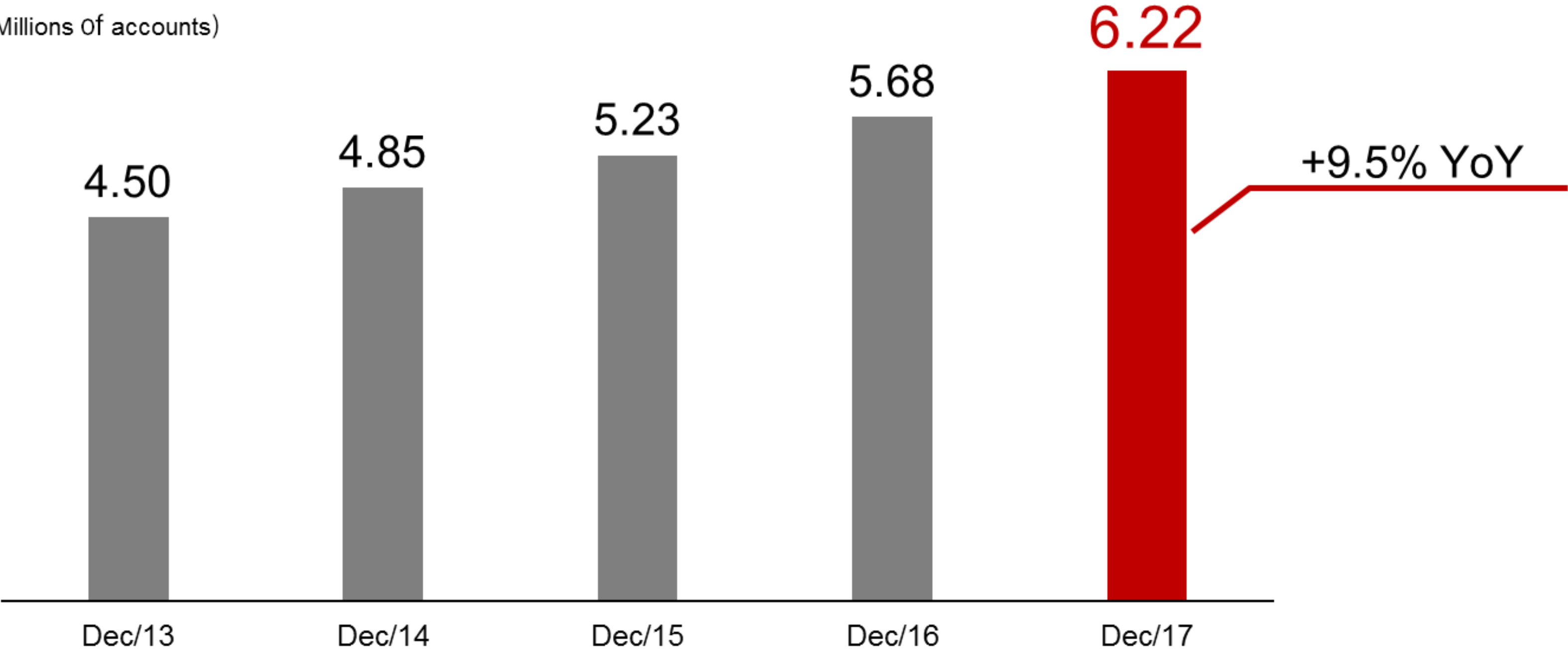


\*1: Based on IFRS which includes derivatives in structured term deposits.

