

# FY2016 Second Quarter Consolidated Financial Results

**August 4, 2016**

**Rakuten, Inc.**

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# Global Innovation Company

# New Mission Statement

**To contribute to society by  
creating value through  
innovation  
and entrepreneurship**

# **1 Q2/16 Financial Results**



## Q2/16 Financial Highlights

- **Non-GAAP OI grew despite SPU\* costs: +2.5% YoY**
- **Rakuten Card: strong OI growth: +26.4% YoY**
- **Rakuten Bank: growth resilient despite negative interest rate policy environment**
- **Domestic E-Commerce GMS: +10.9% YoY**
- **Internet Services Others: loss cut in half YoY**

\*SPU: Super Point Up promotion program

# Q2/16 Financial Results Summary

- Top-line continues to grow firmly: +8.9% YoY
- Non-GAAP OI +2.5% YoY despite investments in quality and marketing

(JPY bn, IFRS)

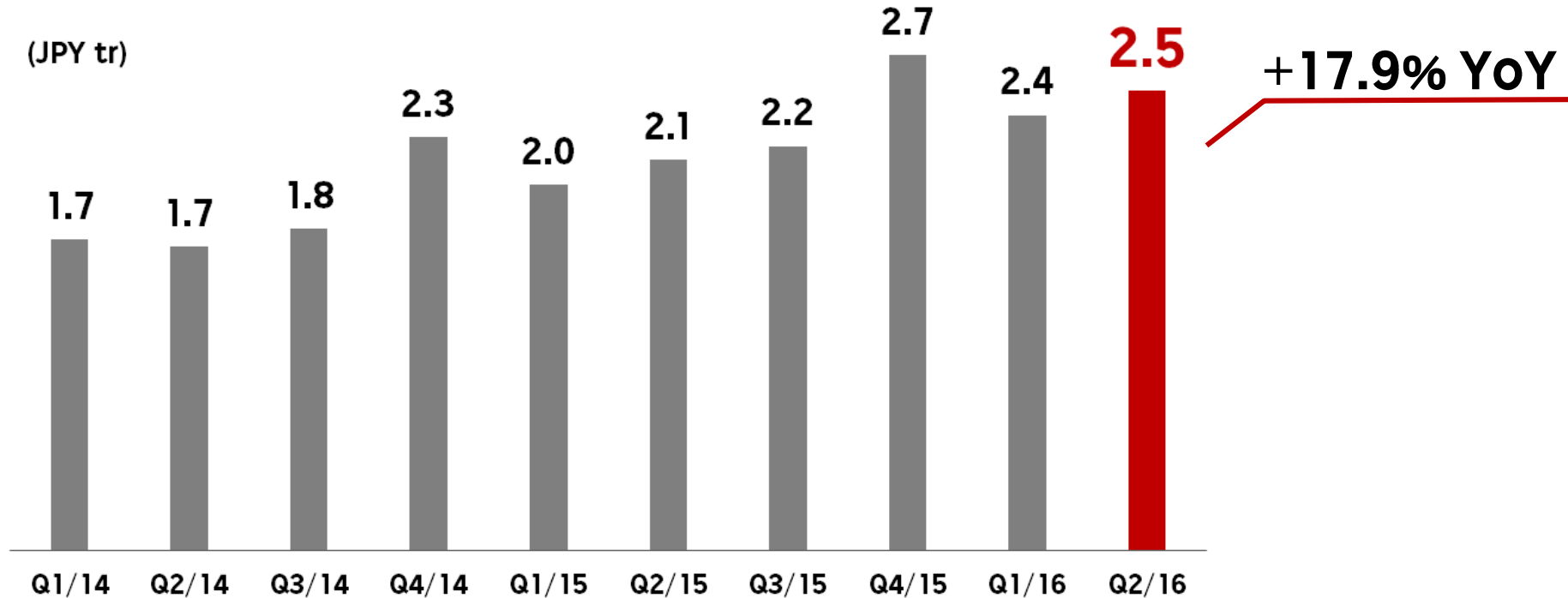
	Q2/15	Q2/16	YoY
Revenue	173.2	188.6	+8.9%
Non-GAAP Operating Income	30.9	31.7	+2.5%

# Q2/16 Financial Results

(JPY bn, IFRS)

	Q2/15	Q2/16	YoY
<b>Domestic E-Commerce</b>			
Revenue	67.9	72.5	+6.9%
Operating Income	23.2	17.5	-24.6%
<b>Other Internet Services</b>			
Revenue	34.9	43.3	+24.1%
Operating Income	-6.4	-3.2	+3.1bn
<b>FinTech</b>			
Revenue	69.6	74.2	+6.6%
Operating Income	16.9	18.0	+6.4%
<b>Others Segment</b>			
Revenue	13.8	17.3	+25.7%
Operating Income	-1.1	-0.5	+0.6bn
<b>Adjustments</b>			
Revenue	-13.0	-18.8	-5.8bn
Operating Income	-1.8	-0.1	+1.7bn
<b>Consolidated</b>			
Revenue	173.2	188.6	+8.9%
Non-GAAP Operating Income	30.9	31.7	+2.5%

# Total Global GTV



\*1: Global Gross Transaction Value = Domestic E-Commerce GMS + Credit Card + Rakuten Point card + Edy + Overseas E-Commerce GMS + Ebates + Rakuten Marketing + Digital content

\*2: Includes intercompany transactions for settlement and affiliate services.

## 2 FinTech

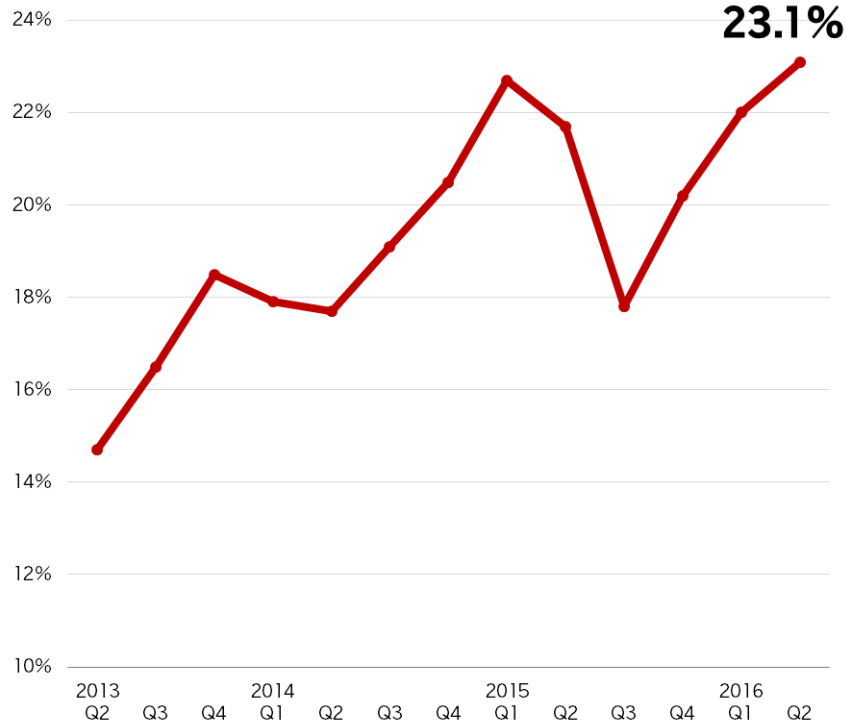
# Q2/16 FinTech Results Summary

(JPY bn, IFRS)

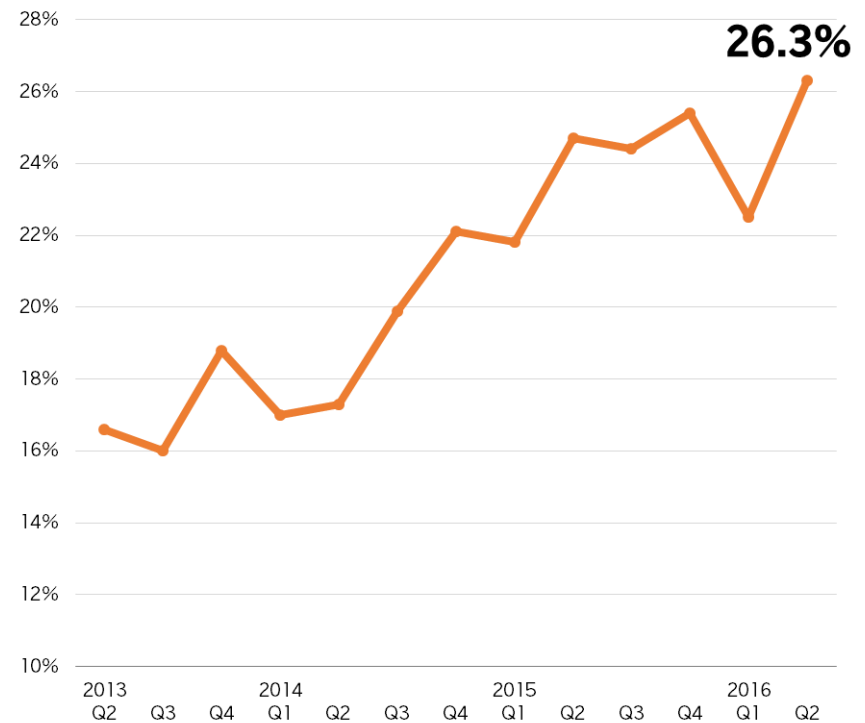
	Revenue	YoY	Operating Income	YoY
Card	34.0	+18.7%	7.8	+26.4%
Bank	16.7	+9.5%	4.4	+16.5%
Securities	12.2	-4.9%	5.1	-16.9%
Others	11.2	-12.3%	0.7	+18.3%
FinTech Total	74.2	+6.6%	18.0	+6.4%

# Card & Bank OI Margin Improving

Rakuten Card OI Margin\*

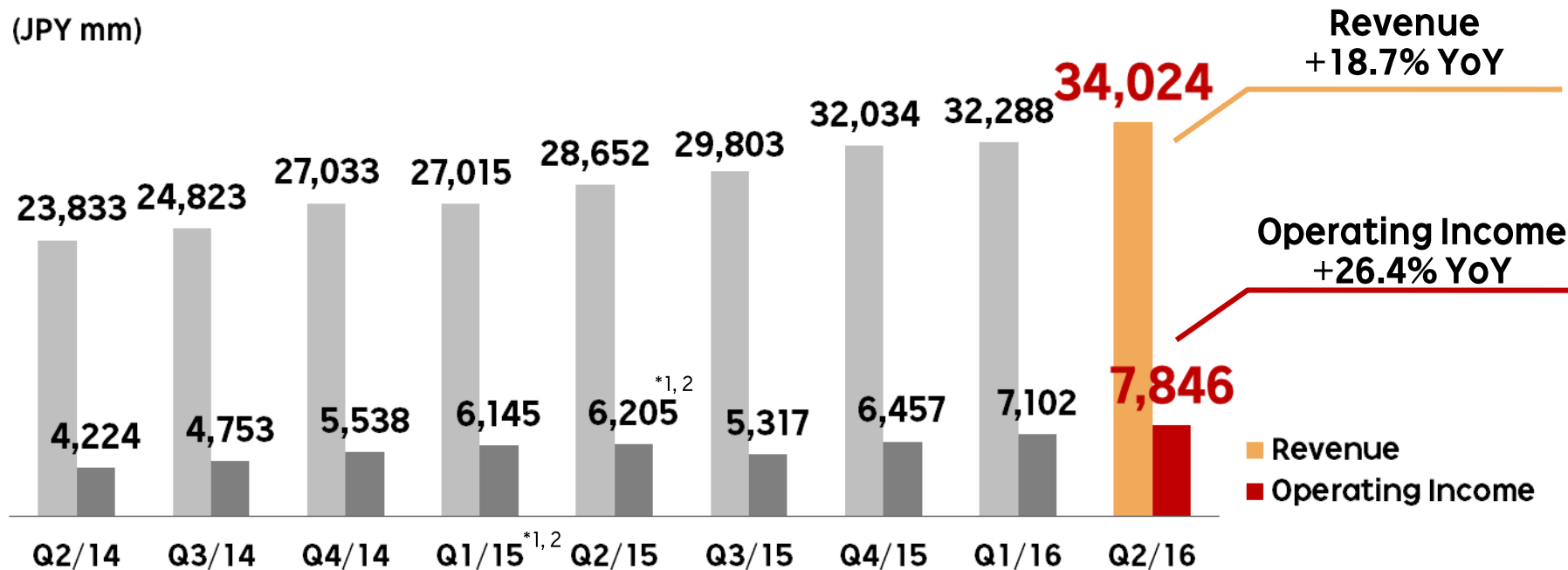


Rakuten Bank OI Margin



\* Rakuten group introduced IFRS 15 from Q1/15, and part of customer acquisition costs included in general expenses have been capitalized.

# Rakuten Card Results

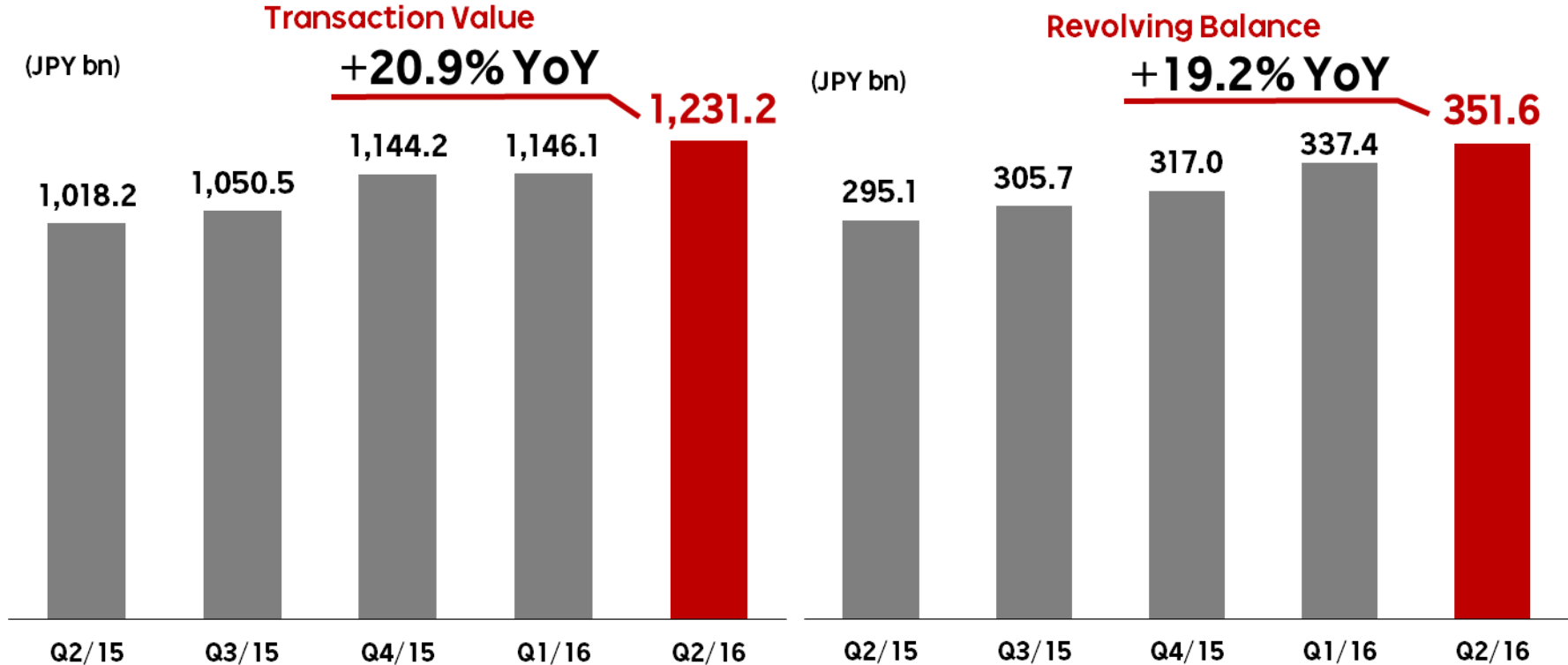


\*1: From Q1/15, general expenses decreased due to adoption of IFRS15, and part of customer acquisition costs included in general expenses have been capitalized.

\*2: Changed standards on allowance for doubtful accounts in Q1/15. Net increase in expenses related to doubtful accounts: JPY 218 mm.



# Rakuten Card Shopping KPIs\*



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

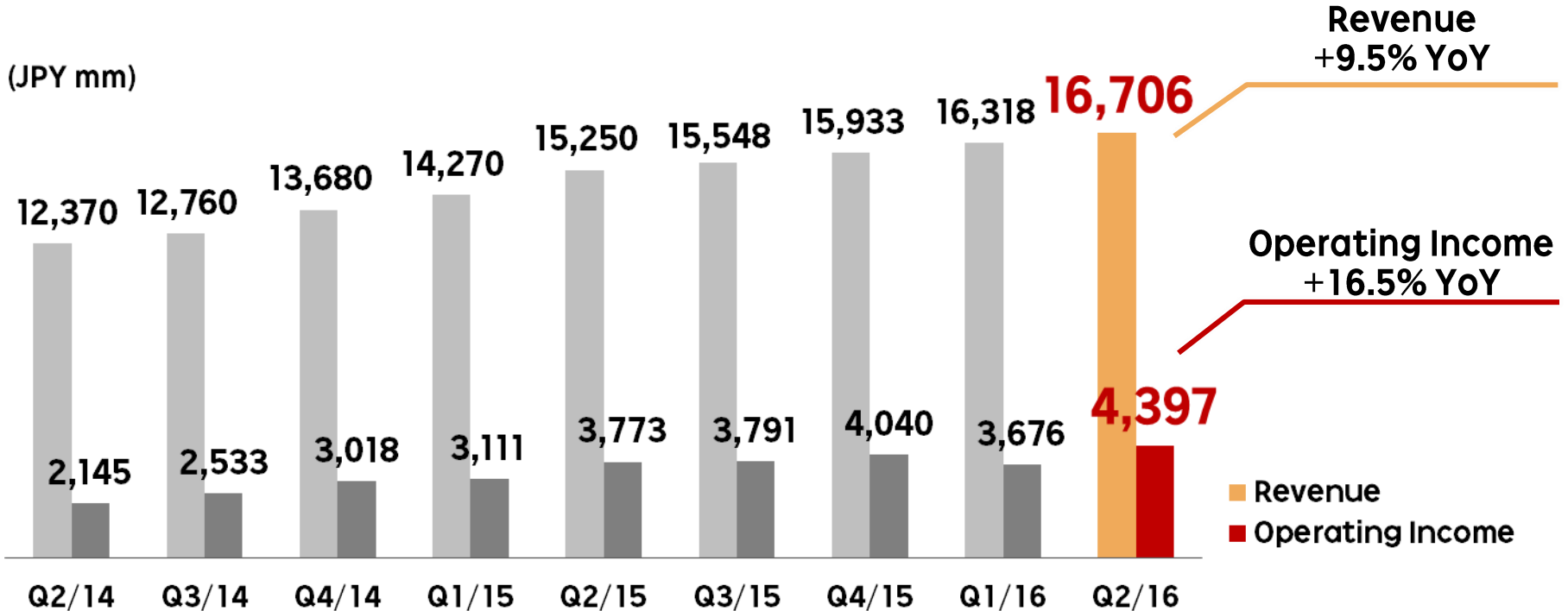
# Rakuten Card Ranks No. 3 in Japan

<u>Ranking</u>	<u>GTV</u> <u>Market Share</u>
1. Mitsubishi UFJ NICOS	12.3%
2. Sumitomo Mitsui Card	11.7%
<b>3. Rakuten Card</b>	<b>10.0%</b>
4. Credit Saison	9.9%
5. AEON Financial Service	9.3%

