

Rakuten Group Announces the Reorganization of the FinTech Business—Limited Impact on the Rating

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

- (1) Rakuten Group, Inc. ("Rakuten Group") and Rakuten Bank, Ltd. ("Rakuten Bank") announced on May 20 the reorganization of the FinTech business, effective October 1 (the "Reorganization"). Group companies subject to the Reorganization are Rakuten Bank, Rakuten Card Co., Ltd. ("Rakuten Card") and Rakuten Securities Holdings, Inc. ("Rakuten Securities HD"), and other companies like Rakuten Insurance Holdings Co., Ltd. and Rakuten Payment, Inc. ("Rakuten Payment") are not included. To be more specific, the plan is to transfer companies not subject to the Reorganization (the "Non-target Companies"), which are currently under the umbrella of Rakuten Card and Rakuten Securities HD, including Rakuten Payment, to Rakuten Group and to make Rakuten Card and Rakuten Securities HD wholly owned subsidiaries of Rakuten Bank. On a separate note, Mizuho Bank, Ltd. will convert all of non-voting shares (subject to a right to request the acquisition of common shares) to be issued in exchange for Rakuten Card shares it holds into common shares immediately upon the Reorganization. As a result, its direct investment in Rakuten Card (14.99%) will be dissolved, and the ratio of its voting rights in Rakuten Bank after the Reorganization will be 10.52%. Meanwhile, Rakuten Group will be issued the same class of shares and is expected to increase ownership stake (economic interest) to 72.35% by converting a portion of such shares into common stock, while maintaining a voting rights ratio of 49.95%.
- (2) JCR concludes that the Reorganization will have only a limited impact on the rating. Even though the transfer of the Non-target Companies will give rise to financial transactions among group companies, their impact on consolidated financial statements will be marginal. On a stand-alone basis, however, the business transfer will result in financial requirements partly because of a consideration for acquisition, but, given such factors as the recent inflow of funds from the sale of shares in U.S.-based satellite communication service provider AST Space Mobile, Inc., the ratio of interest-bearing debt to EBITDA in non-financial businesses as a financial target is not likely to deteriorate significantly. The positioning of individual financial subsidiaries from Rakuten Group's perspective and the Rakuten Group's unity will remain unchanged, and JCR assumes that the FinTech business will continue to play a key role in the Rakuten Ecosystem. Through the Reorganization, not only the financing costs of Rakuten Card and Rakuten Securities, Inc. will be optimized, but also synergy creation, including the enhancement of the Rakuten Ecosystem with the acceleration of the cross-use of services, maximization of the customer base in the FinTech business, data integration and use of AI is expected, and JCR will keep an eye on the materialization of such effects.

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<Reference>

Issuer: Rakuten Group, Inc.

Long-term Issuer Rating: A- Outlook: Stable

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