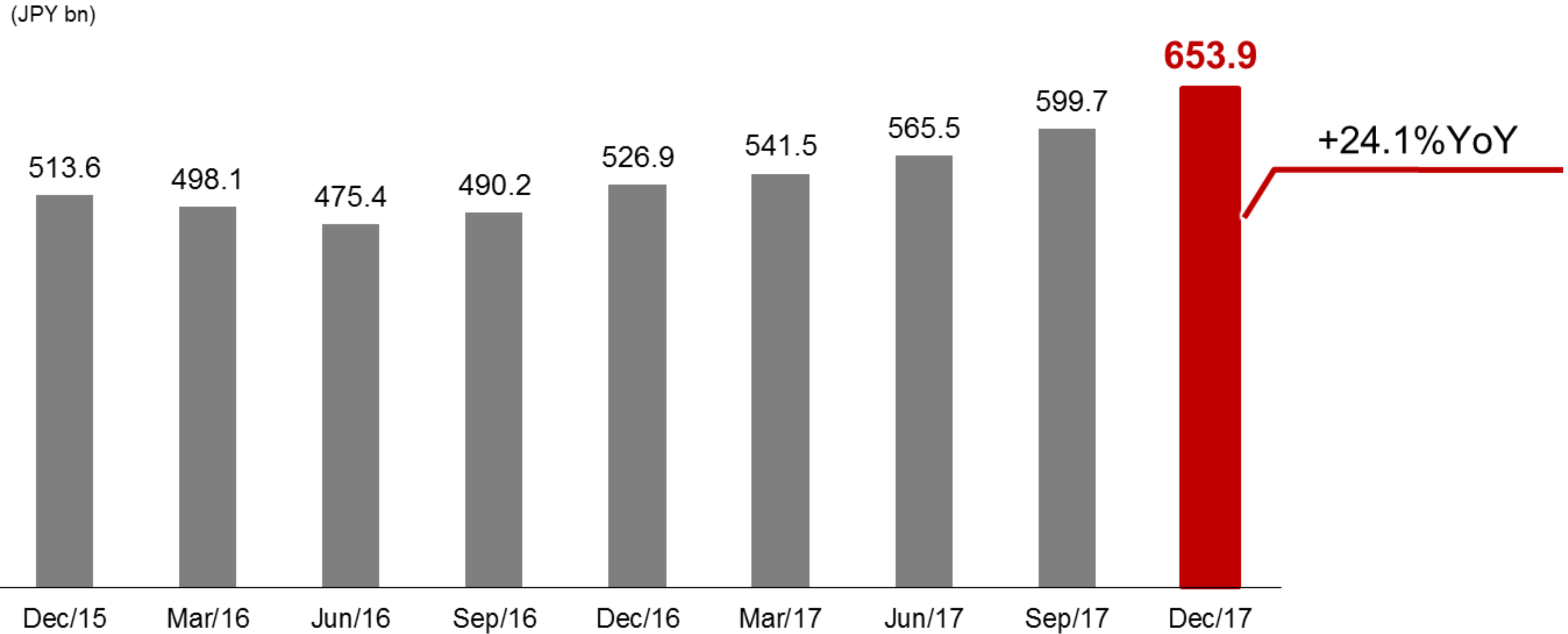
\*2: Other deposits include deposits in foreign currencies and others.

# Rakuten Bank: Customer Accounts

(Millions Of accounts)