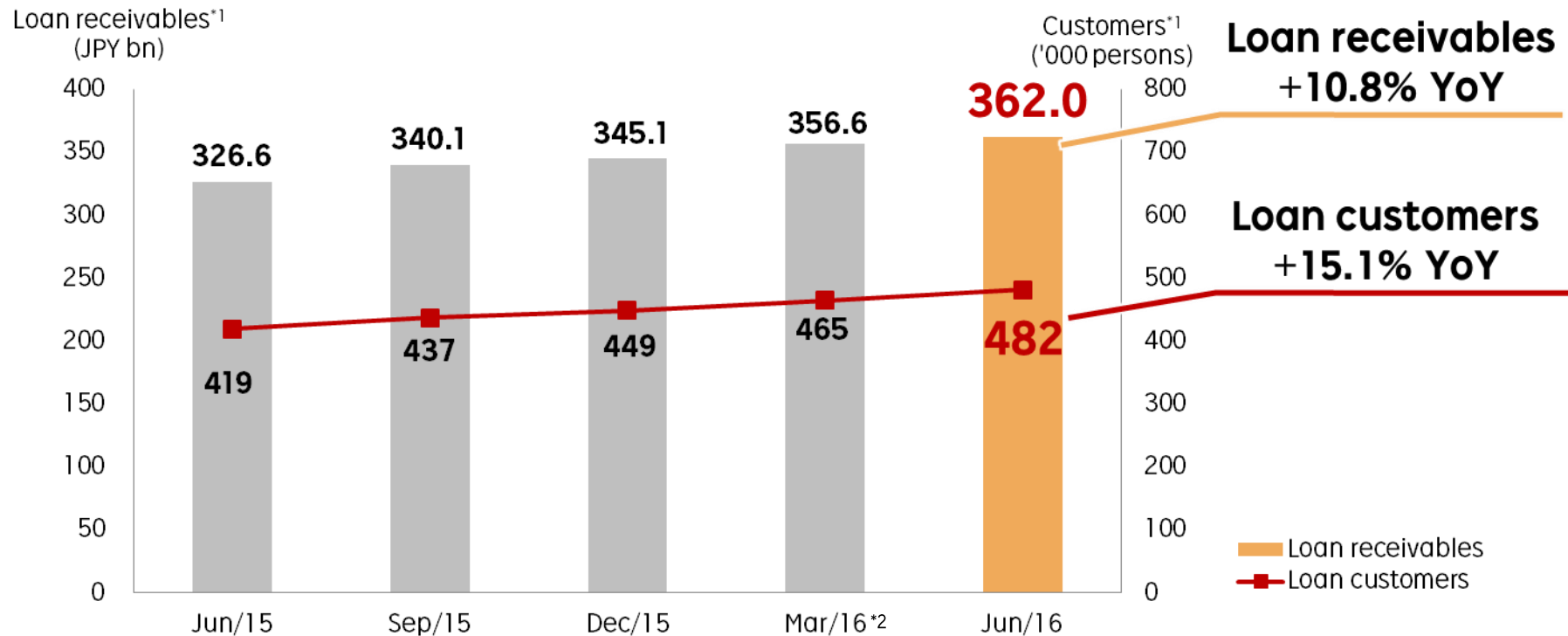
Source: Nikkei Sangyo Shimbun (July 25, 2016). Shopping transaction value in 2015

# Rakuten Bank Results

- Strong growth achieved despite negative interest rate policy environment



# Rakuten Bank Super Loans(IFRS)



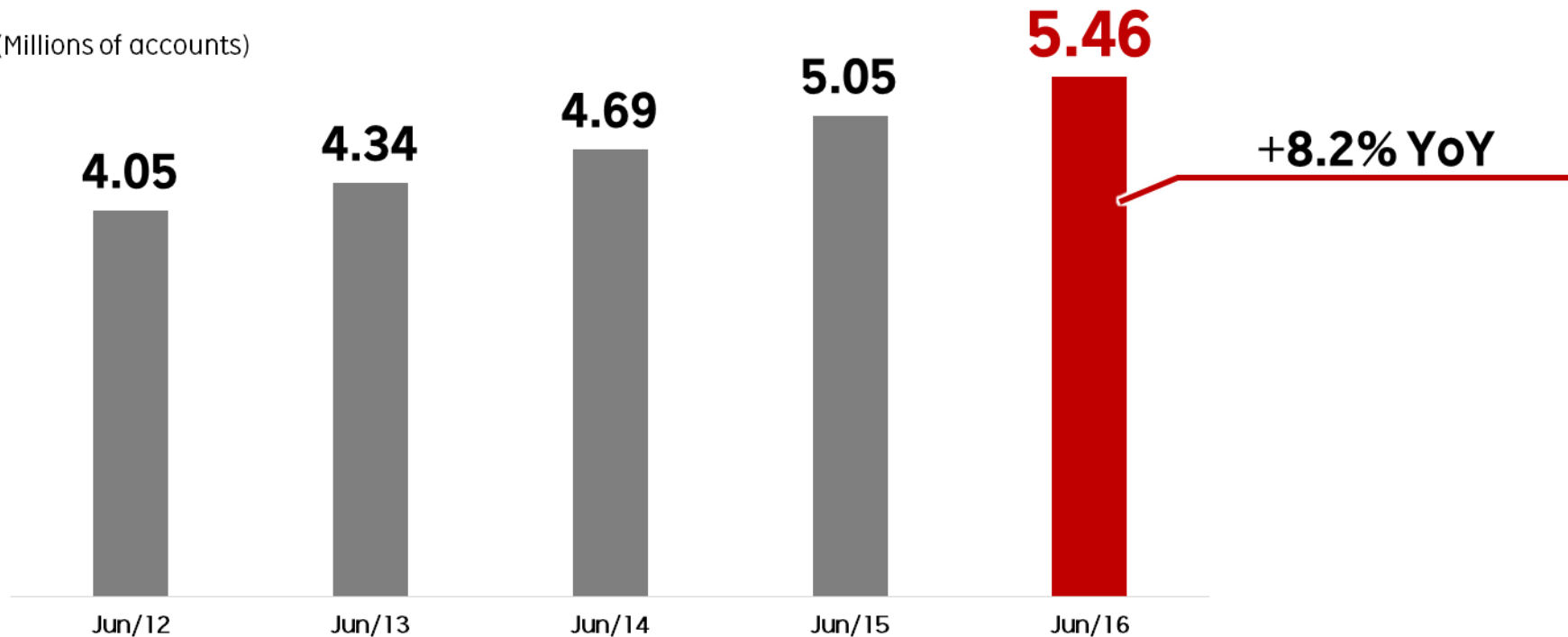
\*1 Loan receivables and loan customers are total of Rakuten Bank and foreclosed credit guarantees of Rakuten Card Co., Ltd.

\*2 Mar/16 Super Loan balance is retroactively adjusted

# Rakuten Bank Customer Accounts

- Customer accounts consistently increased: +8.2% YoY

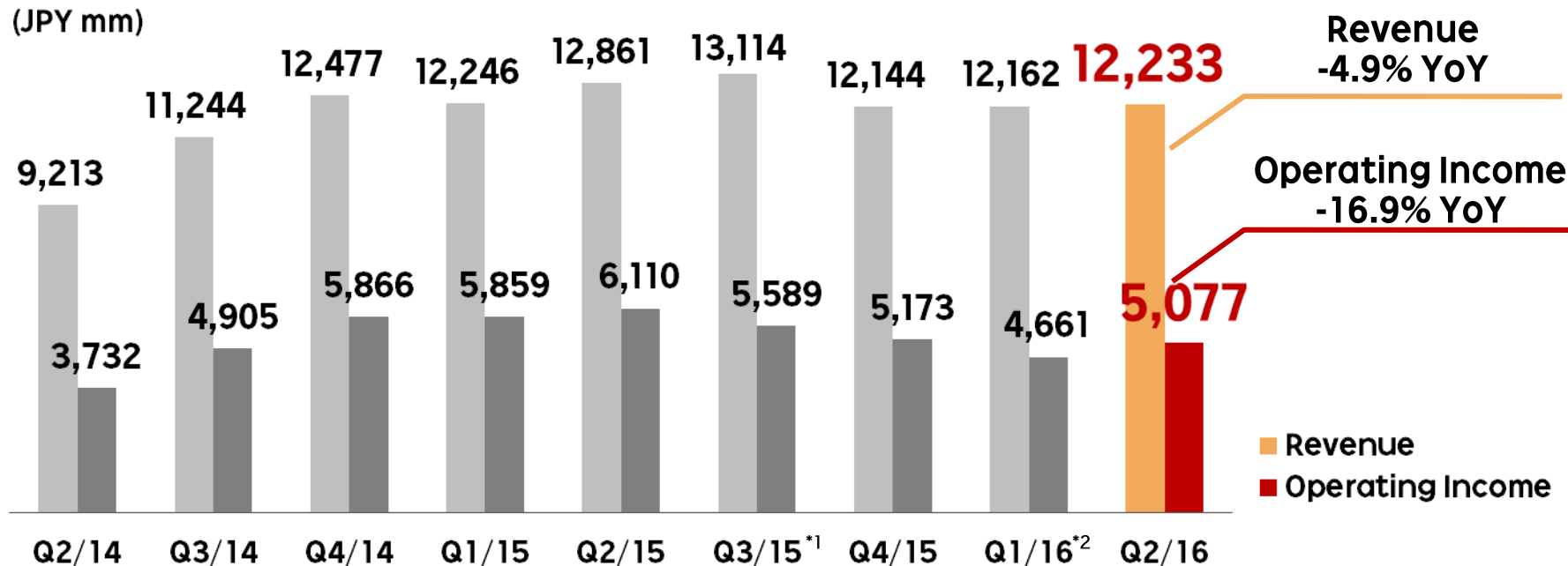
(Millions of accounts)



# **Rakuten Bank Starts Business Loans for Corporate Clients**

- **Target: Corporates and individual business owners**
- **Purpose: Working capital only**
- **Loan Amount: JPY 1-100 million**
- **Loan Term: Up to 5 years**

# Rakuten Securities Results



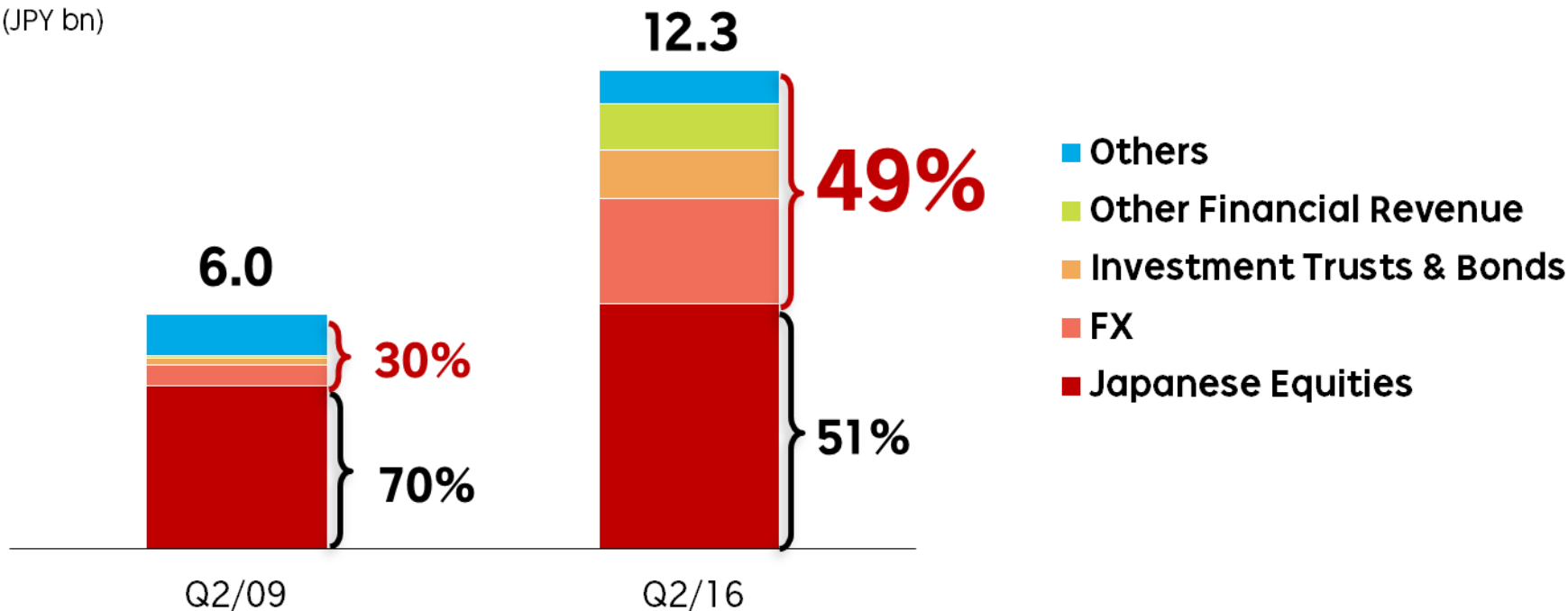
\*1: Rakuten Securities acquired FXCM Japan Securities Co. Ltd. in August 2015

\*2: Q1/16 IFRS Operating Income did not recognize JPY 3bn from sale of stocks of a minority investment, while it was recorded in J-GAAP

# Rakuten Securities Revenue Composition

- Japanese equity-centric revenue structure is being diversified with the growth of FX and Investment Trusts

(JPY bn)

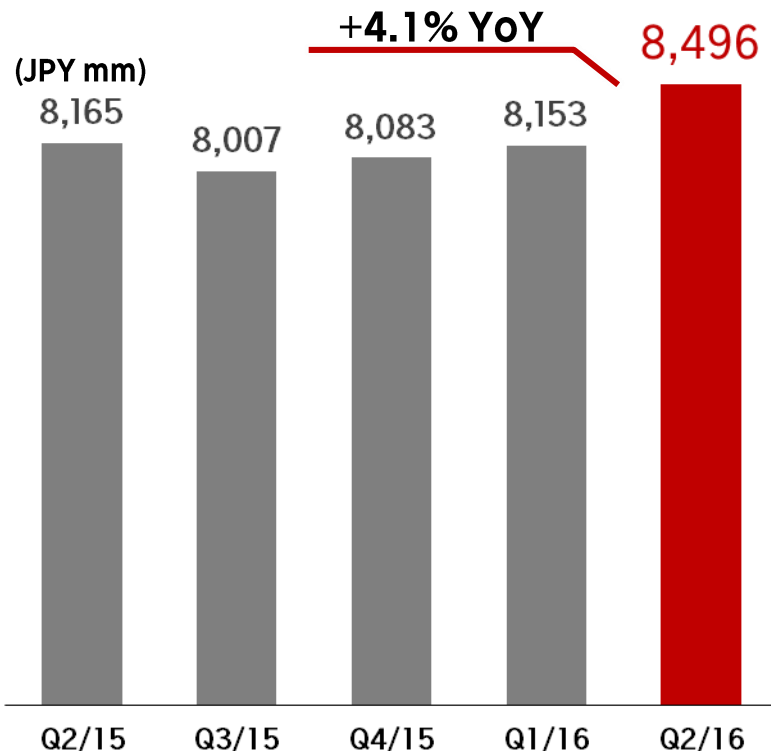


\* JGAAP based revenue

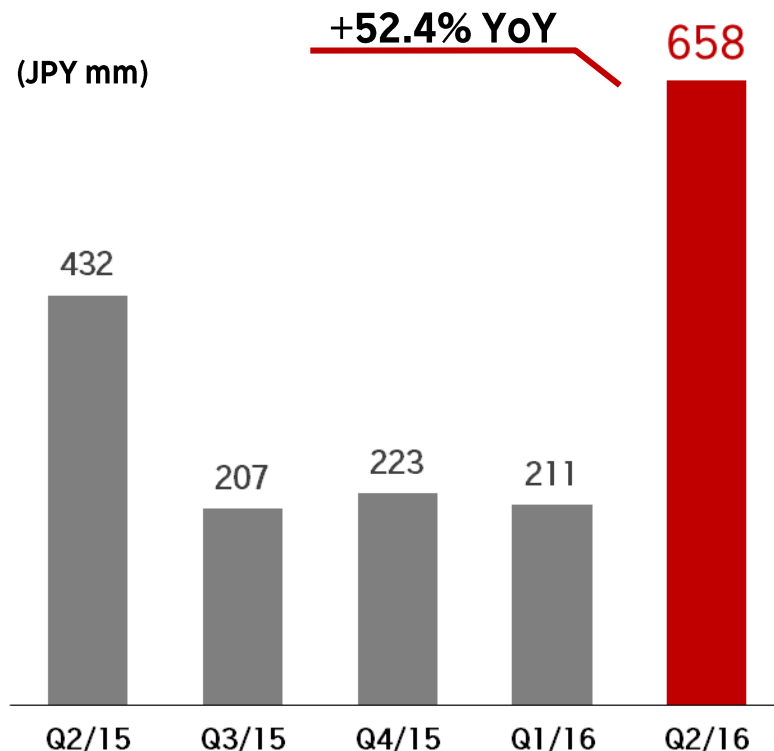


# Life Insurance Results

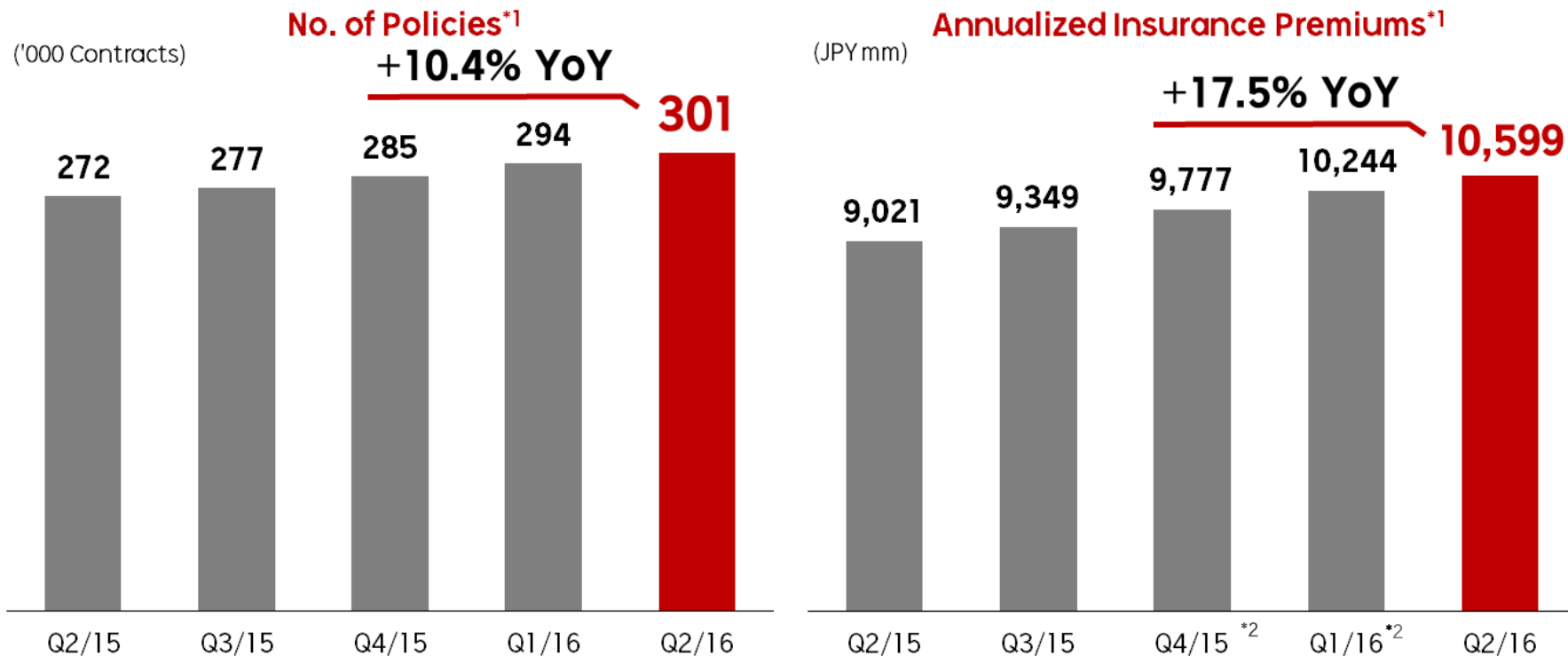
## Revenue



## Non-GAAP OI



# Rakuten Life Insurance New Contracts



\*1: Excluding policies of mutual aid association business transferred in 2008, and one-year cancer insurance for eligible Rakuten members which started from Q4/14

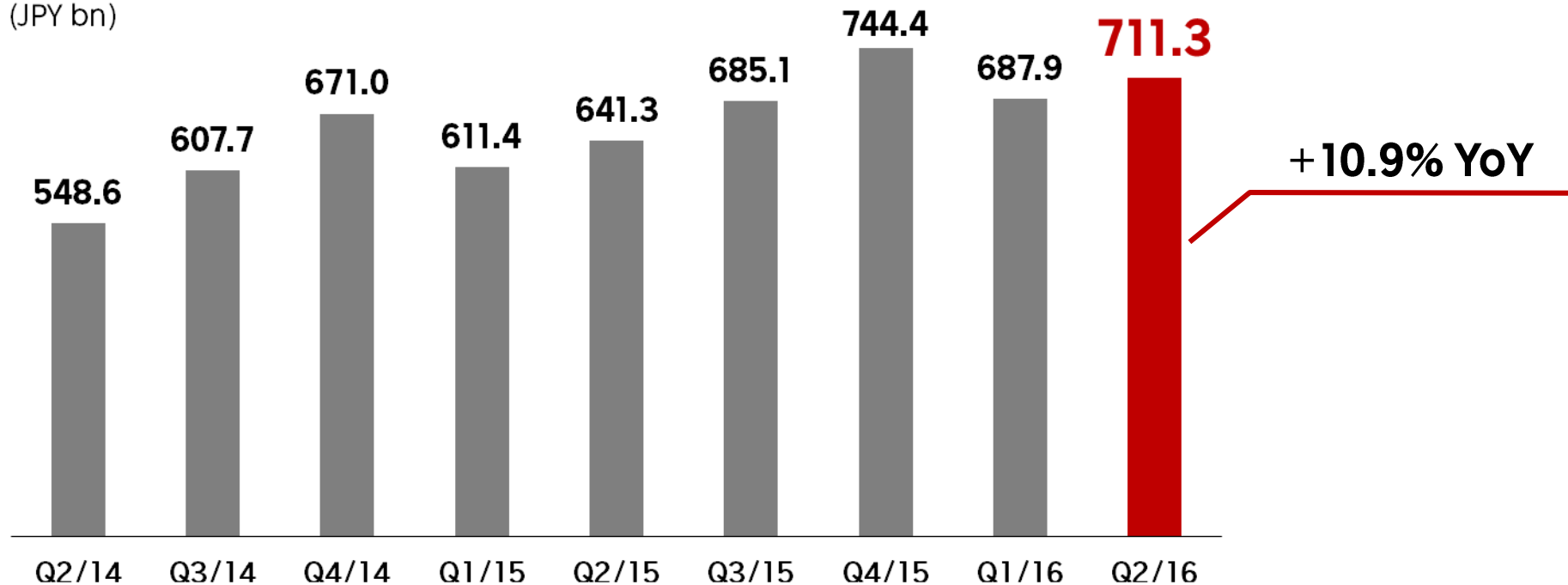
\*2: Q4/15 and Q1/16 Annualized Insurance Premiums are retroactively adjusted

