

Rakuten Group Announces FY2023 Results—Mobile Segment Shows Certain Progress, Efforts to Turn It Profitable to Be Watched

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the financial results of Rakuten Group, Inc. (security code: 4755) for the fiscal year ended December 2023.

- (1) Rakuten Group, Inc. (the "Company") announced on February 14, 2024 its financial results for the fiscal year ended December 2023 (FY2023); both operating loss and net loss shrank by 158.8 billion yen and 37.7 billion yen over the year to 212.9 billion yen and 339.5 billion yen, respectively. Yet, the mobile segment is still weighing on its performance. That said, consolidated Non-GAAP EBITDA and consolidated Non-GAAP operating income have been improving on a quarterly basis, and, in December 2023, consolidated Non-GAAP operating income finally achieved profitability on a monthly basis. The Company aims to turn full-year consolidated Non-GAAP operating income profitable in FY2024.
- (2) In the mobile segment, the number of subscribers for the mobile carrier service came to 6.09 million as of December 31, 2023, indicating that new acquisitions are recovering. It appears that the quality of the mobile service is improving gradually as network optimization based on the new roaming contracts is beginning to be effective. The Company has also launched various measures to strengthen sales and intends to bring the number of subscribers to 8 to 10 million by December 2024. Fierce competition within the industry allows no optimism, but JCR concludes that the Company's competitiveness is starting to show signs of improvement compared to before.
- (3) On the financial front, the Company has suffered large losses but at the same time has been taking adequate measures, including a series of capital-based procurement and business divestitures. Moreover, although it has been feared that a large amount of corporate bonds will be redeemed in FY2024 and FY2025, the amount for FY2024 has been reduced by the recent issuance of foreign bonds, etc.
- (4) JCR announced in June 2023 a downgrade of the Company's rating by one notch to A- while retaining the Negative outlook. Even though the Company is making progress in its efforts to turn the mobile segment profitable and improving consolidated profit/loss, JCR concludes that it is still not at a level that warrants the Negative outlook to be revised. Close attention will be paid the Company's stepped-up efforts aimed at achieving profitability in the mobile segment.

Hiroyuki Chikusa, Akihisa Motonishi

<Reference>

Issuer: Rakuten Group, Inc.

Long-term Issuer Rating: A- Outlook: Negative

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)