

Rakuten Group Announces Strategic Capital and Business Alliance between Rakuten Card and Mizuho Financial Group—Certain Positive Financial Effects

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the capital and business alliance between Rakuten Group, Inc. (security code: 4755) and Mizuho Financial Group, Inc. (security code: 8411, "Mizuho FG") in the credit card field.

- (1) On November 13, Rakuten Group, Inc. (the "Company") announced that its board of directors had resolved to enter into a strategic capital and business alliance between Rakuten Card and Mizuho FG. As a result of this alliance, the Company will transfer 14.99% of Rakuten Card's common stock to Mizuho FG, and is expected to receive approximately 165 billion yen in compensation. In addition to the securities sector, where the two companies have been in an alliance since October 2022, the Company aims to expand its business in the corporate sector, where growth is expected, by strengthening its relationship with Mizuho FG, which has a broad customer base. Furthermore, even after this alliance, Rakuten Card's position as an important consolidated subsidiary of the Company will not change and will continue to play a role in the Rakuten Ecosystem.
- (2) JCR views that this capital and business alliance will also become a part of the non-debt financing measures that the Company has been implementing in response to the continued outflow of funds from its Mobile business. It will acquire a reasonable amount of funds, and this will have a certain positive effect on its financial structure. However, the most important point for the Company's rating remains the trend in earnings from its Mobile business. According to the third quarter financial results of the fiscal year ending December 2024 announced on the same day, the Mobile business recorded a segment loss of 168.1 billion yen for the cumulative period (compared to a loss of 250.7 billion yen for the same period last year), showing an improvement. The number of MNO subscriptions at the end of September 2024 was 7.21 million, and net ARPU (net of COGS associated with revenue uplift by Rakuten Mobile MNO subscribers and customer referral effect from group companies to the Mobile business) was 2,361 yen, and the Company is generally on track to achieve a black figure in EBITDA. On the other hand, there are signs of intensifying competition with competitors launching new plans that are modeled on the Company's strongest plan. JCR does not expect any change in the price competitiveness of its plans, but JCR will continue to monitor trends in key KPIs such as the number of subscriptions and ARPU.

Akihisa Motonishi, Naoki Muramatsu

<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

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