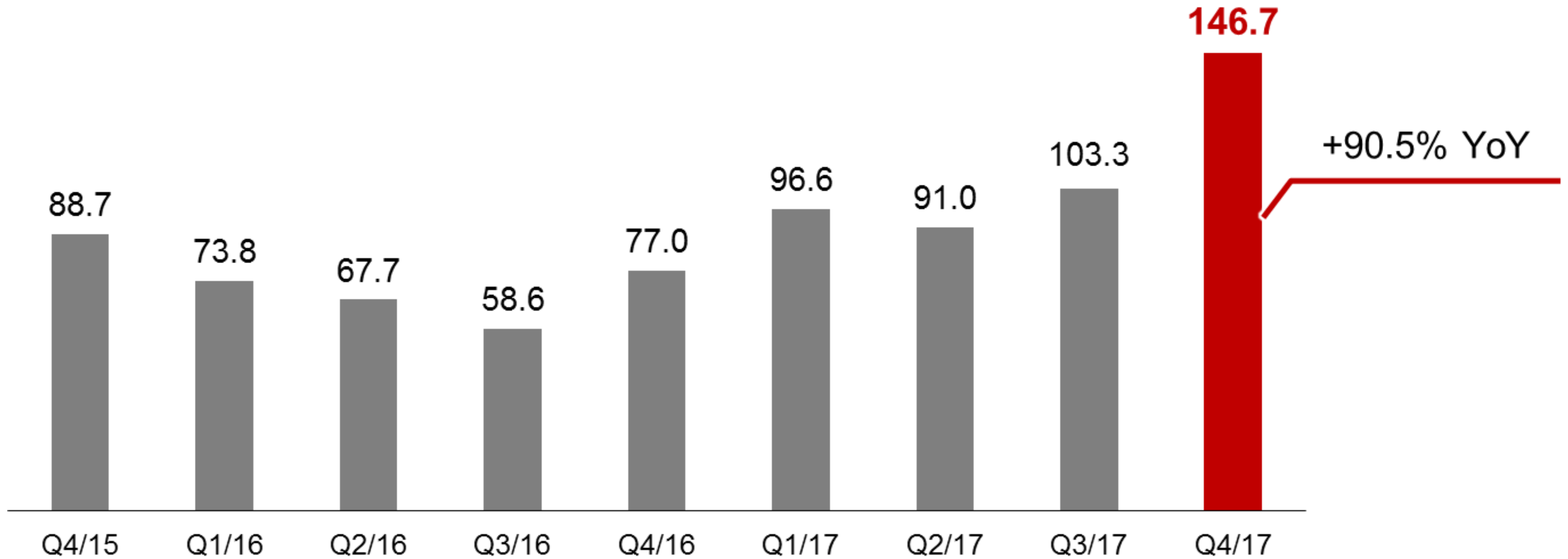


# Rakuten Securities: Investment Trust Asset Balance



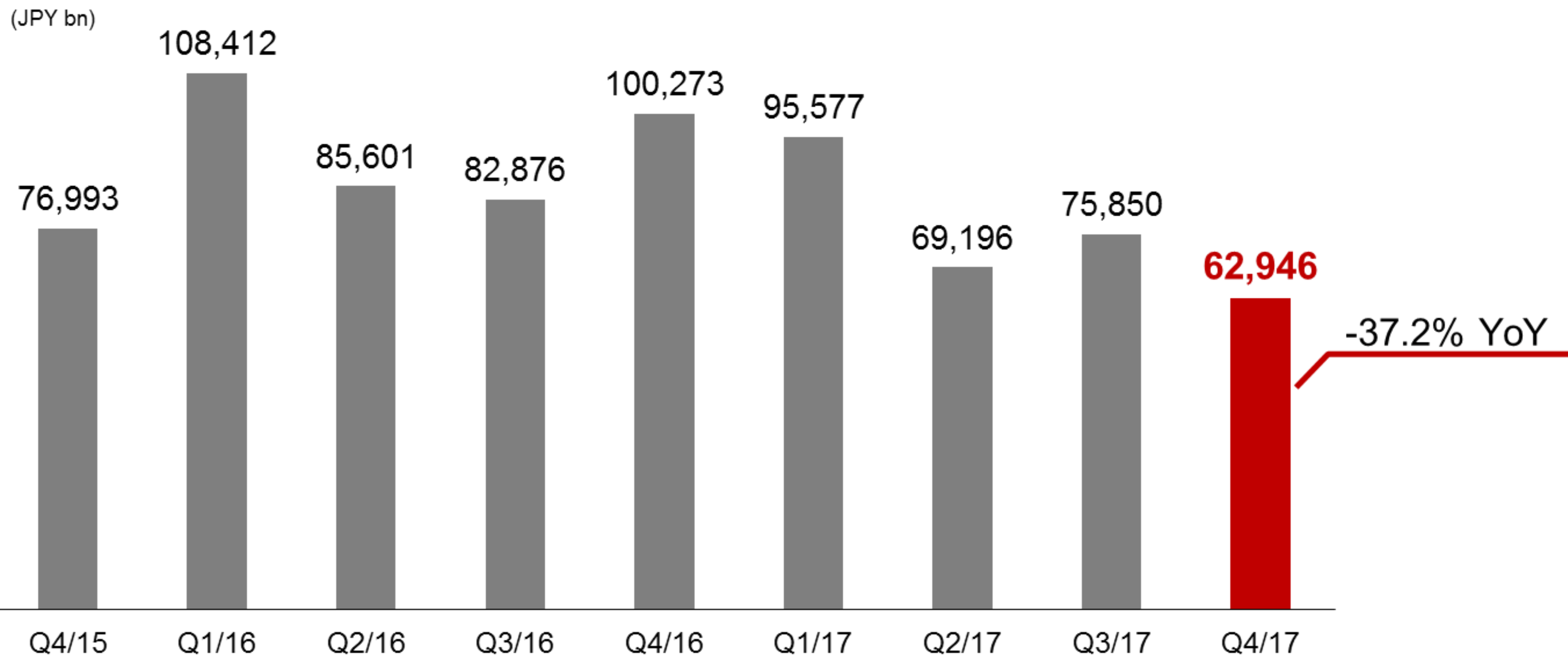
# Rakuten Securities: Investment Trust Sales