## **3 E-Commerce**

# Domestic E-Commerce GMS\*

■ GMS keeping solid growth due to SPU and quality improvements

(JPY bn)



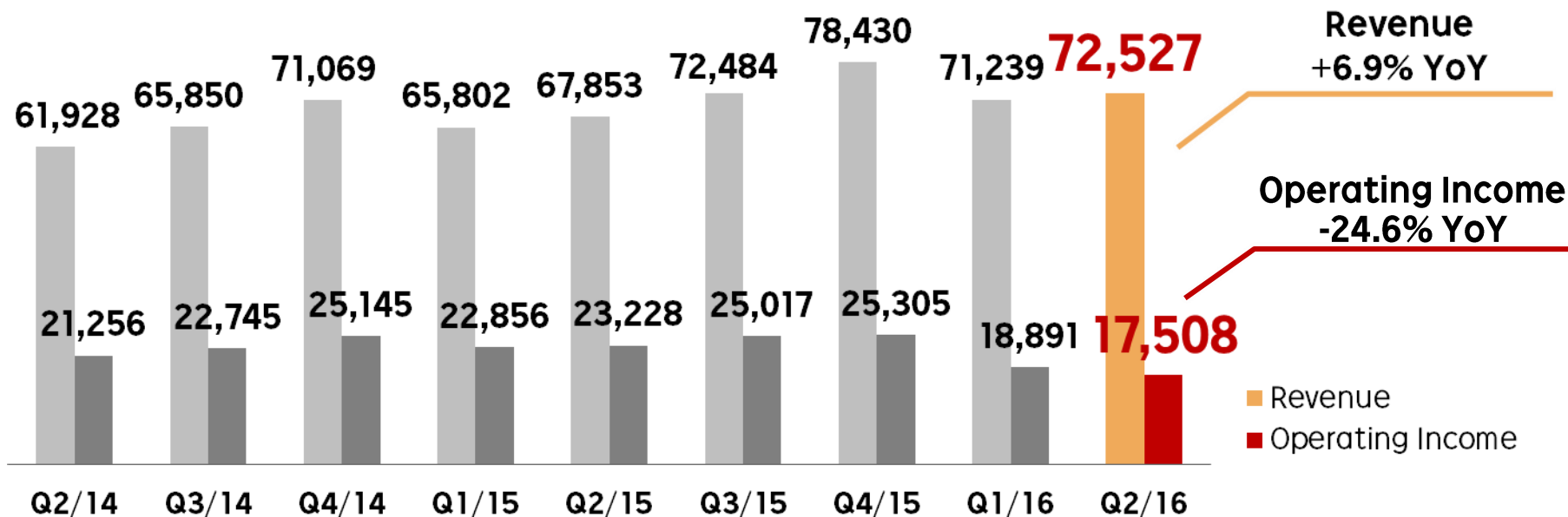
\* Domestic E-Commerce GMS includes consumption tax. Businesses not requiring consumption tax payment are GMS excluding consumption tax.

GMS comprises Ichiba, Travel GTV on a checkout basis (revised retroactively), Books, Auction, Golf, Business, Download, Ticket Star, Netsuper, Checkout, Dream, ShowTime, Dining, Beauty, Rakuten Mart, Delivery (revised retroactively), Kenko.com, Energy, Smartpay, Stylife, Coupon, Rakuma, Rakubin, Rebates

# Domestic E-Commerce Results\*

■ Revenue continued to grow steadily: +6.9% YoY

■ OI down due to spending on SPU7 and other efforts for mid-term growth  
(JPY mm)



\* Domestic E-Commerce = Ichiba, Travel, Books, Auction, Golf, Business, Download, Ticket Star, Netsuper, Checkout, Dream, ShowTime, Dining, Beauty, Rakuten Mart, Delivery, Kenko.com, logistics, Energy, Smartpay, Stylife, Coupon, Rakuma, Rakubin, Rebates

# Quality for Growth

# Quality X Marketing

# SPU: Growing & Nurturing membership

## ■ Growing membership

- Consistent increase in new and returning users

## ■ Nurturing members to become Ichiba heavy users through group services

- LTV of Rakuten Card holders is higher than non-Rakuten card holders
- Increasing Rakuten Card Share in Ichiba GMS

Maximum JPY 300,000 compensation for undelivered, delayed, or damaged products

All Members All Shops No Registration necessary

**SPU** 楽天市場のお買い物で  
もっとポイント貯まる!  
スーパーポイントアッププログラム Super Point Up program

and and and

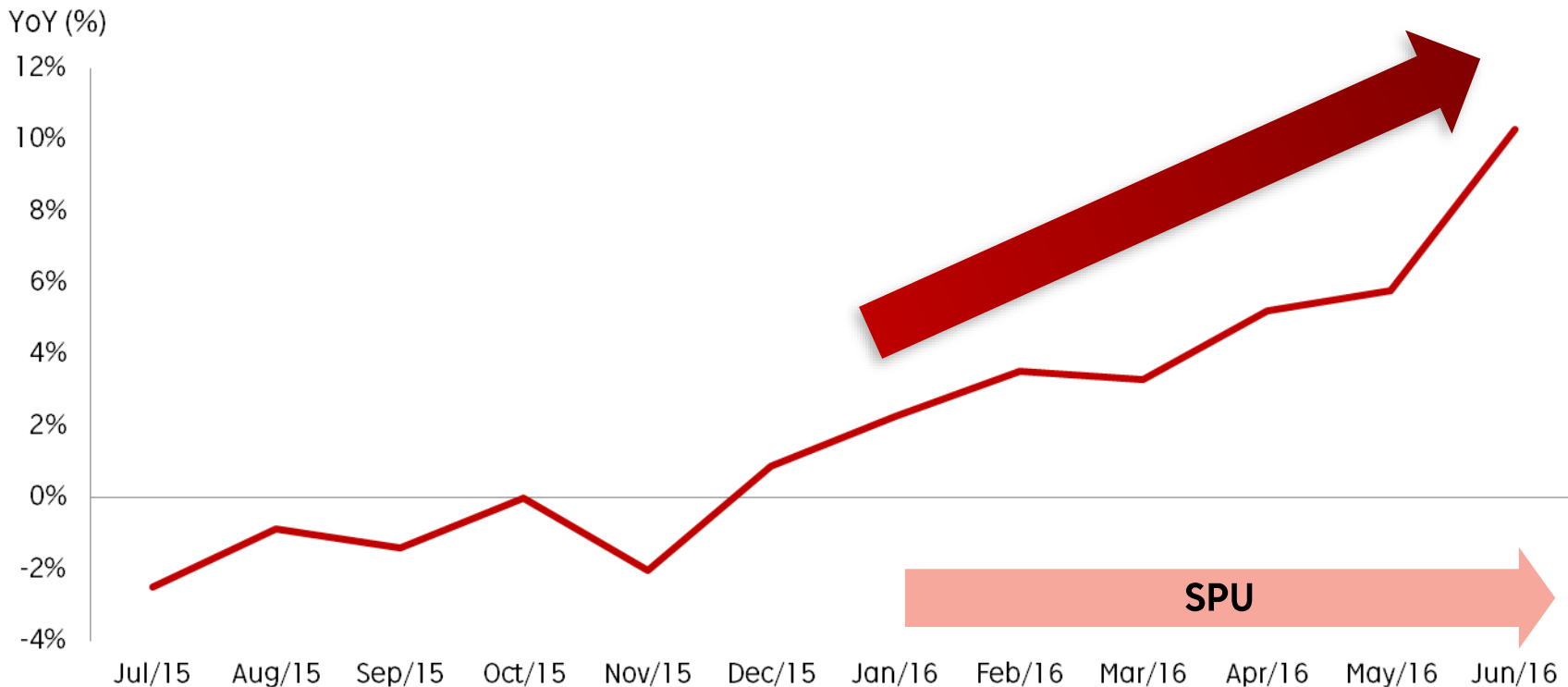
Rakuten Card Usage Rakuten Ichiba App Usage Rakuten Premium Card Usage Rakuten Mobile Subscriber

**4x 5x 6x 7x**  
Points Points Points Points



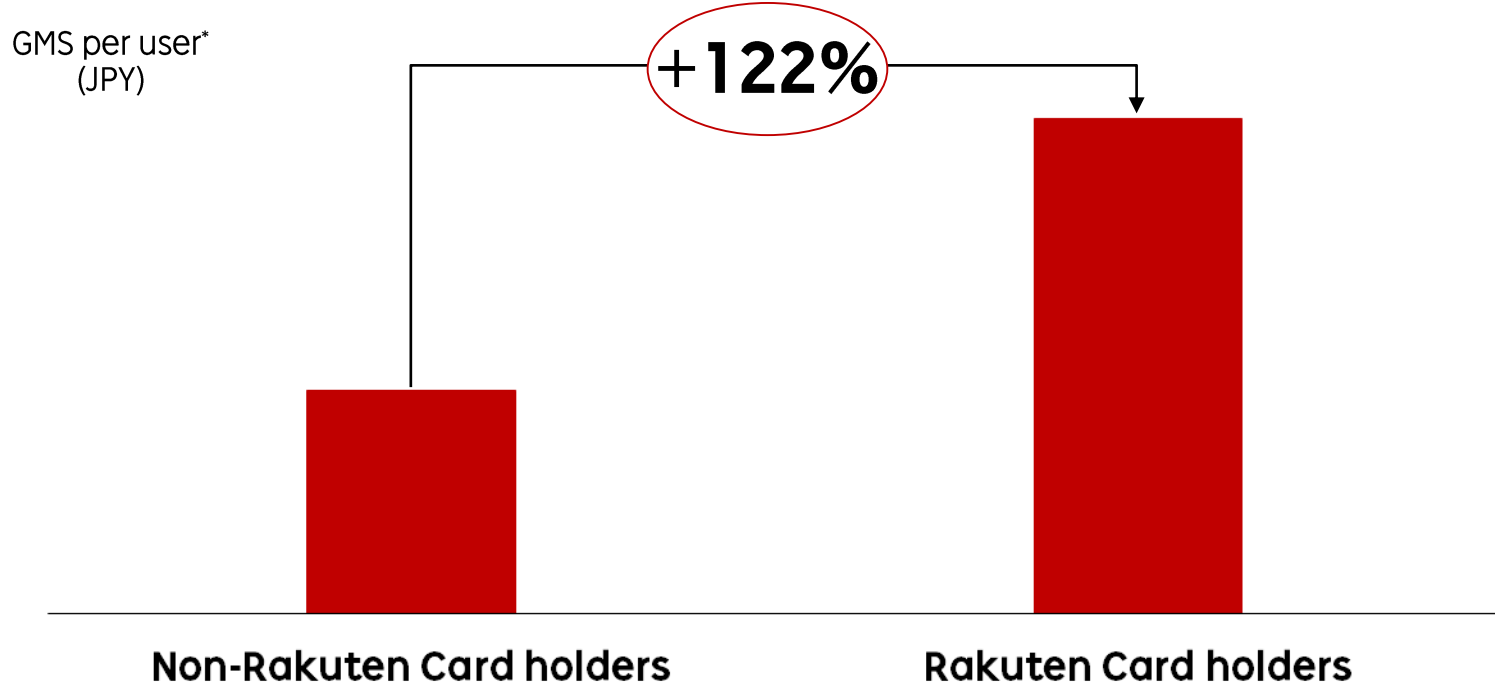
# Increasing Number of New and Returning Users

- New and Returning users consistently growing during SPU



# Rakuten Card Impact on E-Commerce GMS

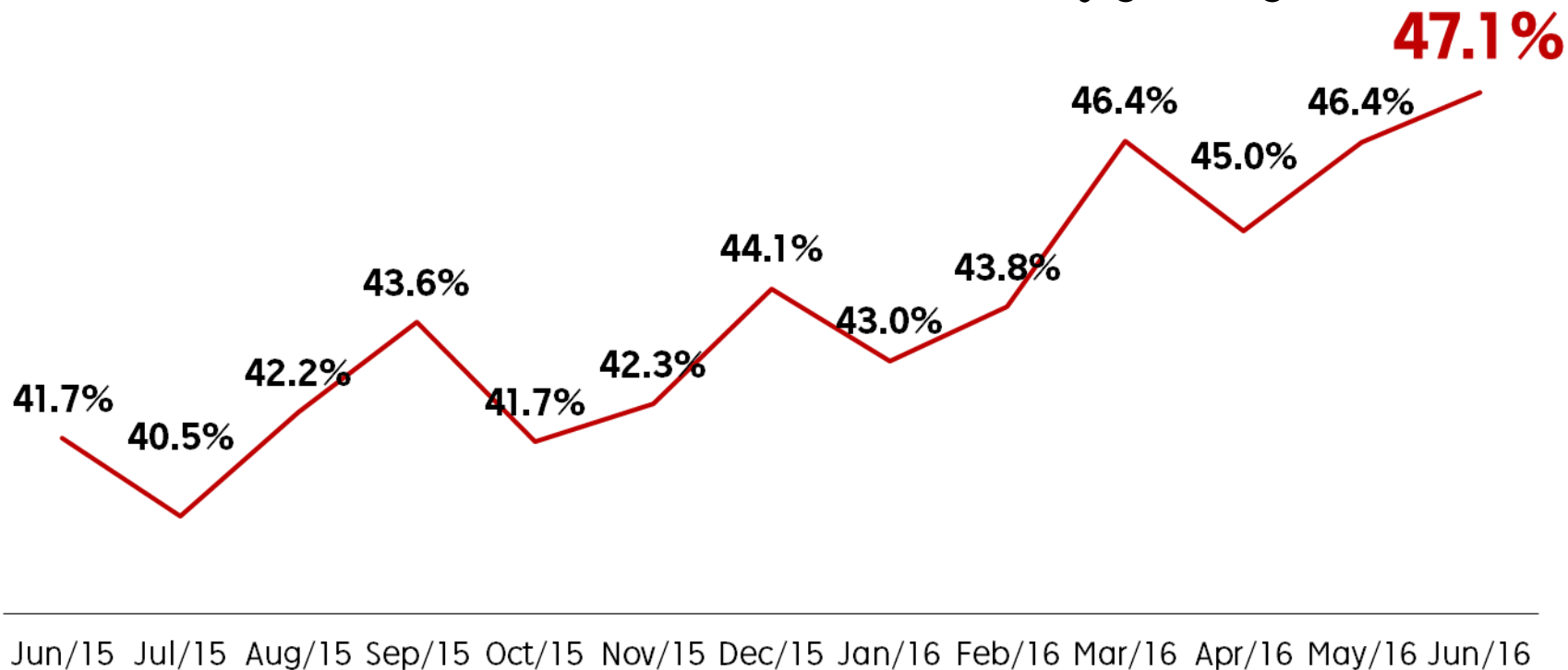
- E-Commerce GMS increases with use of group services.  
Best example is Rakuten Card



\* Change in annual spending per user who became card user during Apr-Jun 2015

# Rakuten Card Share of Rakuten Ichiba GMS

- Rakuten Card share of Ichiba GMS is consistently growing

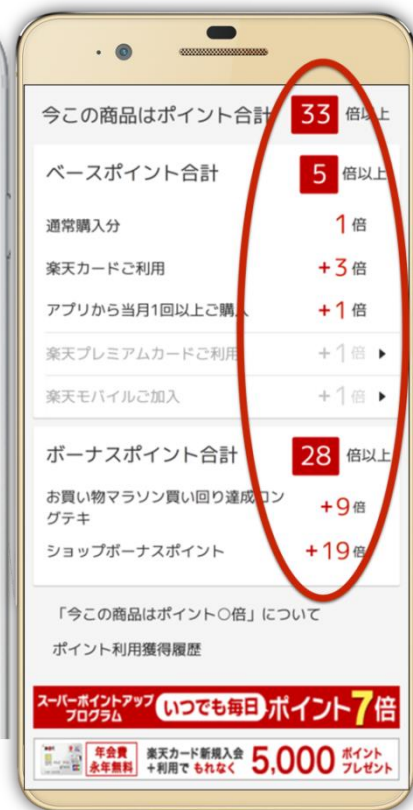


# Quality x UI

# Display of Point Status Information

- Improved member point status information to accelerate SPU

獲得予定ポイント ①		3,372 ポイント (円相当)
お買い物通常ポイント (旧・仮ポイント) ①		
楽天市場でお買い物分	1,628 ポイント	獲得予定日 2016/6/19
スーパーポイントアップ(SPU)特典 ①	1,744 ポイント	
楽天カードご利用特典分	+2倍 838 ポイント	獲得予定日 2016/6/15
楽天市場アプリご利用者特典分	+1倍 453 ポイント	獲得予定日 2016/6/15
楽天モバイルご契約者特典分	+1倍 453 ポイント	獲得予定日 2016/6/15



# Personalized Push Notification

- New push notification enhancing segmentation and personalization

## Granted Points by SPU



**Rakuten**

\* Only for Android

## Restocking\*

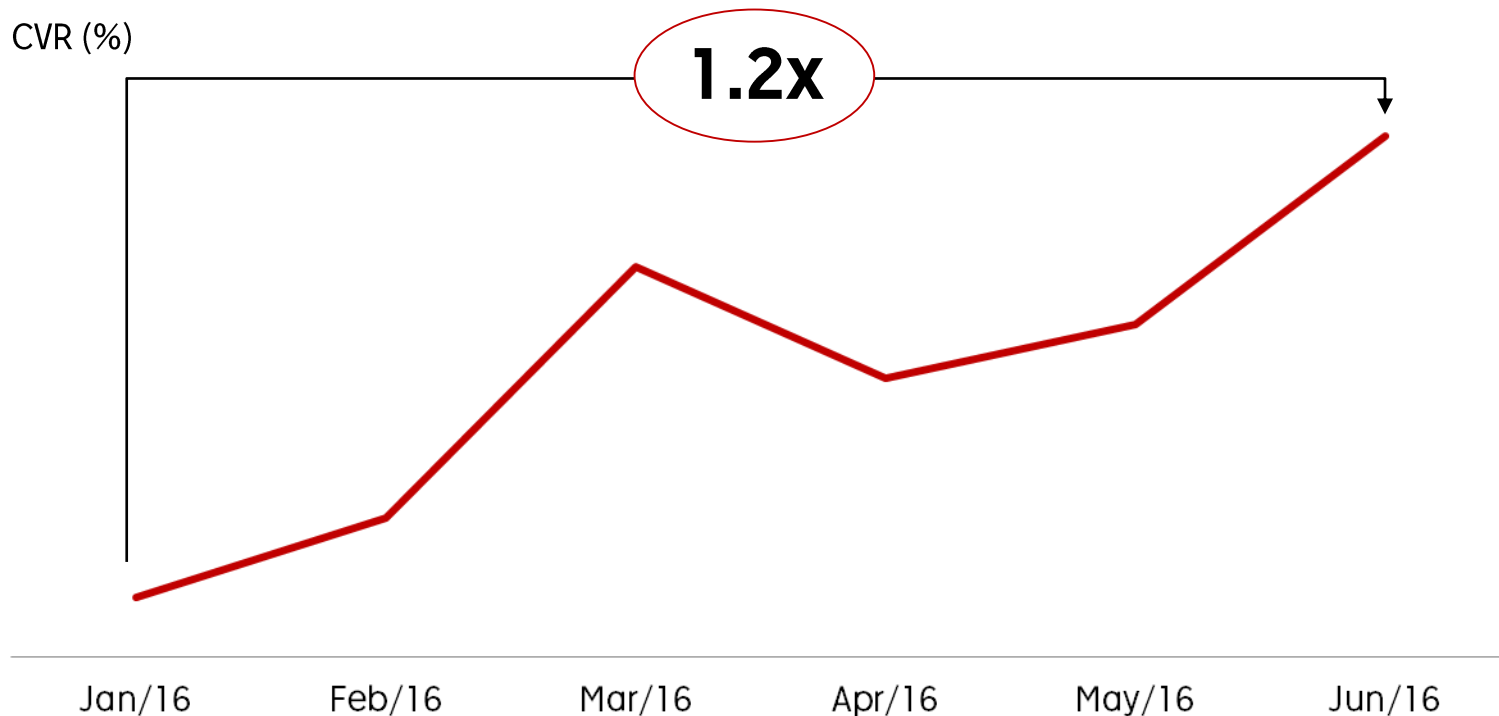


## CVS pick-up\*



# Smartphone App CVR Increasing

- Ichiba App CVR continuously increasing since start of 2016



# Rakuten Ichiba Mobile GMS Ratio\*

**58.6%**

**Up 10.1 points YoY**

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



# Quality x Ads

# Reviewing Ads based on ROAS





- **Ad revenue recovering from Q3/16**
  - **Renewed CPC ads with high relevancy**
  - **“Coupon Advance” launched**
  - **Developed ads dedicated for apps**
  - **Selling new performance-based ads**

\* ROAS: Return on advertising spend.

