

## Rakuten Bank and Rakuten Group to Reorganize the FinTech Business—No Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the reorganization of the FinTech Business by Rakuten Bank, Ltd. (security code: 5838) and Rakuten Group, Inc. (security code: 4755).

- (1) Rakuten Bank, Ltd. ("Rakuten Bank") and Rakuten Group, Inc. ("Rakuten Group") announced on May 20 the reorganization of the FinTech business, effective October 1 (the "Reorganization"). Rakuten Group will transfer all of its stakes in stock of Rakuten Card Co., Ltd. ("Rakuten Card") and Rakuten Securities Holdings, Inc. ("Rakuten Securities HD") to Rakuten Bank, and, in exchange, Rakuten Bank will issue and deliver non-voting shares (subject to a right to request the acquisition of common shares; hereinafter the same) to Rakuten Group. While voting rights (49%) held by Mizuho Securities Co., Ltd. ("Mizuho Securities") in Rakuten Securities, Inc. ("Rakuten Securities") will be maintained, Rakuten Card shares (15% voting rights) held by Mizuho Bank, Ltd. ("Mizuho Bank") will be transferred to Rakuten Bank in exchange for non-voting shares. Mizuho Bank plans to convert non-voting shares into common shares immediately upon acquisition; yet, the ratio of Rakuten Group's voting rights in Rakuten Bank will likely be maintained at current 49% through the partial conversion of non-voting shares. The FinTech business will remain a core business segment of the Rakuten Group, and Rakuten Bank, Rakuten Card and Rakuten Securities will continue to be consolidated subsidiaries of Rakuten Group. Also, Rakuten Bank shares will continue to be listed, as before.
- (2) Once the Reorganization is completed, Rakuten Bank will become a comprehensive financial group engaged in the credit card and securities businesses. Interest payment burden on Rakuten Card and Rakuten Securities is most likely to be mitigated by replacing existing external financing with loans from Rakuten Bank, which will become the parent. While Rakuten Bank's consolidated core capital will increase as a result of the issuance of new shares, consolidated core capital ratio will decline from current 10.7% to around 8% after the Reorganization as assets related to the credit card and securities businesses will increase significantly.
- (3) The long-term issuer ratings of Rakuten Bank, Rakuten Card and Rakuten Securities are deemed to be at the same level as the Group's creditworthiness in light of the degree of Rakuten Group's involvement and the three companies' managerial importance in the Group. JCR predicts that the three companies will all remain strategically and functionally important to Rakuten Group, which aims to expand its Ecosystem, even after the Reorganization as they assume the role of retaining customers, and thus the Reorganization will not affect their ratings. JCR views that strengthening collaboration among FinTech companies will lead to increasing customer referrals and transaction volumes and enhancing the earnings capacity. While keeping an eye on the earnings capacity and capital adequacy of the new Rakuten Bank Group, JCR will watch whether the business base can be made even stronger.

Hidekazu Sakai, Yuji Ichinari for Rakuten Card  
Tsuyoshi Ohishi, Yuji Ichinari for Rakuten Bank  
Akira Minamisawa, Naoki Shimura for Rakuten Securities

### <Reference>

Issuer: Rakuten Card Co., Ltd.

Long-term Issuer Rating: A-      Outlook: Stable

Issuer: Issuer: Rakuten Bank, Ltd.

Long-term Issuer Rating: A-      Outlook: Stable

Issuer: Issuer: Rakuten Securities, Inc.

Long-term Issuer Rating: A-      Outlook: Stable



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