(JPY bn)



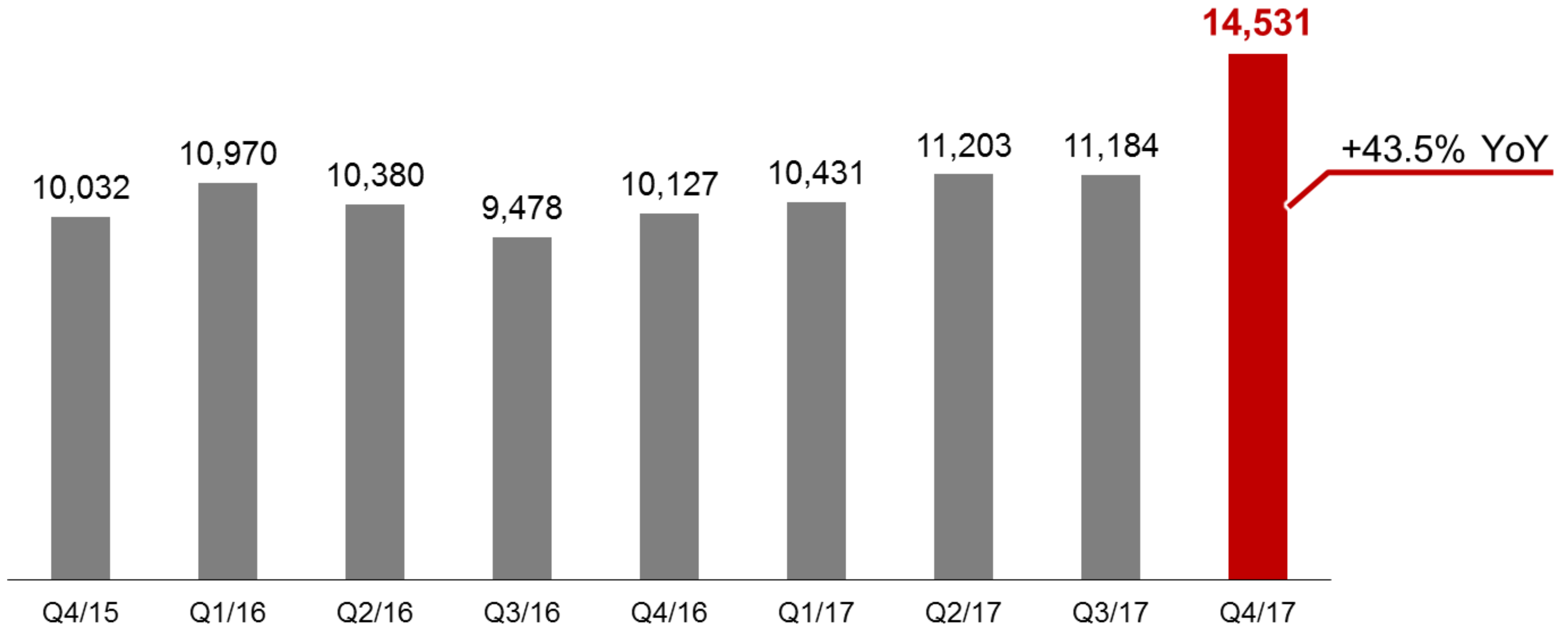


# Rakuten Securities: FX Trading Value



# Rakuten Securities: Domestic Stock Brokerage Trading Value

(JPY bn)



# Rakuten Life Insurance: Quarterly Results and Major Indices

(No. of contracts, JPY mm)