# Coupon Advance with Personalization

## Algorithm

### User data

-  Browsing
-  Purchases
-  Searches
-  Favorites

×

### Item data

-  Shop
-  Price
-  Genre
-  Brand

Coupon

Target User



Consider the following text from the screenshot:

今からのご注文で  
最短  
**11月15日(日)**  
にお届けします  
→ あす楽をちょっと見る

季節の特集  
おせち・年越し特集  
お歳暮特集  
クリスマス特集  
あったか・寒さ対策特集  
ショップ・ブランド  
有名メカストア  
ファッション公式ブランド  
ディズニー

あなたにおすすめのクーポン クーポン期限：11月1日(金)9:59まで

商品	価格	クーポン
お洋服	999,999円	999,999円 OFFクーポン
大魔王将	4,300円	3,300円 OFFクーポン
arum. rakuten store	7,000円	7,000円 OFFクーポン
Stylifemen	500円	500円 OFFクーポン
Sommelier@Gift	1,000円	1,000円 OFFクーポン
Natural Healthy Standard	300円	300円 OFFクーポン

※商品をクリックすると自動的にクーポンが取得されます。ご利用の際は買い物がご該当のクーポンをご確認ください。

今日のセール  
ホットアイテム  
当店人気No.1おせち！...

RaCoupon(ラ・クーポン)

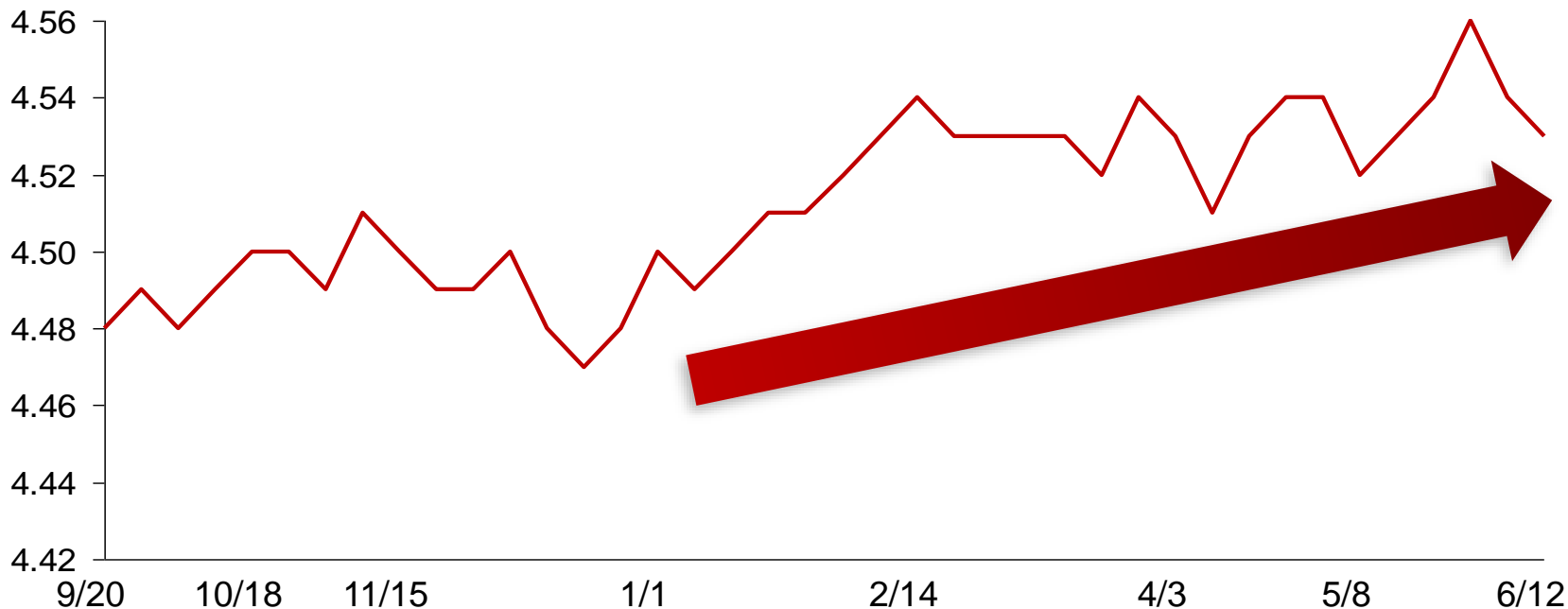
**Quality**  
**X**  
**Merchants**

# Consistent Efforts for Improving Quality of Merchants

- Follow-up calls to merchants for low-rating reviews
- Strengthening co-operation with brand owners
- Monitoring illegal products and merchants' activities

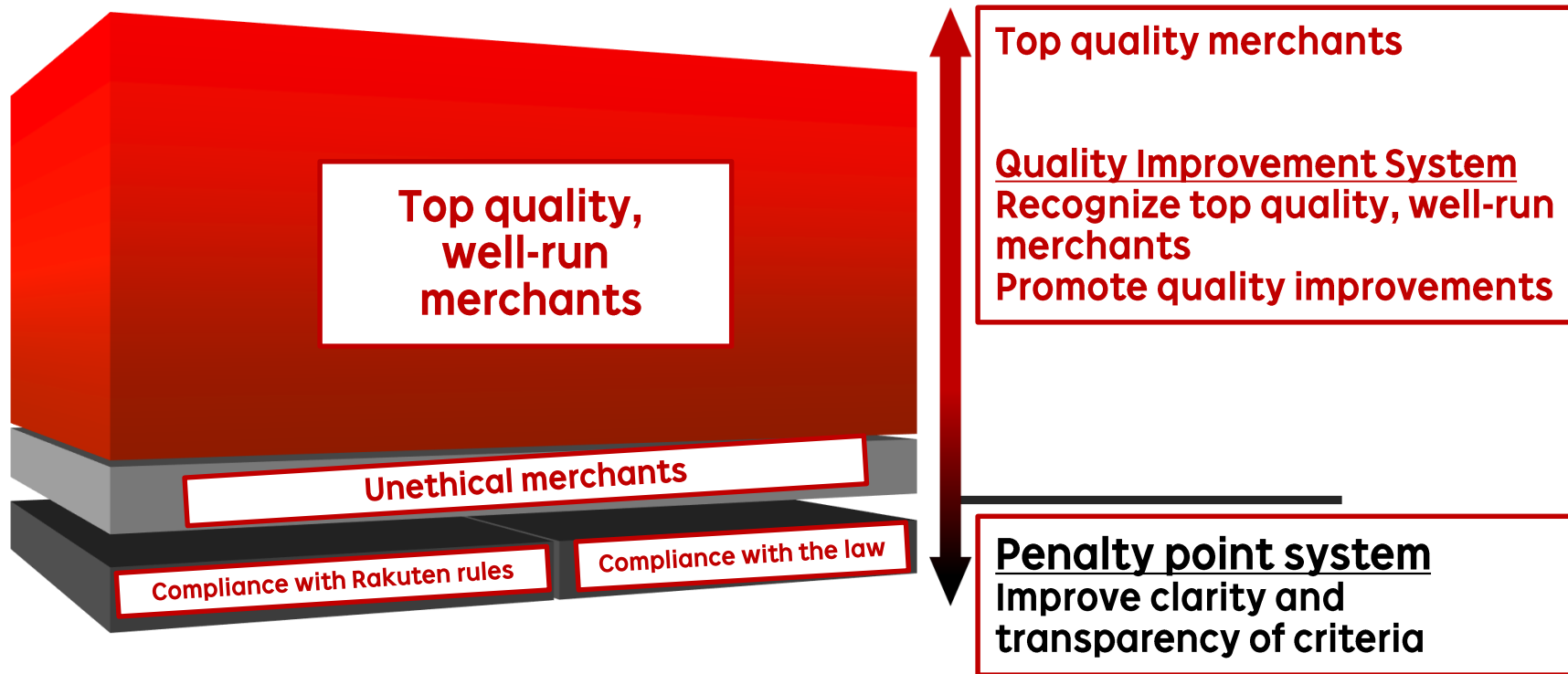
# Average Merchant Review Rating

- Average merchant review rating has improved continuously since the start of 2016



# Evaluation Program of Merchant Quality

- Introducing penalties for very small number of poor quality merchants, to protect vast majority of top quality merchants, starting from September

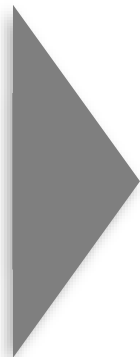


# E-Commerce Evolution



**Rakuten Ichiba**

Closed  
B2B2C mall  
Full-package services



**R Rakuten Ichiba**

楽**R**天 ID決済

Rakuten  
Checkout

楽**R**天 スーパーDEAL

Rakuten  
Super  
Deal

**R ebates**



Rakuma

Open E-commerce and C2C services



# Rakuten Checkout Growth

楽<sup>R</sup>天 ID決済



GMS  
+24.4%  
YoY

Third-party sites

# Rakuten Super Deal

## Rapidly Increasing Number of Items

楽天スーパーDEAL

Apr-Jun  
+80%

Dec/14

Apr/16

Jun/16

楽天 Rakuten

# Rebates (Loyalty Point-back Mall in Japan)

**R**ebates

**GMS Growth**

**10x**

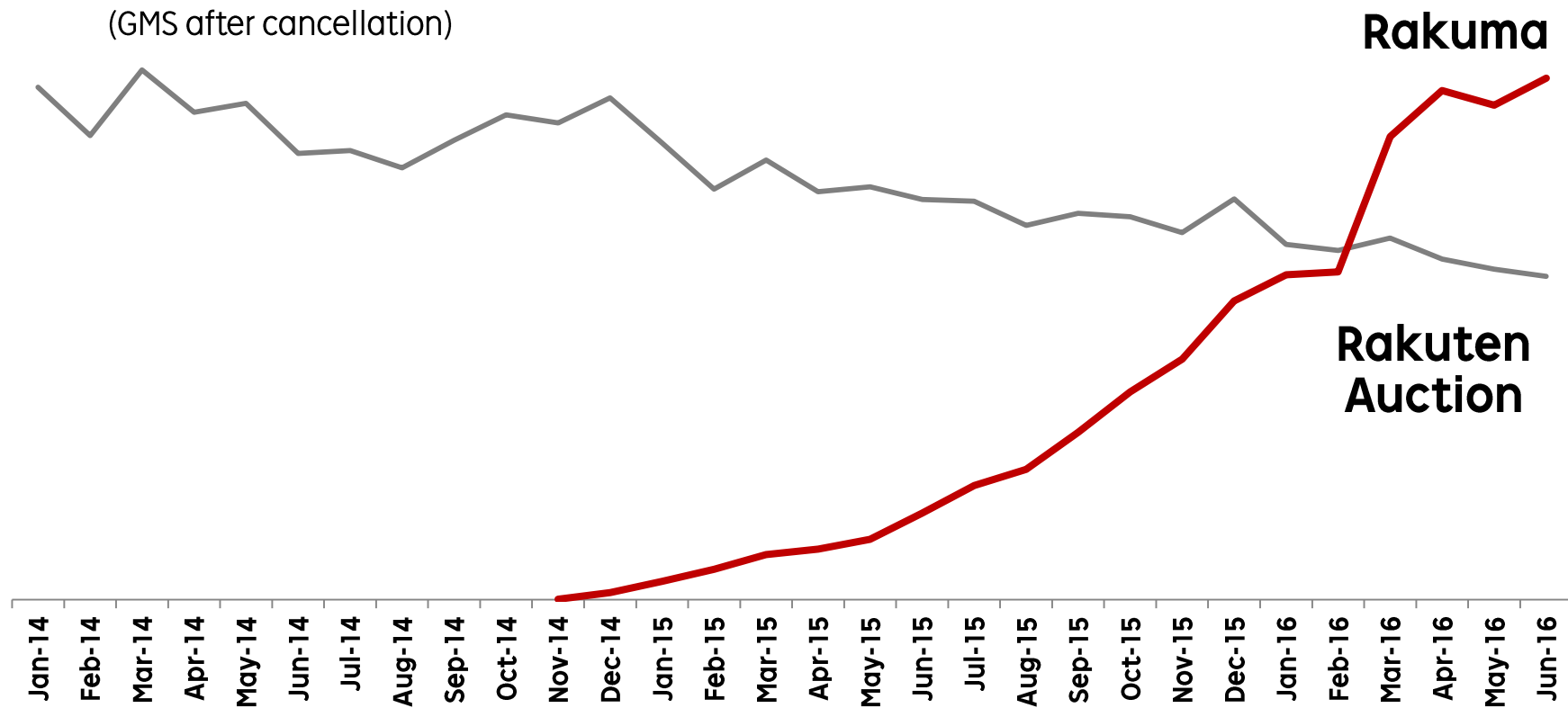
**Jan to Jun 2016**

# Accelerating Mobile C2C Business



- Rakuma business strong in Japan
- Rakuten Auction to be migrated to Rakuma (both PC and mobile)
- Rakuma set to expand in both Japan and overseas
- Minority stake in Carousell, a leading APAC mobile classifieds app

# Rakuma vs Rakuten Auction GMS



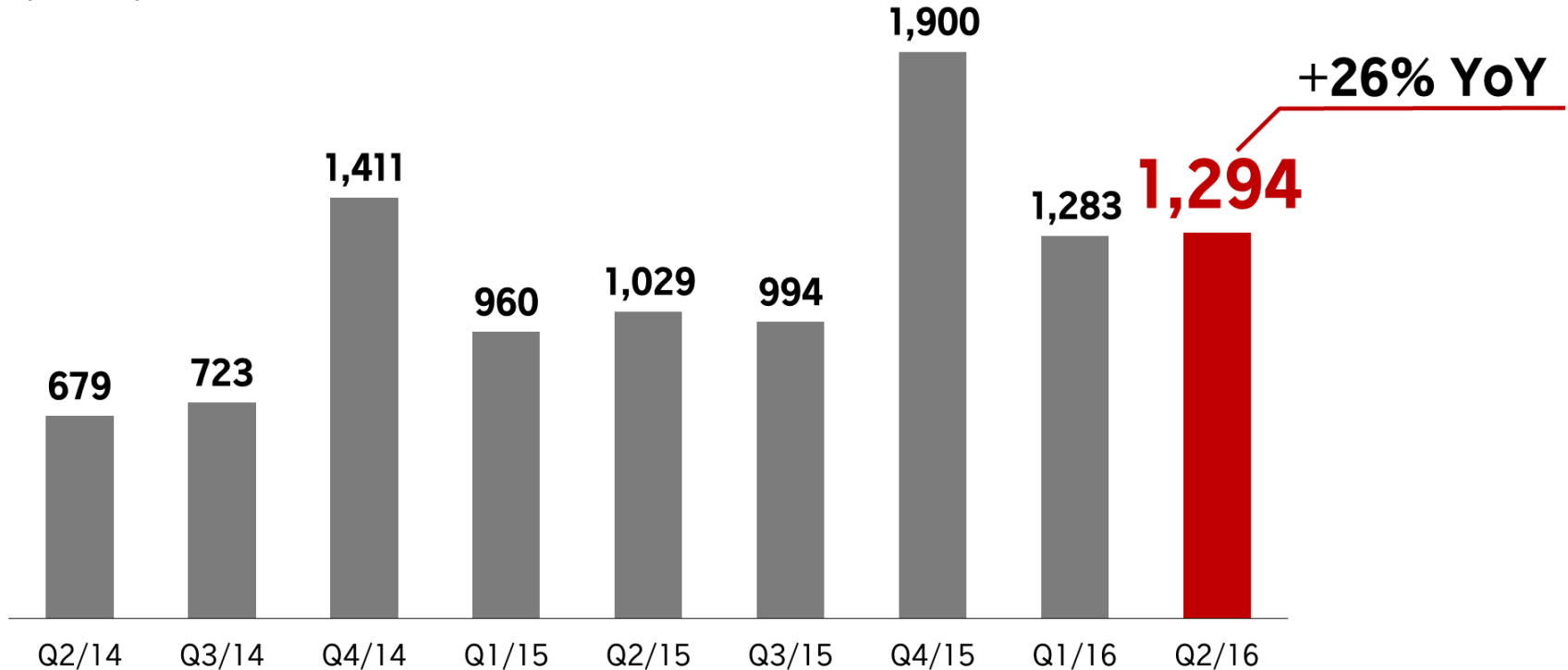
# Resharpen focus for Overseas E-Commerce based on Vision 2020

- **Europe: France and Germany**
- **US: Ebates and Rakuten Marketing**
- **Asia: Taiwan ecosystem, C2C (SE Asia)**

# Ebates GMS

■ Total Ebates GMS: +26% YoY (US site: +35% YoY)

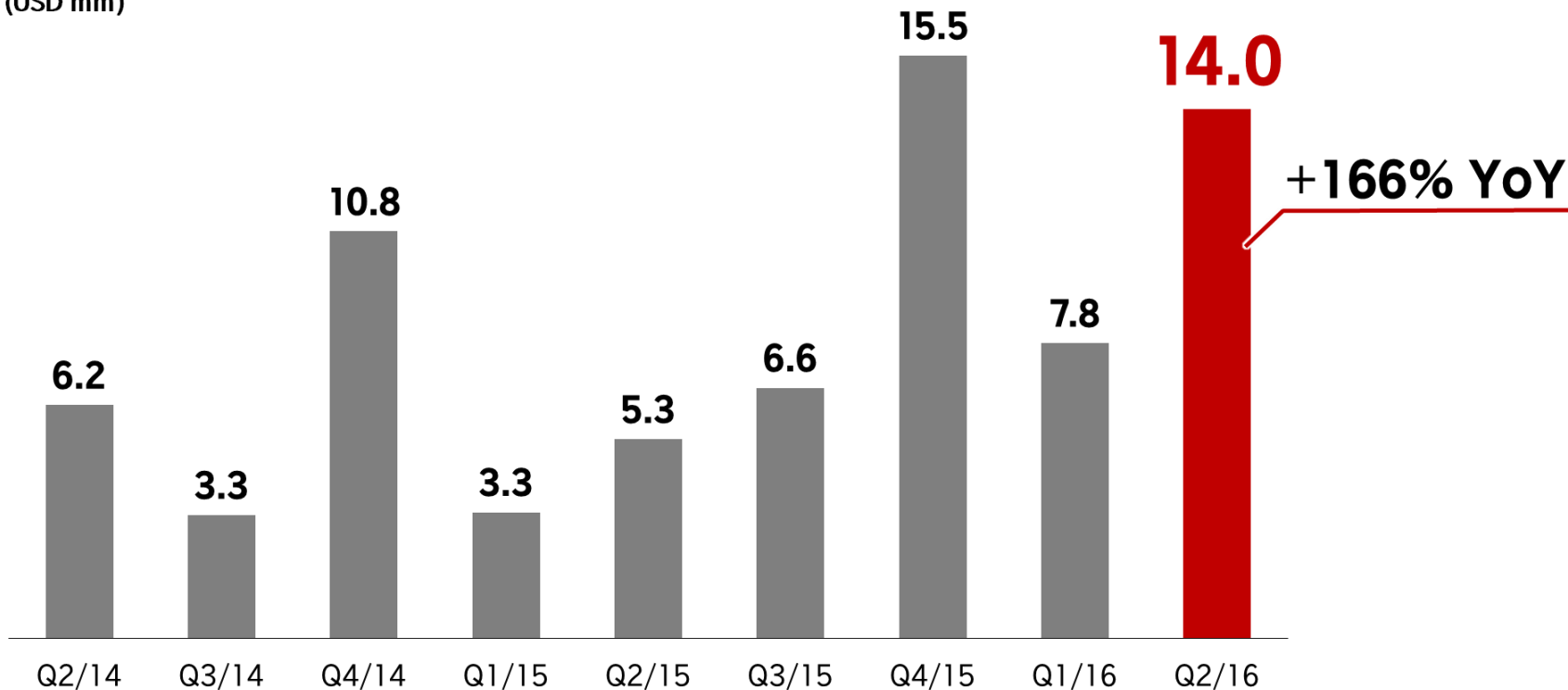
(USD mm)



# Ebates Operating Income

■ Operating income: Growth accelerated +166% YoY

(USD mm)

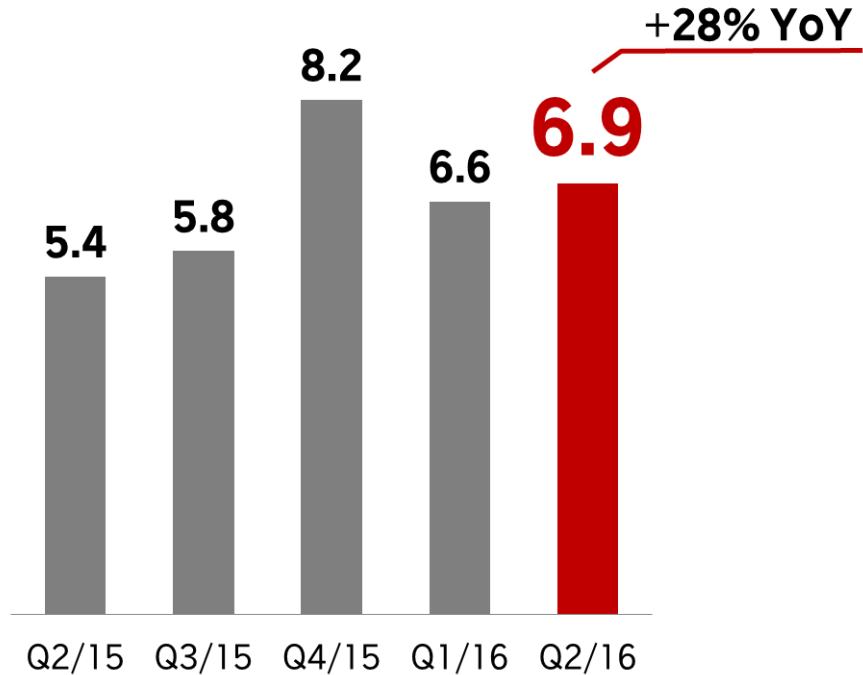




# Rakuten Marketing

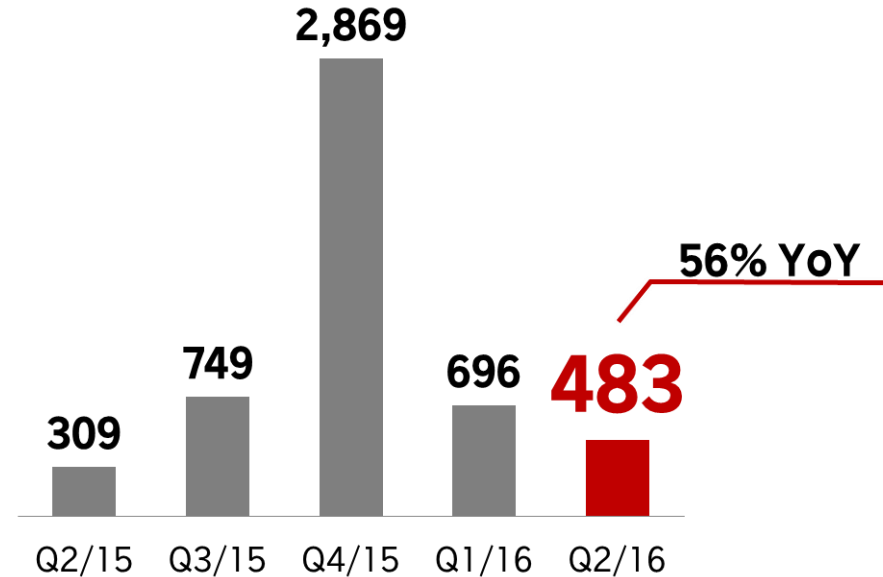
## Revenue

(JPY bn)



## Non-GAAP OI

(JPY mm)



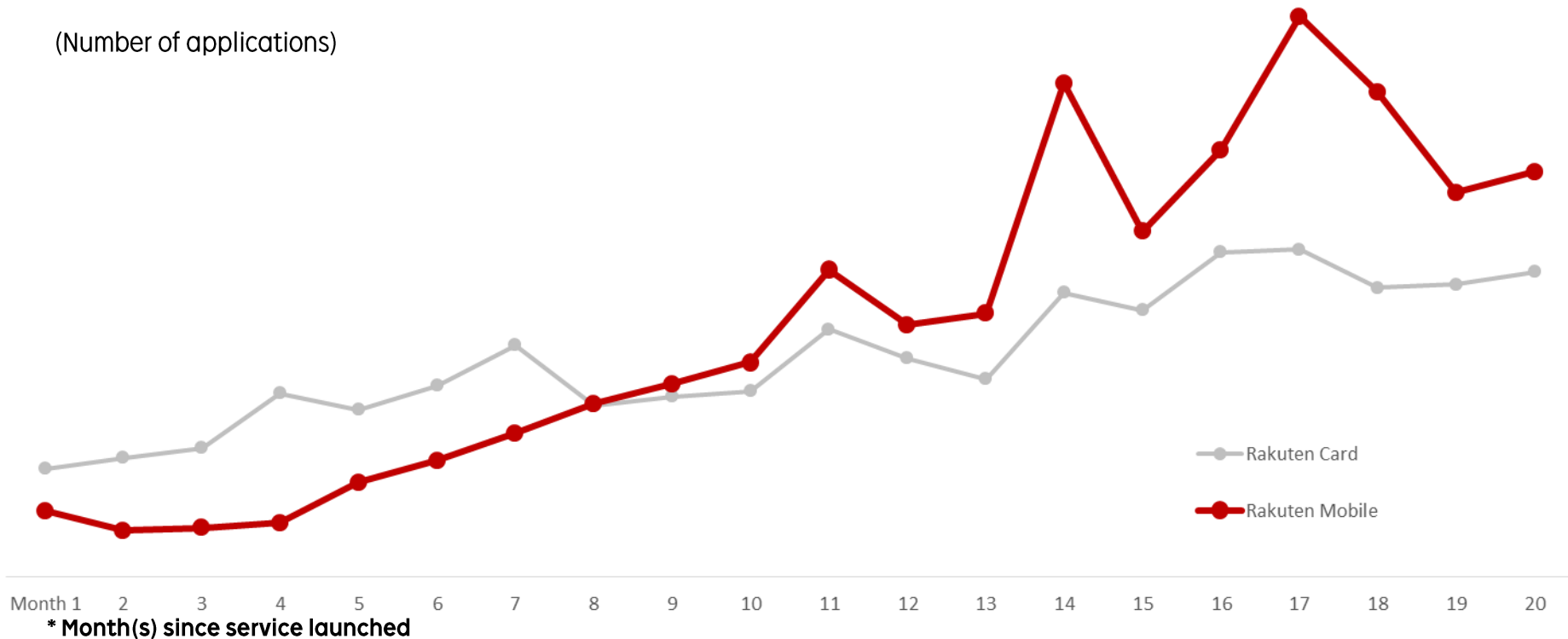
## **4** Rakuten Mobile (MVNO)

# Rakuten Mobile Key Highlights

- Continued increase in subscribers and revenue
- New services like paying monthly fee with Rakuten Super Points
- Expanded offline stores to total of 72 touchpoints



# Monthly Applications of Rakuten Mobile and Rakuten Card since Launch

(Number of applications)



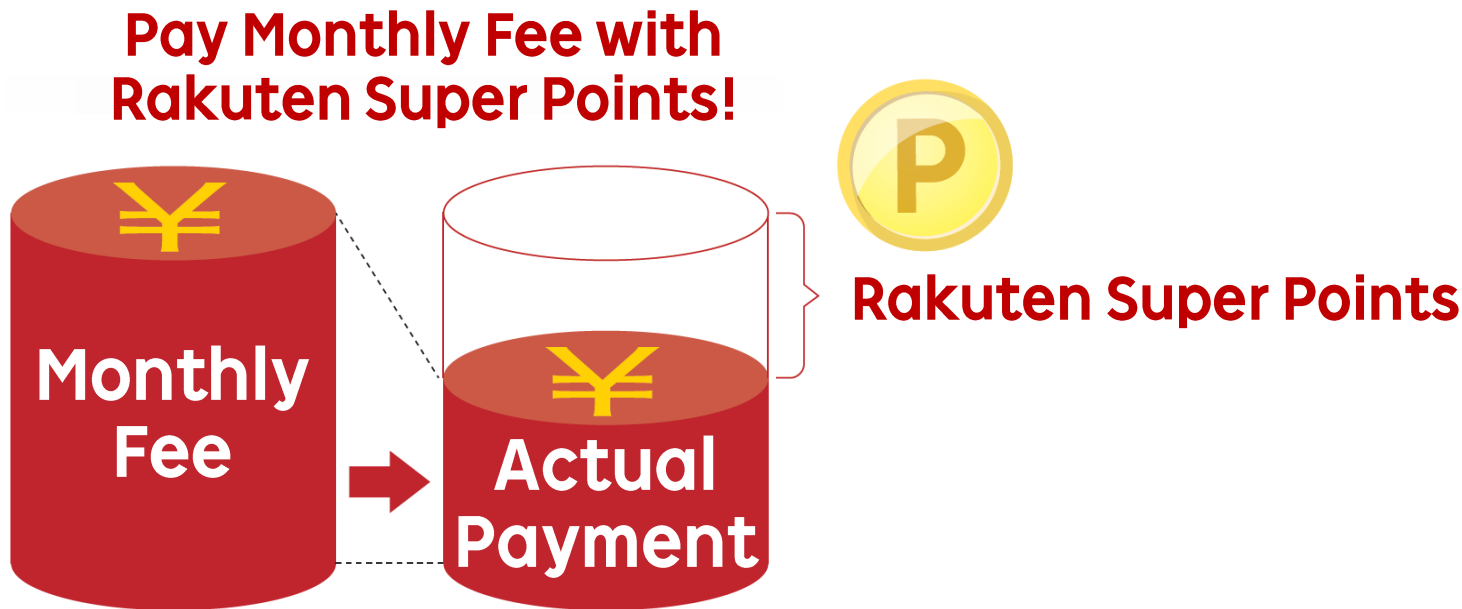
# Rakuten Mobile New Services in Q2/16

- Launched Public Wifi and Data Recovery Service
- Launched easier MNP transfer without any disconnection period for users
- Started Rakuten Super Point payment for monthly fee, and Prepaid SIM

	Q2		
	Apr	Mar	Jun
Services	<ul style="list-style-type: none"> <li>• Apr 26: Rakuten Mobile Wifi by Econnect</li> </ul>  <ul style="list-style-type: none"> <li>• Apr 26: Data Recovery Service</li> </ul>	<ul style="list-style-type: none"> <li>• May 9: Easier MNP transfer procedures</li> <li>• May 23: At Home Application Support</li> </ul>	<ul style="list-style-type: none"> <li>• Jun 28: Rakuten Super Point Payment for monthly fee</li> <li>• Jun 28: Prepaid SIM</li> </ul> 

# Rakuten Super Point Payment for Monthly Fee

- By leveraging the Ecosystem, users can pay their monthly fee with Rakuten Super Points that they earned from other Rakuten services



# Release of New Devices

**Newest technology  
High-spec smartphone**

Huawei P9  
(Jun 9)



Huawei P9 Lite  
(Jun 9)



**Waterproof / Mobile Wallet  
Multi- function smartphone**

AQUOS mini SH-M03  
(Jun 28\*)



Arrows M03  
(Jun 28\*)



**High cost perf  
smartphone**

Zenfone Go  
(May 17)



ZTE Blade E01  
(Jun 28)



**Note PC**

VAIO S11  
(Apr 24)



VAIO Phone Biz  
(Apr 4)

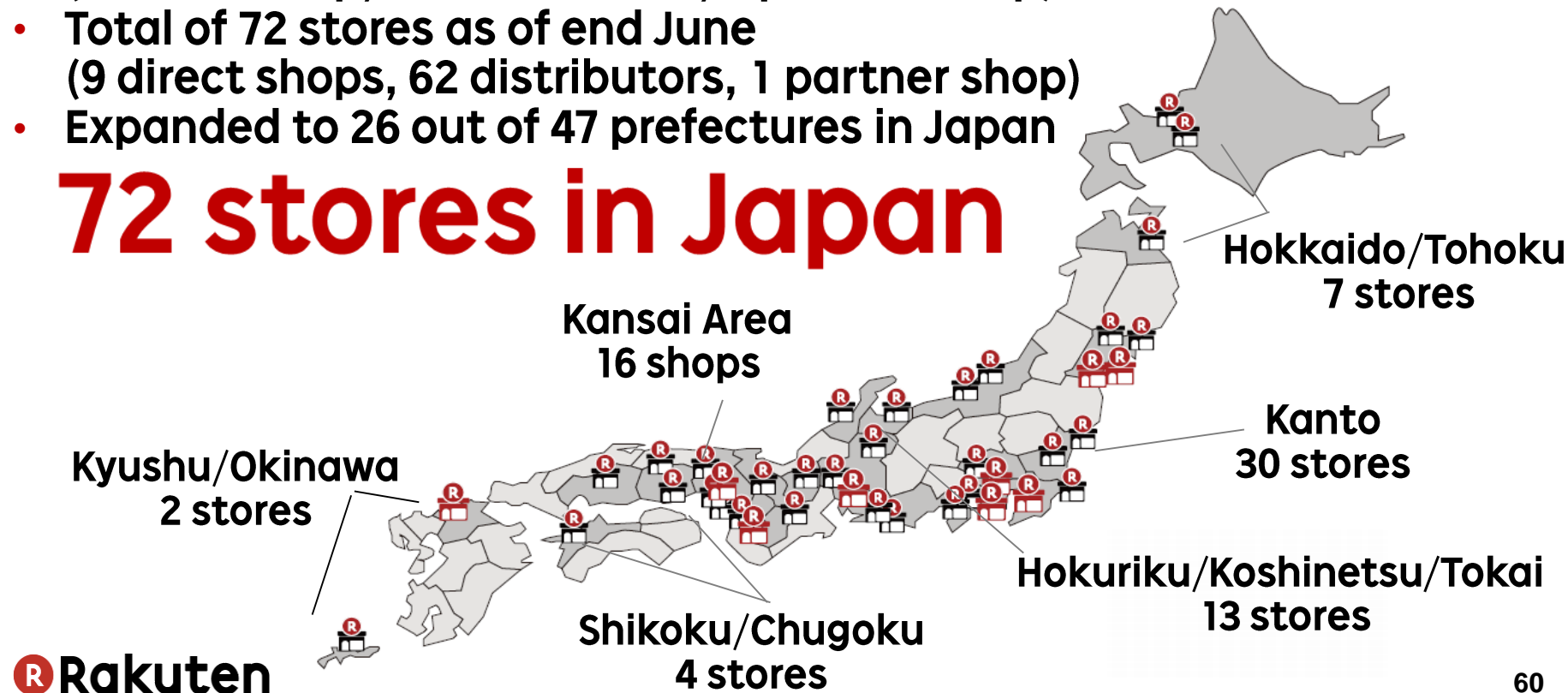


\* Available for pre-order

# Real Store Expansion

- Opened 23 stores in Q2  
(1 direct shop, 21 distributors, 1 partner shop)
- Total of 72 stores as of end June  
(9 direct shops, 62 distributors, 1 partner shop)
- Expanded to 26 out of 47 prefectures in Japan

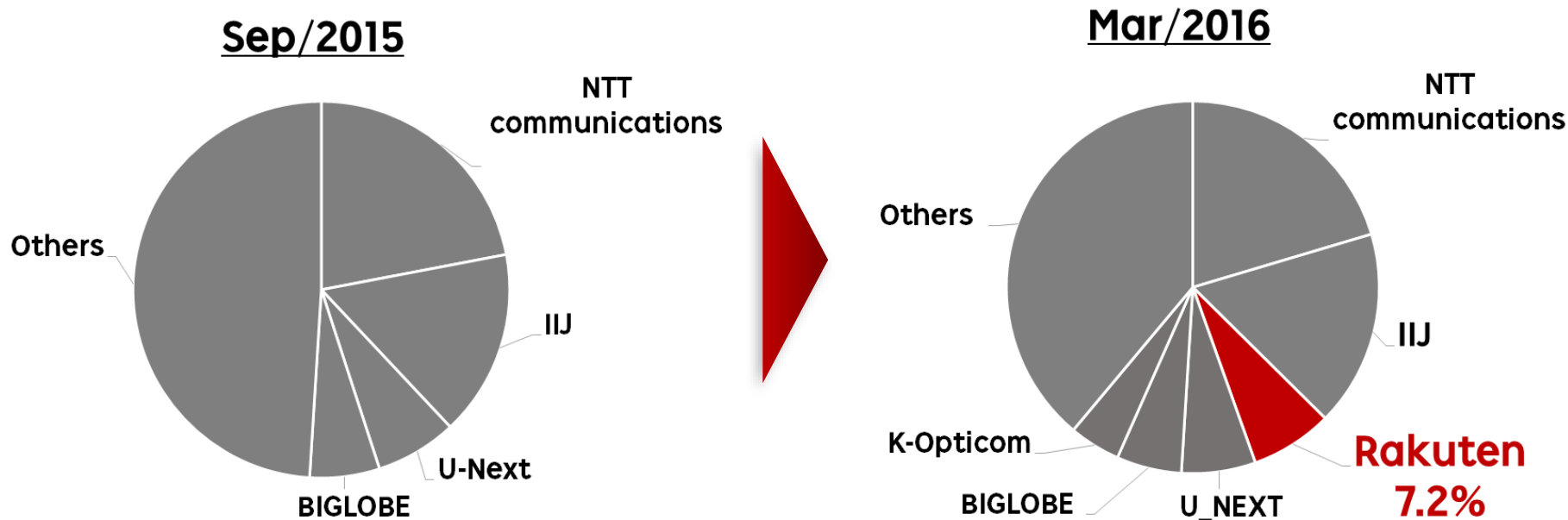
## 72 stores in Japan





# Rakuten Mobile: MVNO SIM Market Share

- Independent Service Model SIM Market Share: Rakuten ranks No. 3 at 7.2%



\* Source: MM Research Institute, Ltd., Transition of Domestic MVNO market share (March 2016), Excludes MVNE contracts

## **5** Project V6

# Project V6 Progress

- Ahead of schedule to reduce JPY 10bn from budgeted operating costs\*
- Accelerating into Q3 and Q4

\*April to December 2016

# Appendix

- Company System
- Financial Condition
- Internet Services
- FinTech
- Others Segment
- Other Information



# Company System

# New Rakuten Company System

## Objective

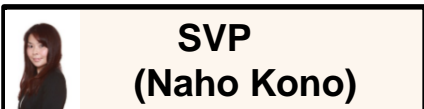
- Maximize synergy through eco-system
- Clear accountability
- Accelerate everything we do

## Approach

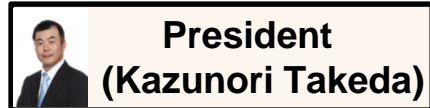
- Redesign organization to 12 companies & 6 divisions
- Assign Technology (DU), CWD and Marketing staffs to each Company
- Enhance speed & efficiency by redesigning “Shikumi”

# Leaders of Companies: Internet Service

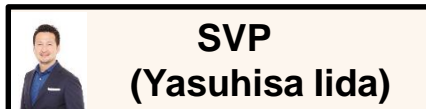
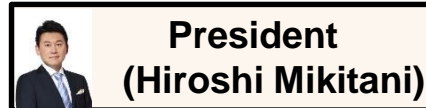
## E-Commerce Co.



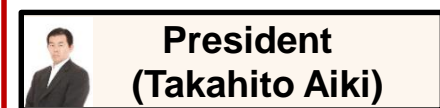
## Life & Leisure Co.



## Open EC, AD, Affiliate Co.



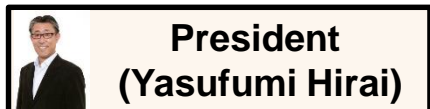
## Digital Contents Co.



## New Service Dev Co.



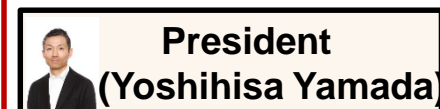
## Communications & Energy Co.