IFRS	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Revenue	8,123	8,142	8,164	8,093	8,058	8,127
Operating Income	377	396	666	742	481	-171
	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
No. of New Policies <sup>*1</sup>	64,518	77,168	91,827	85,963	79,422	72,508
Annualized Insurance Premiums of New Policies <sup>*1,*3</sup>	661	708	965	1,083	823	901
No. of Policies in Force <sup>*2</sup>	896,230	876,340	866,843	869,220	883,385	876,485
Annualized Insurance Premiums in Force <sup>*2,*3</sup>	28,027	28,120	28,388	28,739	28,979	29,244
Solvency Margin Ratio <sup>*4</sup>	1,587.1%	1,504.4%	1,262.3%	1,576.1%	1,194.6%	1,131.7%

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

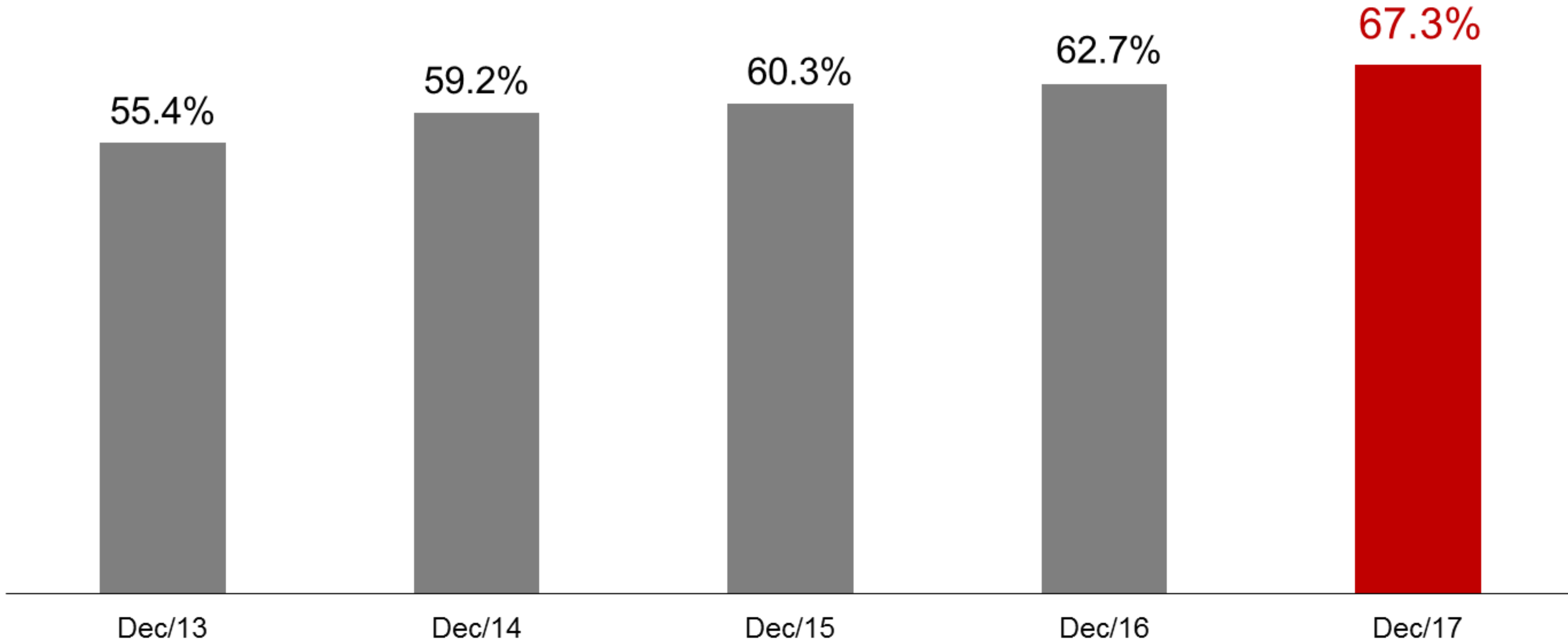
\*2: Includes policies of mutual aid association business transferred in 2008, and one-year cancer insurance for eligible Rakuten members started from Q4/14

\*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

	Dec/15	Dec/16	Dec/17	YoY
Rakuten IDs <sup>*</sup>	78.8	87.5	95.2	+8.8%

(mm)

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

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