## Sports Co.



## Investment Co.



Internet Services: Hiroshi Mikitani

# Leaders of Companies: FinTech

## Card & Payments Co.



**President**  
**(Masayuki Hosaka)**

## Securities Co.



**President**  
**(Yuji Kusunoki)**

## Bank Co.



**President**  
**(Hiroyuki Nagai)**

## Insurance Co.



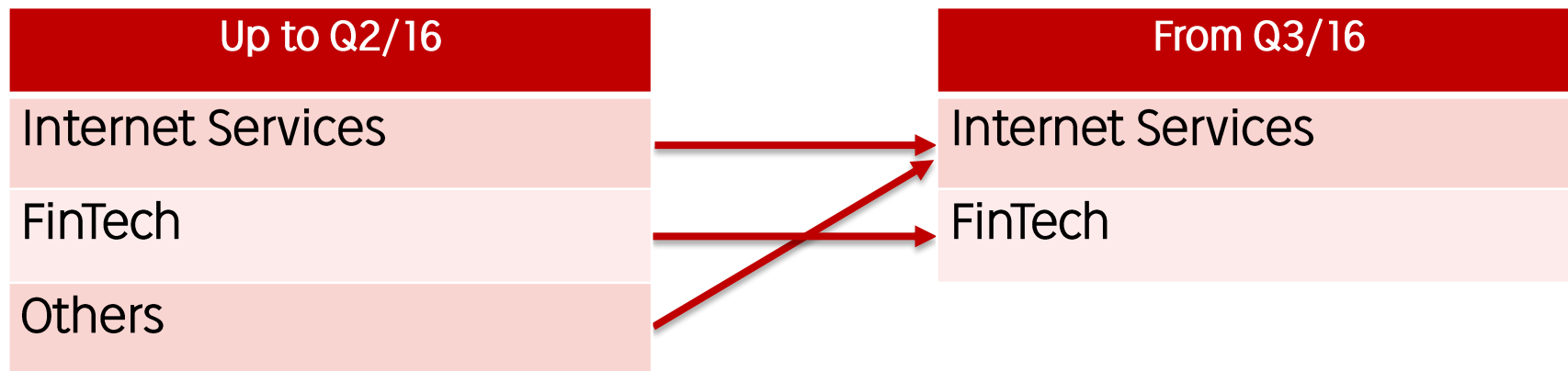
**President**  
**(Hiroshi Takasawa)**

FinTech: Masayuki Hosaka



# Segment Reporting Change from Q3/16

- Along with the introduction of our new company system, we plan to change the operating segments for accounting purposes, from 3 segments to 2 segments (in quarterly reports and financial results)
- During this migration, we plan to examine the method of disclosure according to management approach which contributes to the investment judgement of stakeholders



# Financial Condition

# Q2/16 Operating Income Reconciliation

(JPY bn, IFRS)

	Q2/15	Q2/16	YoY
<b>Non-GAAP Operating Income</b>	<b>30.9</b>	<b>31.7</b>	<b>+2.5%</b>
Amortization of Intangible Assets (PPA)	-2.1	-2.0	+0.0bn
Stock Based Compensation	-1.4	-1.8	-0.3bn
One-off items -	-1.2	-2.0	-0.9bn
Europe Reorganization *	-	-2.0	
Head Office Moving Cost	-1.2	-	
<b>IFRS Operating Income</b>	<b>26.2</b>	<b>25.9</b>	<b>-1.5%</b>

\*Including JPY 1.1bn realized foreign exchange loss.

# Q2/16 Non-GAAP EBITDA by Segment

(JPY bn, IFRS)

	Q2/15	Q2/16	YoY
<b>Domestic E-commerce</b>			
Revenue	67.9	72.5	+6.9%
Non-GAAP EBITDA	25.0	19.3	-22.9%
<b>Other Internet Services</b>			
Revenue	34.9	43.3	+24.1%
Non-GAAP EBITDA	-3.8	-0.3	+3.5bn
<b>FinTech</b>			
Revenue	69.6	74.2	+6.6%
Non-GAAP EBITDA	20.3	22.1	+8.6%
<b>Others Segment</b>			
Revenue	13.8	17.3	+25.7%
Non-GAAP EBITDA	-0.5	0.5	+1.0bn
<b>Adjustments</b>			
Revenue	-13.0	-18.8	-5.8bn
Non-GAAP EBITDA	-2.2	-0.4	+1.9bn
<b>Consolidated</b>			
Revenue	173.2	188.6	+8.9%
Non-GAAP EBITDA	38.9	41.3	+6.2%
<b>IFRS Operating Income</b>	26.2	25.9	-1.5%

\* Non-GAAP EBITDA = Non-GAAP Operating Income + Depreciation + Amortization of intangible assets

# Rakuten Group: Balance Sheets (As of June 30, 2016, JPY bn)

Cash and cash equivalents 554.7	Bonds and borrowings 733.4
Financial assets for securities biz 1,021.9	Financial liabilities for securities biz 930.7
Investment securities and loans for banking biz 699.0	Deposits for banking biz 1,376.1
Loans for credit card biz 882.1	
Other assets 1,048.4	Other liabilities 554.2
	Total net assets 611.7

Total Assets 4,206.1

**Rakuten Group  
(Consolidated)**

Cash and cash equivalents 84.8	
	320.7
1,023.2	199.4
	587.8

Total Assets 1,108.0

**Rakuten, Inc.**

	Bonds and borrowings 128.4
390.4	
Investment securities and loans for banking biz 1,265.8	Deposits for banking biz 1,492.1
	20.5
68.0	83.3
Total Assets	1,724.2

**Rakuten Bank, Ltd.**

59.0	
Loans for credit card biz 879.4	737.3
134.5	234.3
	101.3
Total Assets	1,072.9

**Rakuten Card Co., Ltd.**

54.7	117.7
Financial assets for securities biz 1,015.3	Financial liabilities for securities biz 924.0
64.5	83.9
	Other liabilities 8.8
Total Assets	1,134.4

**Rakuten Securities, Inc.**

4.1	27.6
45.3	21.9
Total Assets	49.4

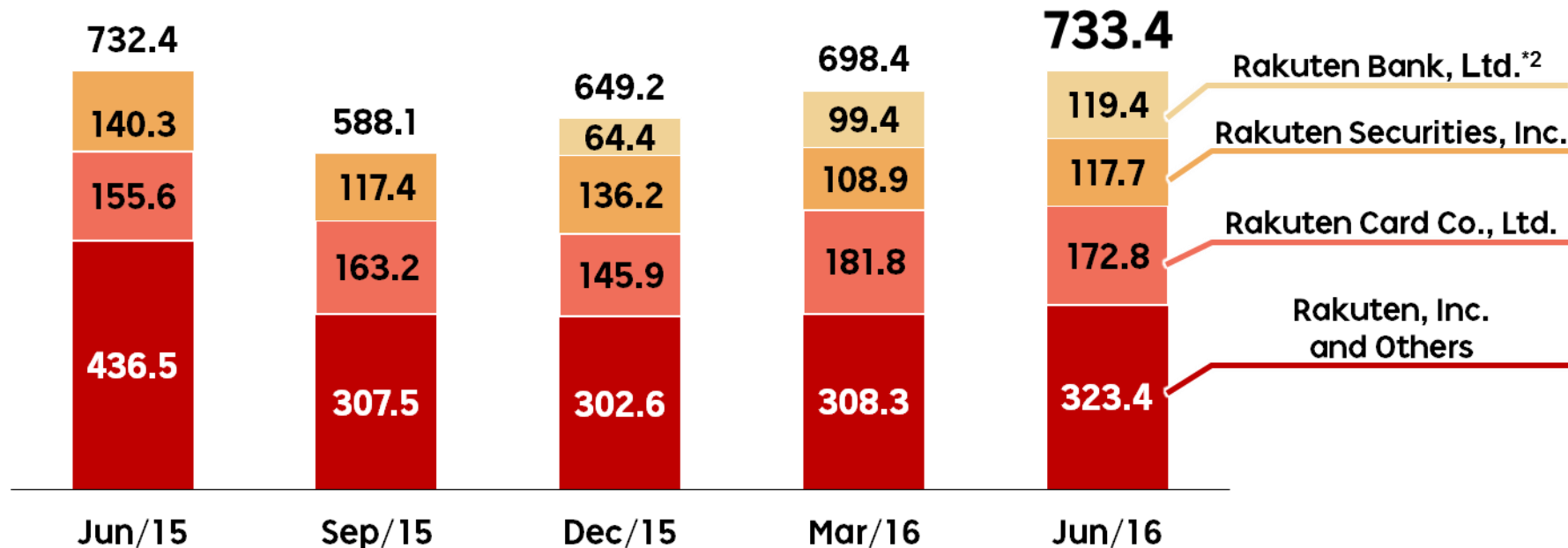
**Rakuten Life Insurance Co., Ltd**

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

\*2: Debt = Corporate bonds + CP + Borrowings

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

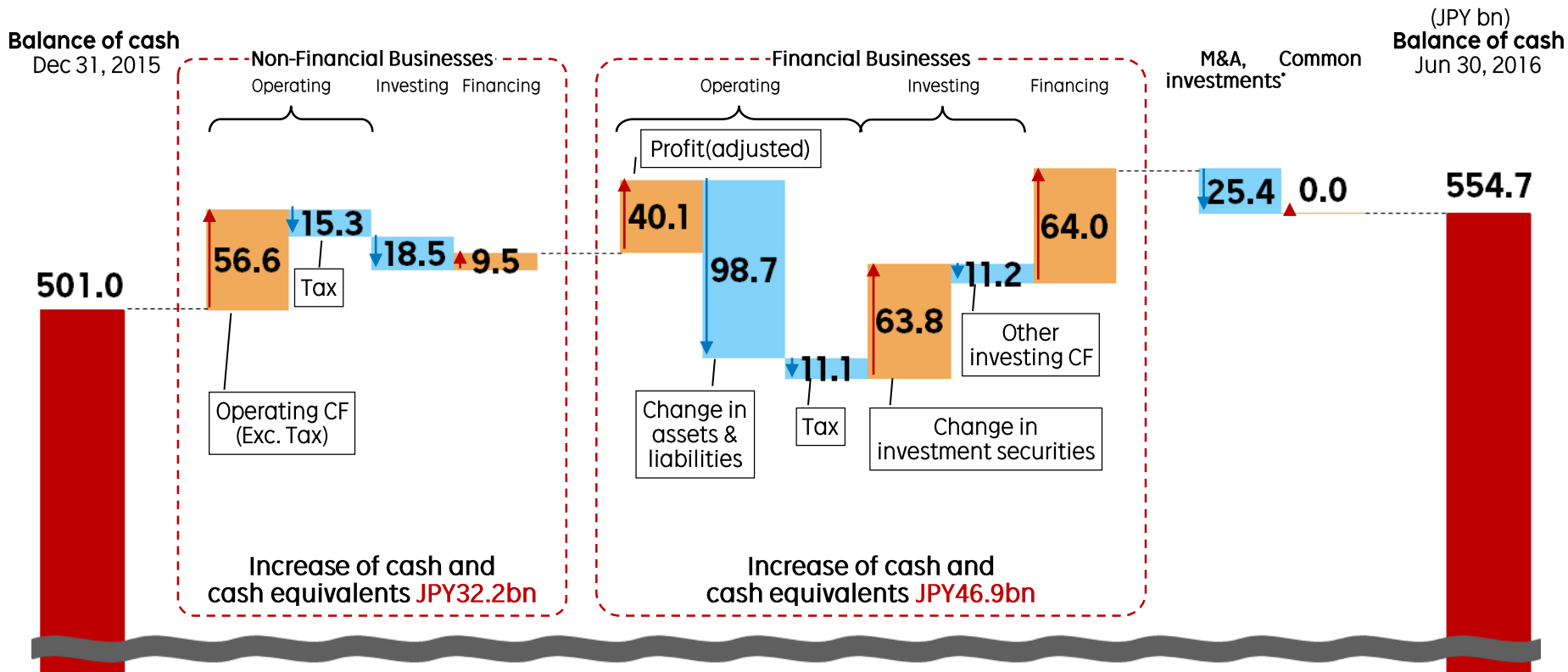
(JPY bn)



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

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

# Cash Flow Breakdown: Jan-Jun, 2016 (1)



\* "M&A and investments" includes "Decrease in restricted deposits", "Purchase of investment securities" and "Proceeds from sales and redemption of investment securities" of Non-Financial activities in addition to "Acquisition of subsidiaries" and "Acquisition of investments in associates and joint ventures"

# Cash Flow Breakdown: Jan-Jun, 2016 (2)

(JPY bn)

Overview of cash flows for six months ended June 30, 2016	Consolidated	Financial	Non-Financial	Common
Income before income tax	47.1	32.2	15.0	-
Depreciation and amortization	21.9	7.9	14.0	-
Other loss (profit)	6.8	-	-	6.8
Decrease (Increase) in operating receivables	13.1	(0.1)	13.2	-
Decrease (Increase) in loans for credit card biz	(48.6)	(48.6)	-	-
Increase (Decrease) in deposits for banking biz	9.3	9.3	-	-
Decrease (Increase) in call loans for banking biz	13.0	13.0	-	-
Decrease (Increase) in loans for banking biz	(61.5)	(61.5)	-	-
Increase (Decrease) in operating payables	(25.6)	(20.4)	(5.2)	-
Decrease (Increase) in financial assets for securities biz	86.1	86.1	-	-
Increase (Decrease) in financial liabilities for securities biz	(55.3)	(55.3)	-	-
Others	(1.7)	(21.3)	19.6	-
Income tax paid	(26.4)	(11.1)	(15.3)	-
<b>Net cash flows from operating activities</b>	<b>(21.7)</b>	<b>(69.7)</b>	<b>41.2</b>	<b>6.8</b>

\* Breakdown between financial and non-financial businesses are based on internal estimation and not reviewed by independent auditors.



# Cash Flow Breakdown: Jan-Jun, 2016 (3)

(JPY bn)

Overview of cash flows for six months ended June 30, 2016	Consolidated	Financial	Non-Financial	Common
Decrease in restricted deposits	12.6	-	12.6	-
Increase in time deposits	(10.2)	(9.6)	(0.7)	-
Decrease in time deposits	8.9	8.6	0.3	-
Purchase of property, plant and equipment	(7.1)	(0.9)	(6.1)	-
Purchase of intangible assets	(20.3)	(9.7)	(10.6)	-
Acquisition of subsidiaries	(15.0)	-	(15.0)	-
Acquisition of investments in associates and joint ventures	(17.6)	(0.0)	(17.6)	-
Purchase of investment securities for banking biz	(149.5)	(149.5)	-	-
Proceeds from sales and redemption of investment securities for banking biz	212.4	212.4	-	-
Purchase of investment securities for insurance biz	(5.4)	(5.4)	-	-
Proceeds from sales and redemption of investment securities for insurance biz	6.1	6.1	-	-
Purchase of investment securities	(11.5)	(5.9)	(5.6)	-
Proceeds from sales and redemption of investment securities	6.1	5.9	0.2	-
Other payments	(2.5)	(0.3)	(2.3)	-
Other proceeds	1.5	0.7	0.8	-
<b>Net cash flows from investing activities</b>	<b>8.6</b>	<b>52.6</b>	<b>(43.9)</b>	<b>-</b>
Proceeds from issuance of common stock	0.5	-	0.5	-
Net increase (decrease) in short-term borrowings	(7.1)	(6.5)	(0.6)	-
Increase (Decrease) in commercial papers	2.0	2.0	-	-
Proceeds from long-term debt	99.5	99.5	-	-
Repayment of long-term debt	(49.8)	(30.7)	(19.1)	-
Income from bond issuance	39.8	-	39.8	-
Cash dividends paid	(6.4)	-	(6.4)	-
Others	(4.9)	(0.3)	(4.7)	-
<b>Net cash flows from financing activities</b>	<b>73.6</b>	<b>64.0</b>	<b>9.5</b>	<b>-</b>
Effect of change in exchange rates on cash and cash equivalents	(6.8)	-	-	(6.8)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>53.7</b>	<b>46.9</b>	<b>6.8</b>	<b>0.0</b>
Cash and cash equivalents at beginning of the year	501.0	-	-	-
Cash and cash equivalents at end of June 2016	554.7	-	-	-

\* Breakdown between financial and non-financial businesses are based on internal estimation and not reviewed by independent auditors.

# Balance of Goodwill

(JPY mm, IFRS)

	December 31, 2015		June 30, 2016	
	Goodwill	Non-Amortizable intangible assets	Goodwill	Non-Amortizable intangible assets
<b>Internet Services</b>	<b>213,813</b>	<b>3,153</b>	<b>186,445</b>	<b>2,739</b>
Rakuten Kobo Inc.	10,374	29	9,469	26
VIKI, Inc.	18,888	-	16,116	-
Rakuten Marketing Group	14,972	-	12,775	-
Ebates Group	97,211	-	83,957	-
OverDrive Group	37,664	-	31,821	-
Slice Group	13,485	-	12,117	-
Others	21,218	3,125	20,189	2,713
<b>FinTech</b>	<b>52,234</b>	<b>-</b>	<b>51,924</b>	<b>-</b>
Rakuten Securities, Inc.	10,935	-	10,935	-
Rakuten Bank, Ltd.	32,886	-	32,886	-
Others	8,413	-	8,102	-
<b>Others</b>	<b>103,381</b>	<b>-</b>	<b>88,675</b>	<b>-</b>
Viber Group	100,175	-	85,474	-
Others	3,206	-	3,201	-
<b>Total</b>	<b>369,428</b>	<b>3,153</b>	<b>327,044</b>	<b>2,739</b>

# Rakuten Group's CAPEX\*

(JPY bn, IFRS)

	FY2015				
	Q1	Q2	Q3	Q4	Total
Property, plant and equipment	4.51	5.59	7.50	2.89	20.49
Intangible assets	7.90	7.99	9.15	9.14	34.18
<b>Total</b>	<b>12.41</b>	<b>13.58</b>	<b>16.64</b>	<b>12.03</b>	<b>54.66</b>

	FY2016				
	Q1	Q2	Q3	Q4	Total
Property, plant and equipment	5.24	1.85			7.10
Intangible assets	10.17	10.30			20.47
<b>Total</b>	<b>15.41</b>	<b>12.15</b>			<b>27.57</b>

\* Acquisition Basis

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

(JPY bn, IFRS)

Total assets	Jun/16
Cash and cash equivalents	84.8
Accounts receivable - trade	62.3
Property, plant and equipment	16.2
Intangible assets	37.3
Investment securities and financial assets	873.0
Other assets	34.4
<b>Total assets</b>	<b>1,108.0</b>

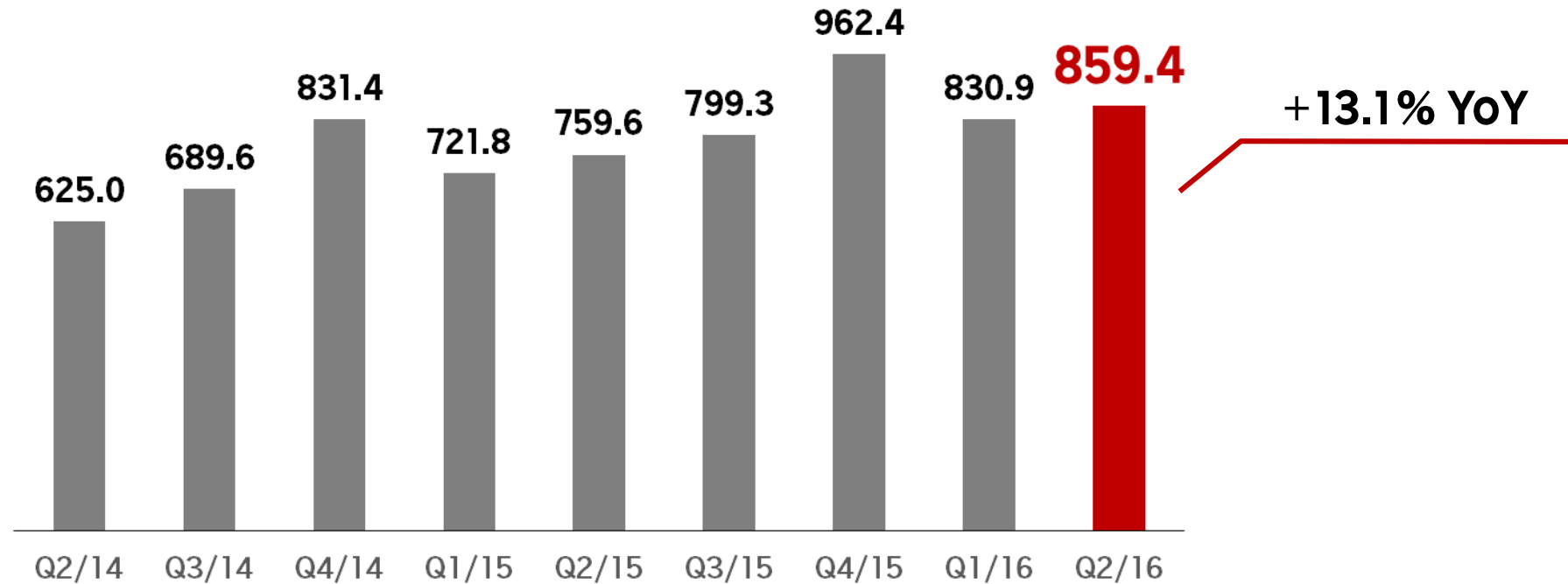
Liabilities and net assets	Jun/16
Accounts payable - trade	6.0
Bonds and borrowings	320.7
Other liabilities	193.4
<b>Total liabilities</b>	<b>520.1</b>
Common stock	204.2
Capital surplus	221.2
Retained earnings	163.1
Treasury stock	-3.6
Other components of equity	2.9
<b>Total net assets</b>	<b>587.8</b>
<b>Total liabilities and net assets</b>	<b>1,108.0</b>

# Internet Services

# Global E-Commerce GMS

## (Domestic E-Commerce GMS + Ebates GMS)

(JPY bn)



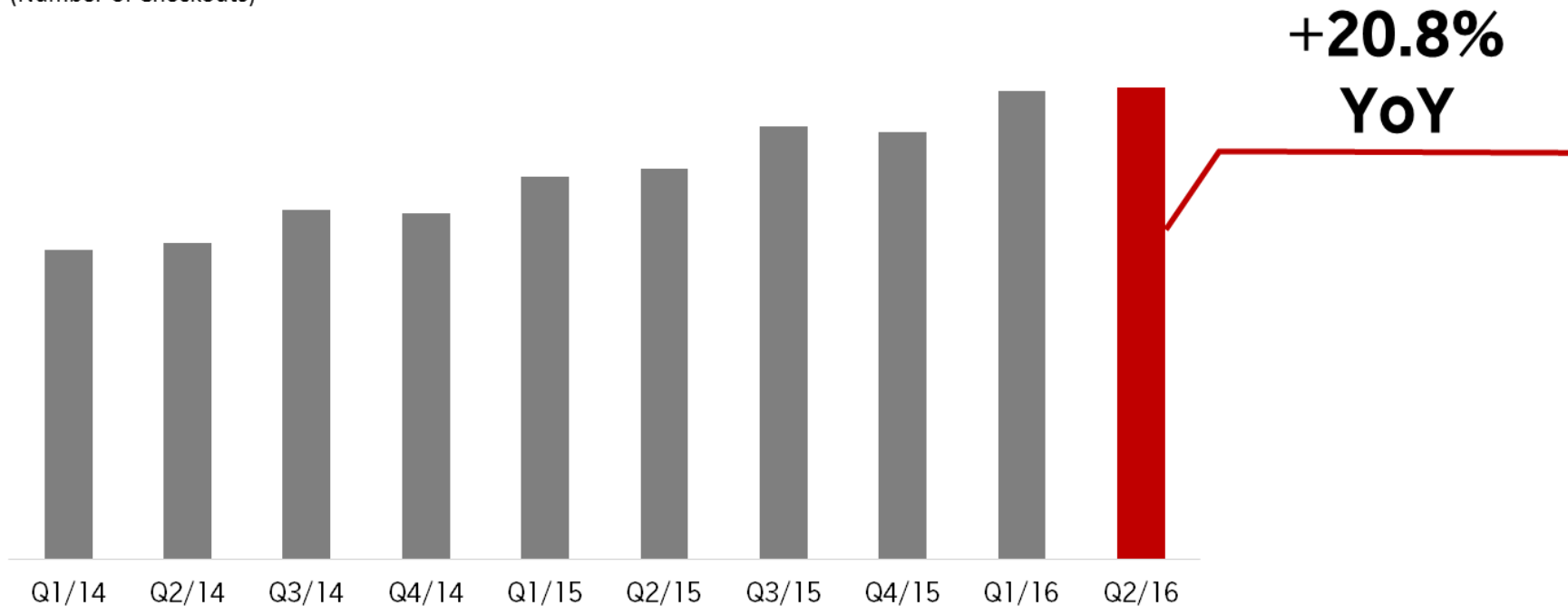
\* 1 USD = 114.75 JPY

# Ichiba Number of Merchants

	Jun/14	Jun/15	Jun/16
Number of Merchants	41,827	41,660	44,453

# OverDrive Total Checkouts

(Number of Checkouts)



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



# Viki Watch Time Q2/16

Watch Time  
(Billion minutes)

**2.86**



Q2/15

**3.53**



Q2/16

**+23.1% YoY**

\* Viki Watch Time comprises primarily Viki.com domains. Excludes time watched on platform where Viki does not directly sell the ad inventory at this time, such as Youtube.com and third party platforms.



# FinTech

# Rakuten Card: Revenues and Expenses

(JPY mm)

IFRS	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	YoY
<b>Total revenues</b>	<b>28,652</b>	<b>29,803</b>	<b>32,034</b>	<b>32,288</b>	<b>34,024</b>	<b>+18.7%</b>
<b>Shopping</b>	<b>17,959</b>	<b>18,565</b>	<b>19,865</b>	<b>20,507</b>	<b>21,541</b>	<b>+19.9%</b>
Revolving	10,720	11,099	11,533	12,131	12,772	+19.1%
Others	7,240	7,465	8,332	8,376	8,769	+21.1%
<b>Credit guarantee</b>	<b>3,886</b>	<b>4,066</b>	<b>4,224</b>	<b>4,245</b>	<b>4,356</b>	<b>+12.1%</b>
<b>Cash advances</b>	<b>2,724</b>	<b>2,847</b>	<b>3,066</b>	<b>3,233</b>	<b>3,533</b>	<b>+29.7%</b>
<b>Others</b>	<b>4,083</b>	<b>4,325</b>	<b>4,879</b>	<b>4,304</b>	<b>4,594</b>	<b>+12.5%</b>
<b>Total operating expenses</b>	<b>22,447</b>	<b>24,485</b>	<b>25,577</b>	<b>25,186</b>	<b>26,178</b>	<b>+16.6%</b>
<b>Personnel costs</b>	<b>1,972</b>	<b>2,119</b>	<b>2,154</b>	<b>2,242</b>	<b>2,065</b>	<b>+4.7%</b>
<b>General expenses</b>	<b>12,823</b>	<b>14,449</b>	<b>15,169</b>	<b>14,199</b>	<b>15,040</b>	<b>+17.3%</b>
<b>Interest expenses</b>	<b>2,288</b>	<b>2,346</b>	<b>2,407</b>	<b>2,448</b>	<b>2,476</b>	<b>+8.2%</b>
<b>Expenses related to doubtful accounts</b>	<b>5,357</b>	<b>5,558</b>	<b>5,856</b>	<b>6,264</b>	<b>6,561</b>	<b>+22.5%</b>
<b>Others</b>	<b>7</b>	<b>13</b>	<b>-10</b>	<b>34</b>	<b>36</b>	<b>+410.8%</b>
<b>Non-GAAP Operating income</b>	<b>6,205</b>	<b>5,317</b>	<b>6,457</b>	<b>7,102</b>	<b>7,846</b>	<b>+26.4%</b>

# Rakuten Card: Transaction Volume

(JPY mm)

	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	YoY
<b>General services</b>	<b>1,014,952</b>	<b>1,046,208</b>	<b>1,141,086</b>	<b>1,143,557</b>	<b>1,226,798</b>	<b>+20.9%</b>
Card shopping	1,014,105	1,045,301	1,140,252	1,142,689	1,225,961	+20.9%
Others	848	907	834	868	836	-1.3%
<b>Financing</b>	<b>31,951</b>	<b>31,668</b>	<b>34,524</b>	<b>34,326</b>	<b>35,664</b>	<b>+11.6%</b>
Card cash advances	31,282	30,952	33,617	33,430	34,775	+11.2%
Loan cards, Others	669	716	907	896	889	+32.8%
<b>Others</b>	<b>5,869</b>	<b>6,023</b>	<b>6,167</b>	<b>6,460</b>	<b>6,584</b>	<b>+12.2%</b>
<b>Total transaction volume</b>	<b>1,052,773</b>	<b>1,083,900</b>	<b>1,181,777</b>	<b>1,184,344</b>	<b>1,269,045</b>	<b>+20.5%</b>

# Rakuten Card: Loan Receivables Balance

(JPY mm)

	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	YoY
<b>General services</b>	<b>630,084</b>	<b>653,032</b>	<b>734,982</b>	<b>733,940</b>	<b>770,548</b>	<b>+22.3%</b>
Card shopping	629,802	652,719	734,672	733,662	770,276	+22.3%
Revolving balance (principal)	295,232	305,870	317,161	337,595	351,772	+19.2%
Others	283	312	310	279	272	-3.7%
<b>Financing</b>	<b>91,867</b>	<b>96,488</b>	<b>101,129</b>	<b>108,532</b>	<b>114,948</b>	<b>+25.1%</b>
Card cash advances	58,491	62,127	65,633	71,792	76,224	+30.3%
Loan cards	4,095	3,937	3,761	3,594	3,404	-16.9%
Others	29,280	30,423	31,736	33,146	35,319	+20.6%
Foreclosed credit guarantees for Rakuten Bank Super Loans	<b>19,416</b>	<b>20,764</b>	<b>22,521</b>	<b>24,084</b>	<b>25,633</b>	<b>+32.0%</b>
<b>Installments</b>	<b>17</b>	<b>17</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>+10.6%</b>
<b>Total balance</b>	<b>741,384</b>	<b>770,301</b>	<b>858,650</b>	<b>866,574</b>	<b>911,148</b>	<b>+22.9%</b>
<b>Differences between J-GAAP and IFRS</b>	<b>-1,271</b>	<b>-1,415</b>	<b>-1,566</b>	<b>-1,734</b>	<b>-1,912</b>	<b>-</b>
<b>Amount reported in IFRS B/S<sup>*1</sup></b>	<b>740,112</b>	<b>768,886</b>	<b>857,084</b>	<b>864,840</b>	<b>909,236</b>	<b>+22.9%</b>

<b>Credit Guarantee<sup>*2</sup> for Rakuten Bank super loan (Off-balance)</b>	<b>297,174</b>	<b>308,599</b>	<b>311,105</b>	<b>319,926</b>	<b>322,891</b>	<b>+8.7%</b>
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\*1: Before deducting allowance for doubtful accounts

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

# Rakuten Card: Allowance for Doubtful Accounts

(JPY mm)

	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	YoY
<b>Rakuten Card</b>	<b>722,355</b>	<b>750,036</b>	<b>836,483</b>	<b>842,955</b>	<b>886,606</b>	<b>+22.7%</b>
Normal	710,575	738,194	824,024	828,838	870,433	+22.5%
Doubtful (4 months-and-over-delinquent)	11,780	11,842	12,459	14,117	16,173	+37.3%
<b>Secured</b>	<b>2,349</b>	<b>2,284</b>	<b>2,226</b>	<b>2,137</b>	<b>2,052</b>	<b>-12.7%</b>
<b>Rakuten Bank Super Loans</b>	<b>316,590</b>	<b>329,363</b>	<b>333,626</b>	<b>344,010</b>	<b>348,524</b>	<b>+10.1%</b>
Normal (Credit guarantees*1)	297,174	308,599	311,105	319,926	322,891	+8.7%
Doubtful (Foreclosed credit guarantees)	19,416	20,764	22,521	24,084	25,633	+32.0%
<b>Total balance of loan receivables</b>	<b>1,041,294</b>	<b>1,081,684</b>	<b>1,172,335</b>	<b>1,189,102</b>	<b>1,237,182</b>	<b>+18.8%</b>
<b>Allowance for doubtful accounts</b>	<b>22,404</b>	<b>23,544</b>	<b>24,969</b>	<b>27,397</b>	<b>29,874</b>	<b>+33.3%</b>
<b>Write-off for bad debt</b>	<b>4,349</b>	<b>4,346</b>	<b>4,446</b>	<b>3,617</b>	<b>4,055</b>	<b>-6.8%</b>
<b>Expenses related to doubtful accounts</b>	<b>5,357</b>	<b>5,558</b>	<b>5,856</b>	<b>6,264</b>	<b>6,561</b>	<b>+22.5%</b>
<b>Ratio of expenses related to doubtful accounts*2</b>	<b>2.10%</b>	<b>2.09%</b>	<b>2.08%</b>	<b>2.12%</b>	<b>2.16%</b>	<b>-</b>

\*1: Balance of Rakuten Bank Super Loans guaranteed by Rakuten Card

\*2: 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

# Rakuten Bank: Revenues and Expenses

(JPY mm)

		Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	YoY
<b>Revenue (IFRS)</b>	(2)	<b>15,250</b>	<b>15,548</b>	<b>15,933</b>	<b>16,318</b>	<b>16,706</b>	<b>+9.5%</b>
Differences between J-GAAP and IFRS, and etc.	(1-2)	320	401	368	446	474	
<b>Ordinary income (J-GAAP)</b>	(1)	<b>15,570</b>	<b>15,950</b>	<b>16,301</b>	<b>16,763</b>	<b>17,181</b>	<b>+10.3%</b>
Interest income		9,844	10,270	10,706	10,755	11,112	+12.9%
Fees and commissions		4,592	4,566	4,687	4,747	5,043	+9.8%
Other ordinary income		909	872	722	966	776	-14.6%
Other income		98	117	55	169	45	-54.2%
Trust fees		128	125	131	127	205	+60.8%
<b>Ordinary expenses (J-GAAP)</b>		<b>11,734</b>	<b>12,085</b>	<b>12,172</b>	<b>12,883</b>	<b>12,632</b>	<b>+7.7%</b>
Interest expenses		677	696	669	654	568	-16.1%
Fees and commissions payments		5,793	5,983	6,262	6,314	6,536	+12.8%
General and administrative expenses		5,207	5,308	5,157	5,714	5,459	+4.8%
Other expenses		56	98	84	200	68	+22.1%
<b>Ordinary income (J-GAAP)</b>	(3)	<b>3,836</b>	<b>3,865</b>	<b>4,129</b>	<b>3,881</b>	<b>4,549</b>	<b>+18.6%</b>
Differences between J-GAAP and IFRS, and etc.	(3-4)	63	73	89	204	152	
<b>Operating Income (IFRS non-GAAP)</b>	(4)	<b>3,773</b>	<b>3,791</b>	<b>4,040</b>	<b>3,676</b>	<b>4,397</b>	<b>+16.5%</b>

# Rakuten Bank: Balance Sheets (IFRS)

(JPY bn)

Assets	Jun/16
<b>Invested assets</b>	<b>1,666.2</b>
<b>Deposits (paid)</b>	<b>390.4</b>
Deposits with the Bank of Japan	382.7
Other deposits	7.6
<b>Call loans</b>	<b>10.0</b>
<b>Securitized loan receivables</b>	<b>594.7</b>
Rakuten Card securitized assets <sup>*1</sup>	568.0
Others	26.7
<b>Securities</b>	<b>163.8</b>
JGBs, Local Government bonds, Authority bonds	109.2
Short-term bonds	15.0
Corporate bonds, Foreign bonds	39.6
Others	0.0
<b>Loan Receivables</b>	<b>507.3</b>
Rakuten Bank Super Loan	336.4
Others	170.9
<b>Other assets</b>	<b>58.0</b>
<b>Total assets</b>	<b>1,724.2</b>

(JPY bn)

Liabilities and Net Assets	Jun/16
<b>Deposits (received)</b>	<b>1,492.1</b>
Ordinary Deposits <sup>*2</sup>	929.3
Time Deposits	508.0
Other Deposits <sup>*3</sup>	54.8
<b>Other liabilities</b>	<b>148.9</b>
<b>Total Liabilities</b>	<b>1,641.0</b>
<b>Total net assets</b>	<b>83.3</b>
<b>Total liabilities and net assets</b>	<b>1,724.2</b>

\*1: Intercompany elimination at IFRS consolidation

\*2: Ordinary deposits include JPY 49.5bn temporally deposited due to the equity finance and corporate bonds of Rakuten, Inc.

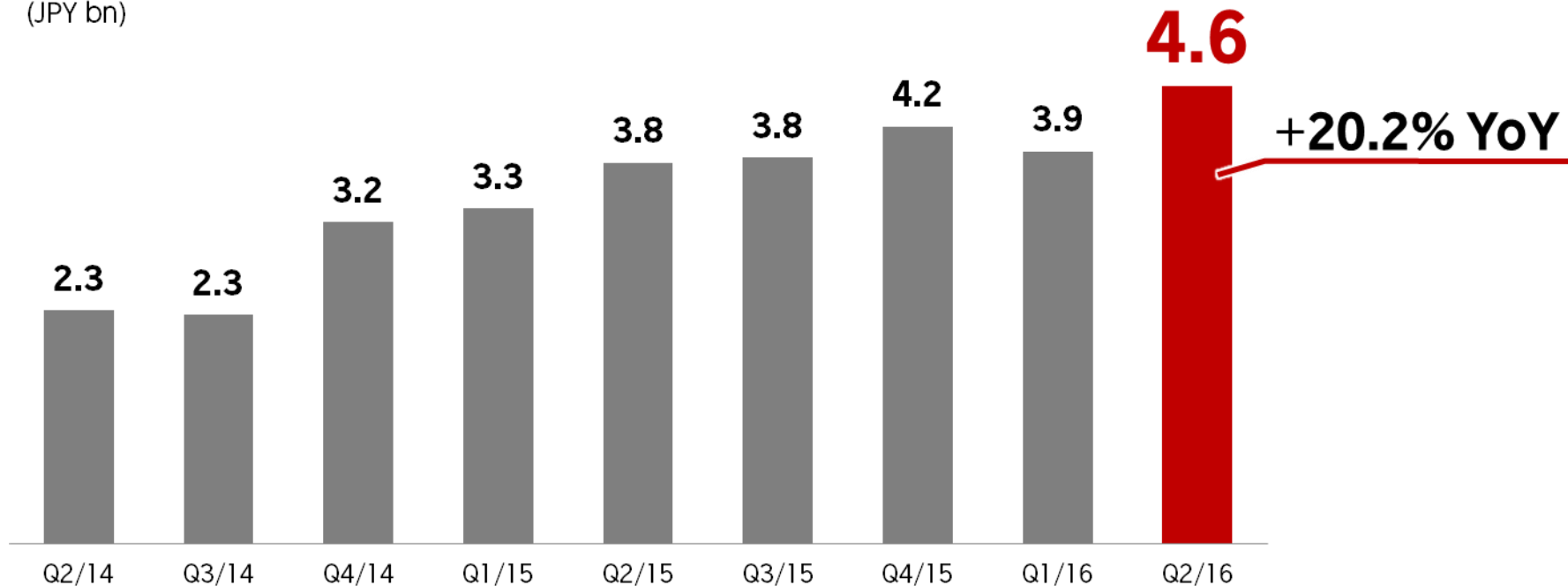
\*3: Other deposits include deposits in foreign currencies and others



# Rakuten Bank: Core Net Business Profit\*

■ Core net business profit increased by +20.2% YoY

(JPY bn)



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

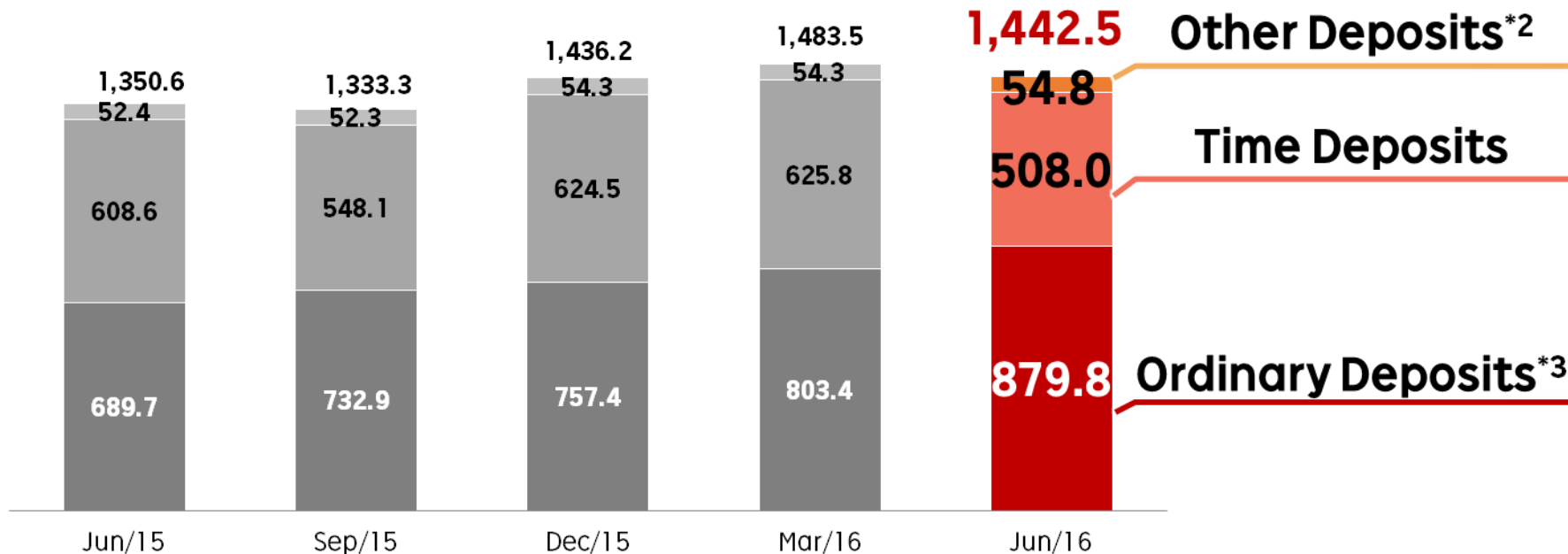
Net business profit = Net interest income and expenses + Net fees and commissions + Net other ordinary income and expenses + Trust fees

From Q1/15 consolidated basis of Rakuten Bank, up to Q4/14 non-consolidated basis

# Rakuten Bank Deposits\*<sup>1</sup>

■ Deposits steadily increased: +6.8% YoY (adjusted basis\*<sup>3</sup>)

(JPY bn)



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

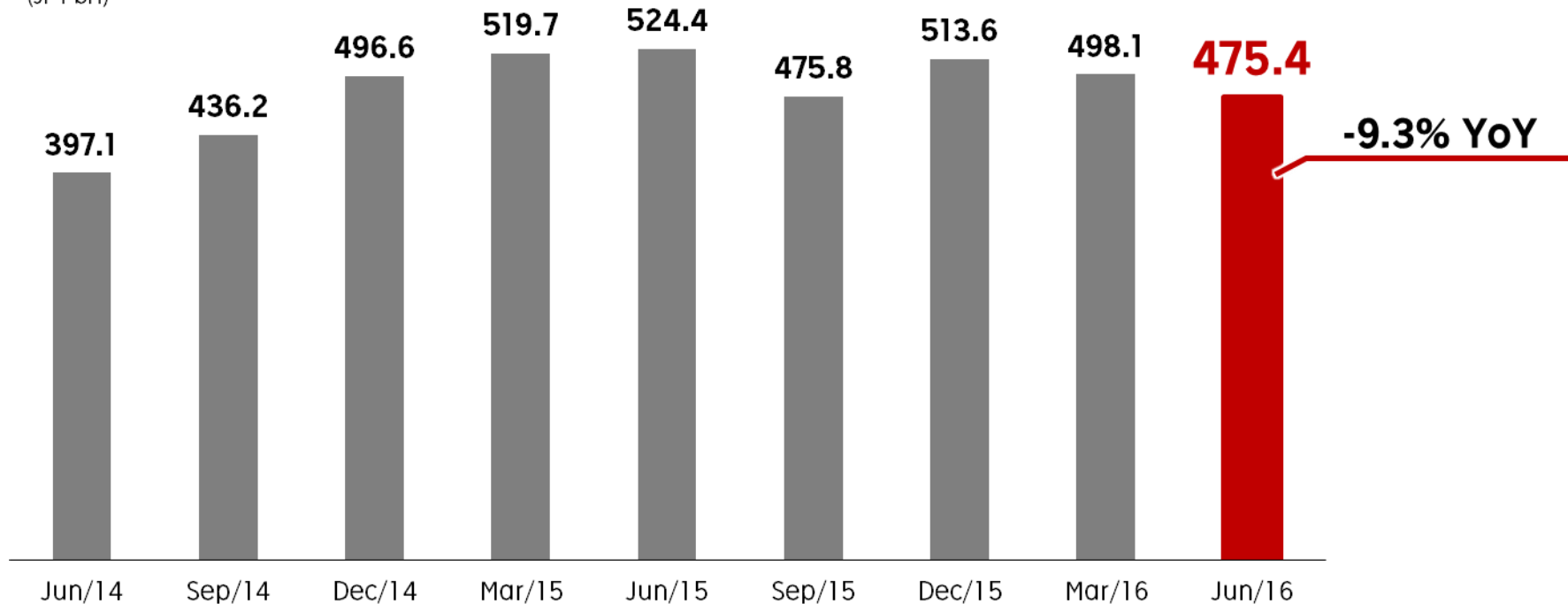
\*2: Other deposits include deposits in foreign currencies and others.

\*3: Ordinary deposits are adjusted for temporary deposits from the equity finance and corporate bonds issuance of Rakuten Inc.  
For June/16 the adjusted amount is JPY 49.5 bn

# Rakuten Securities Investment Trust Asset Balance

■ Asset balance of investment trusts decreased by -9.3% YoY

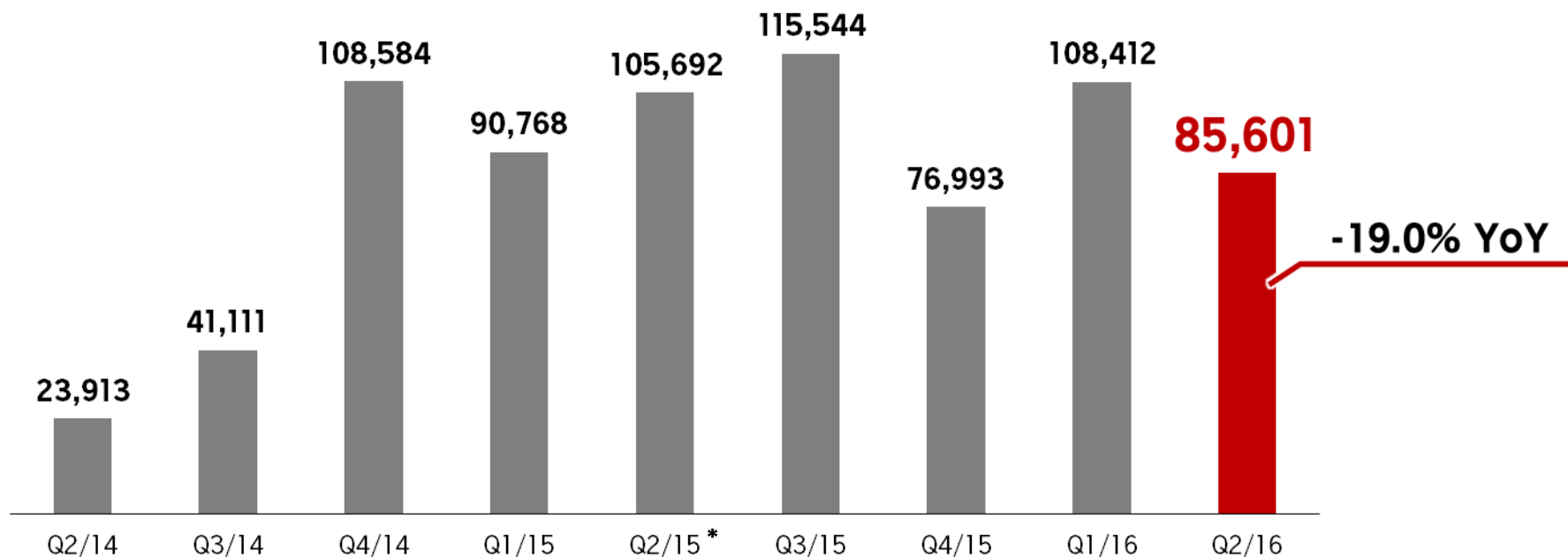
(JPY bn)



# Rakuten Securities FX Trading Value

■ FX trading value decreased by -19.0% YoY

(JPY bn)

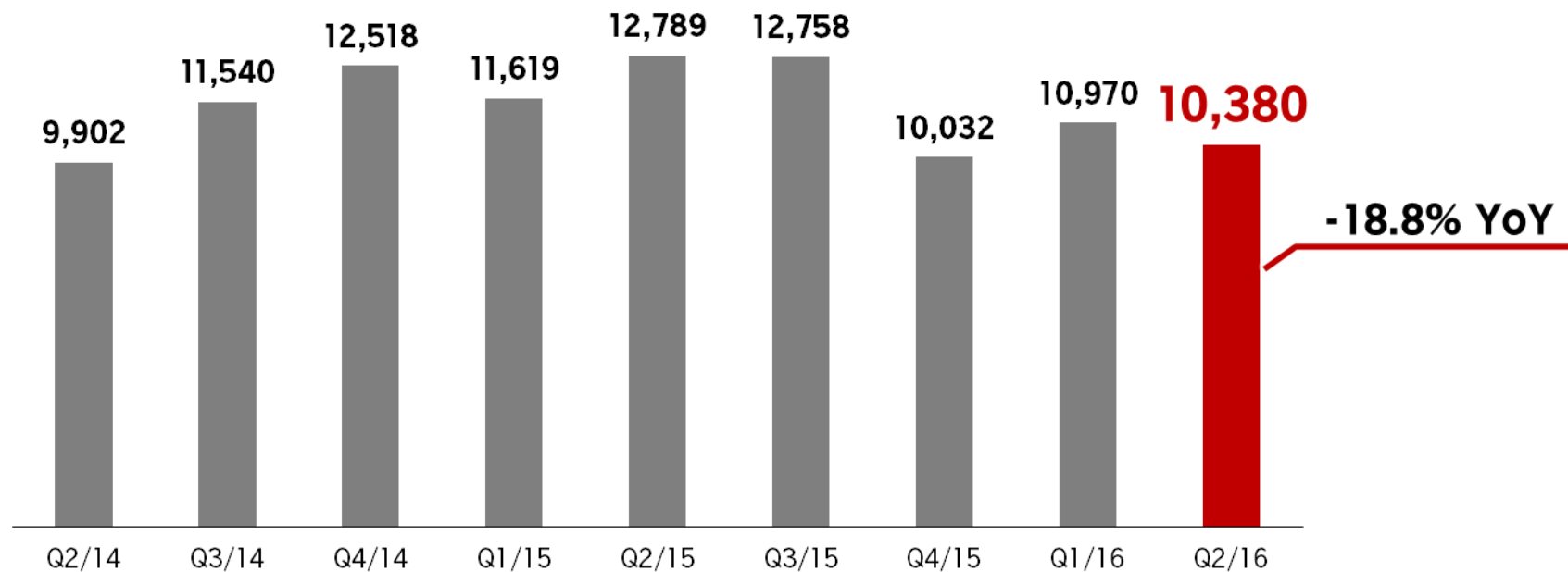


\* Including the number of FXCM Japan Securities Co. Ltd. since Q2/15, because FXCM Japan was acquired by Rakuten Securities on April, 2015

# Rakuten Securities Stock Brokerage Trading Value

■ Stock brokerage trading value -18.8% YoY

(JPY bn)



# Rakuten Life Insurance: Quarterly Results and Major Indices

(No. of contracts, JPY mm)

IFRS	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16
Revenue	8,165	8,007	8,083	8,153	8,496
Operating Income	432	207	223	211	658
	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16
No. of New Policies <sup>*1</sup>	91,826	101,770	95,728	98,555	81,172
Annualized Insurance Premiums of New Policies <sup>*1</sup>	772	615	704	750	614
No. of Policies in Force <sup>*1</sup>	813,699	897,413	927,464	947,364	940,492
Annualized Insurance Premiums in Force <sup>*1</sup>	27,726	27,747	27,851	27,976	27,974
Solvency Margin Ratio <sup>*2</sup>	1,461.7%	1,477.8%	1,533.5%	1,514.6%	1,632.8%
MCEV <sup>*3</sup>					51,918
Adjusted Net Asset Value					7,660
The Present Value of Future Profits					44,258

\*1: Including policies of mutual aid association business transferred in 2008, and one-year cancer insurance for eligible Rakuten members started from Q4/14

\*2: Solvency margin ratio of Q2/16 is preliminary

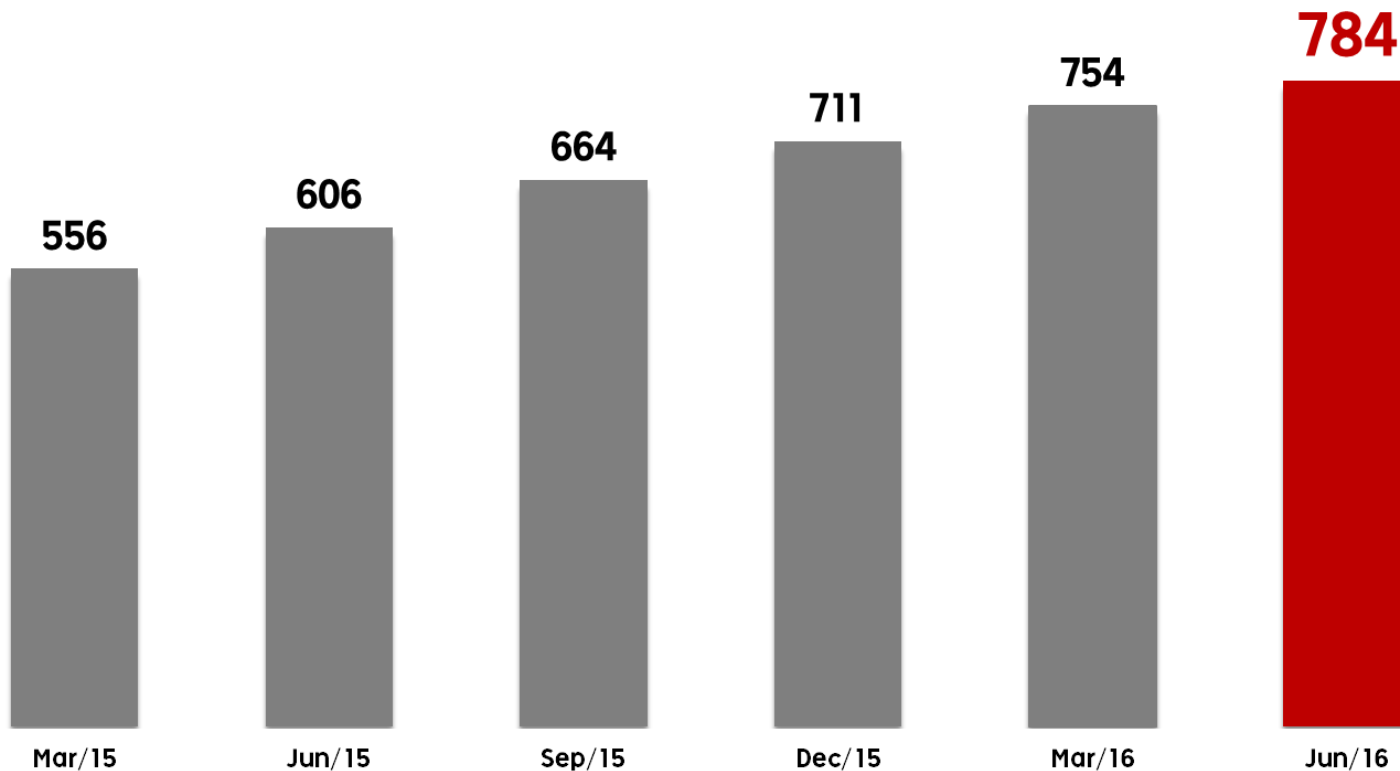
\*3: MCEV uses simplified calculation methodology



## Others Segment

# Viber Unique IDs

(Millions of IDs)



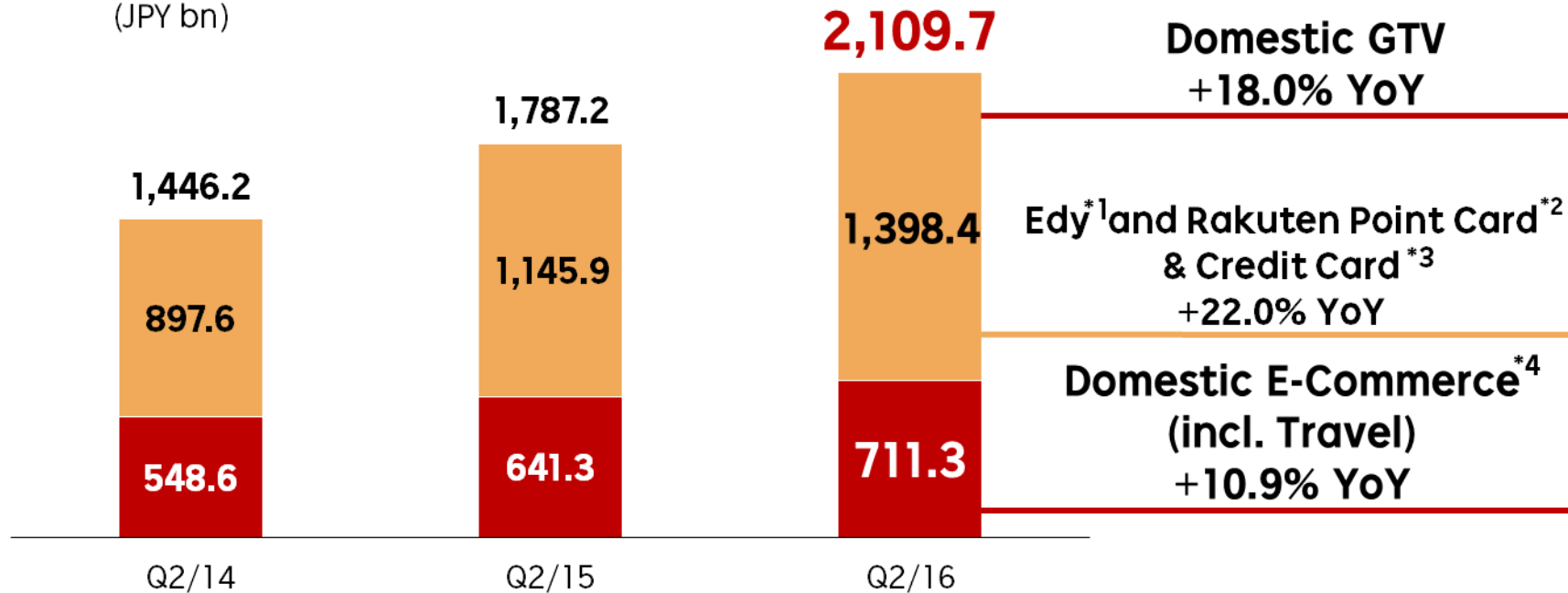
\* Unique IDs: Unique phone numbers excluding deactivations



## Other Information

# Domestic Gross Transaction Value

(JPY bn)



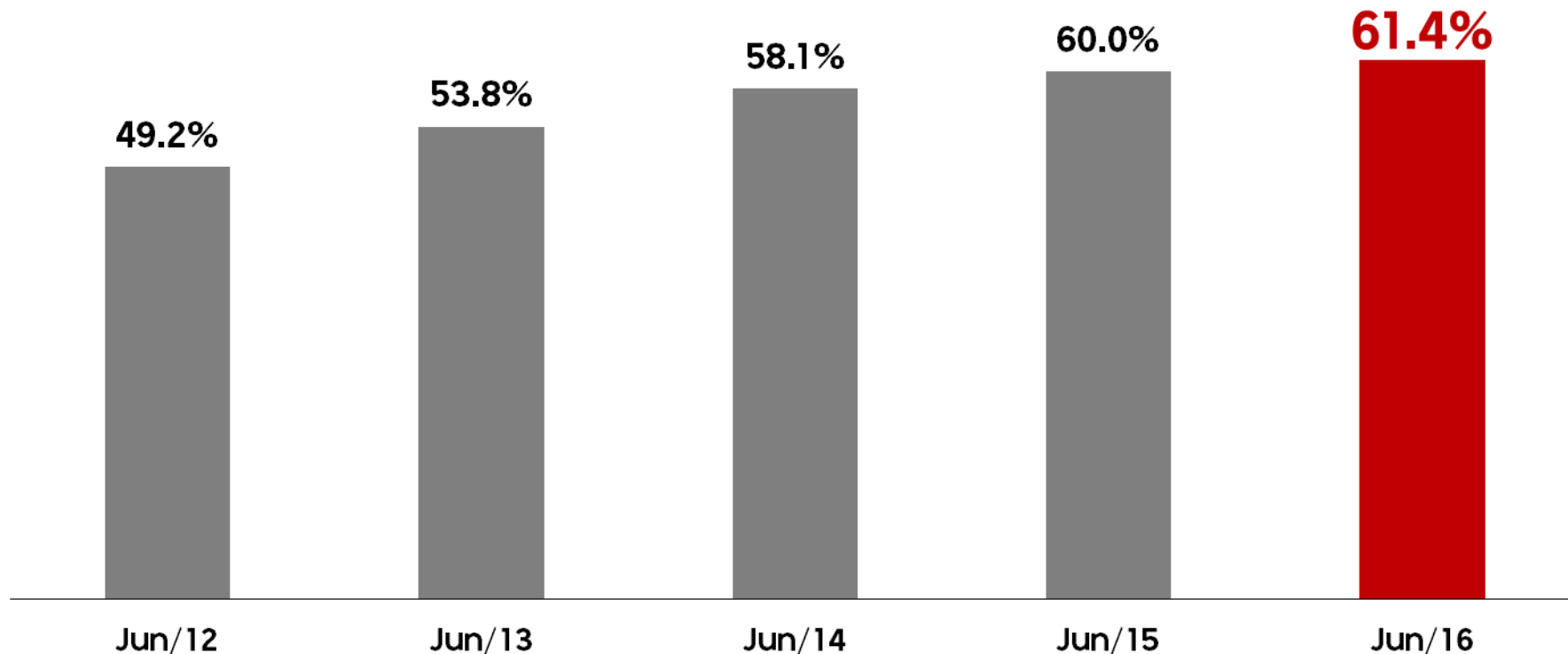
\*1: Edy Transaction Value = Amount settled by E-Money "Rakuten Edy" (including mobile and cards)

\*2: Rakuten Point Card Transaction Value = Amount settled with "Rakuten Point Card"

\*3: Credit Card Shopping Transaction Value = Shopping Transaction Value of credit cards (including Rakuten group service use)

\*4: Domestic E-Commerce GTV includes consumption tax. Businesses not requiring consumption tax payment are GTV excluding consumption tax. Refer to the slide of "Domestic E-Commerce GTV" for details.

# 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 Membership

(Millions of persons)

	Jun/15	Mar/16	Jun/16	YoY
<b>Rakuten members (logged-in*)</b>	<b>74.4</b>	<b>81.0</b>	<b>83.0</b>	<b>+11.6%</b>
<b>Rakuten members (cumulative)</b>	<b>101.1</b>	<b>108.4</b>	<b>110.4</b>	<b>+9.2%</b>

\* Rakuten Members who logged in at least once after membership registration (excluding members who withdrew their membership)

