Annual Securities Report

("*Yukashoken-Hokokusho*")

Fiscal Year Ended December 31, 2023

Rakuten Group, Inc.

and its Subsidiaries

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on March 28, 2024 for reference purposes only. In the event of any discrepancy between this translated document and Japanese version, the Japanese version shall prevail.

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[Document Submitted]	Annual Securities Report ("Yukashoken Hokokusho")
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director, Kanto Local Finance Bureau
[Date of Submission]	March 28, 2024
[Accounting Period]	The 27th Fiscal Year (from January 1, 2023 to December 31, 2023)
[Company Name]	Rakuten Group Kabushiki-Kaisha
[Company Name in English]	Rakuten Group, Inc.
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[Phone No.]	+81-50-5581-6910 (main)
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated Financial Data, etc.

(Millions of Yen, unless stated otherwise)

Fiscal year		23rd	24th	25th	26th	27th
Year ended		Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Revenue		1,263,932	1,455,538	1,681,757	1,920,894	2,071,315
Loss before income tax		(44,558)	(151,016)	(212,630)	(415,612)	(217,741)
Net loss attributable to owners of the Company		(31,888)	(114,199)	(133,828)	(377,217)	(339,473)
Comprehensive income		(42,818)	(132,401)	(73,041)	(312,285)	(262,200)
Equity attributable to owners of the Company		735,672	608,738	1,093,719	791,351	836,572
Total assets		9,165,697	12,524,438	16,831,221	20,402,281	22,625,576
Equity attributable to owners of the Company per share	(Yen)	542.43	446.78	691.47	497.56	390.53
Basic losses per share	(Yen)	(23.55)	(84.00)	(87.62)	(237.73)	(177.27)
Diluted losses per share	(Yen)	(23.55)	(84.00)	(87.62)	(237.89)	(177.29)
Equity attributable to owners of the Company ratio	(%)	8.0	4.9	6.5	3.9	3.7
Net income to equity attributable to owners of the Company ratio	(%)	(4.2)	(17.0)	(15.7)	(40.4)	(41.7)
Price earnings ratio	(Times)	—	—	—	—	—
Cash flows from operating activities		318,320	1,041,391	582,707	(262,068)	724,192
Cash flows from investing activities		(286,290)	(303,347)	(611,830)	(948,289)	(597,416)
Cash flows from financing activities		458,340	808,108	1,402,265	1,486,686	291,956
Cash and cash equivalents at end of the year		1,478,557	3,021,306	4,410,301	4,694,360	5,127,674
Employees	(Persons)	20,053	23,841	28,261	32,079	30,830

(Notes)

1. Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS").
2. Average number of shares during the fiscal year is calculated on a daily basis.
3. Price earnings ratio is not disclosed as a net loss is reported for each fiscal year.
4. Number of employees does not include those serving concurrently as employees and Directors, temporary staff and part-time employees.
5. IFRS 17 "Insurance Contracts" has been adopted from the beginning of the 27th fiscal year, and reflects the cumulative effect of this accounting standard change on the date of transition of January 1, 2022. As a result, figures for the 26th fiscal year reflect the retrospective application of such accounting standards.

(2) Financial Data, etc. of the Company submitting Annual Securities report

(Millions of Yen, unless stated otherwise)

Fiscal year		23rd JGAAP	24th JGAAP	25th JGAAP	26th JGAAP	27th JGAAP
Year ended		Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Net sales		541,755	657,434	783,268	749,420	860,578
Ordinary profit		19,406	29,825	22,662	113,477	133,151
Net profit (loss)		15,792	53,646	52,739	(87,211)	226,040
Common stock		205,924	205,924	289,673	294,061	446,768
Total number of shares issued	(Shares)	1,434,573,900	1,434,573,900	1,581,735,100	1,590,463,000	2,142,140,300
Net assets		507,501	505,614	803,192	782,261	1,327,428
Total assets		2,017,118	2,373,188	3,158,305	3,705,384	4,207,994
Net assets per share	(Yen)	358.18	352.14	489.68	471.07	602.15
Dividend per share	(Yen)	4.50	4.50	4.50	4.50	—
(Interim dividend per share)	(Yen)	(—)	(—)	(—)	(—)	(—)
Basic earnings (loss) per share	(Yen)	11.66	39.46	34.52	(54.96)	118.03
Diluted earnings per share	(Yen)	11.46	38.61	33.76	—	115.71
Equity ratio	(%)	24.1	20.2	24.5	20.2	30.7
Return on equity	(%)	2.8	11.1	8.4	(11.4)	22.2
Price earnings ratio	(Times)	80.2	25.2	33.4	—	5.3
Dividend payout ratio	(%)	38.6	11.4	13.0	—	—
Number of employees	(Persons)	7,288	7,390	7,744	8,409	10,350
Total shareholder return	(%)	127.6	136.3	158.6	83.4	87.8
(Comparison index: TOPIX total return index)	(%)	(118.1)	(126.8)	(143.0)	(139.5)	(178.9)
Highest share price	(Yen)	1,313	1,259	1,545	1,220	749
Lowest share price	(Yen)	710	636	957	576	466

(Notes)

1. Average number of shares during the year is calculated on a daily basis.
2. Diluted earnings per share is not stated for the fiscal year ended December 31, 2022, as a net loss per share was recorded although residual shares existed.
3. Price earnings ratio and dividend ratio are not disclosed for the fiscal year ended December 31, 2022, as a net loss per share was recorded. Also, the dividend payout ratio is not disclosed for the fiscal year ended December 31, 2023, as there was no dividend.
4. Number of employees does not include those serving concurrently as employees and Directors, employees seconded to other group companies, temporary staff and part-time employees.
5. The highest and lowest share prices refer to those of the First Section of the Tokyo Stock Exchange prior to April 3, 2022, and those of the Prime Market section of the Tokyo Stock Exchange subsequent to April 4, 2022.
6. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) have been applied from the beginning of the fiscal year ended December 31, 2022. Relevant key financial data etc. for the fiscal year ended December 31, 2022 onwards, are figures after the retrospective application of said accounting standards.

2. Corporate History

Period		Overview
1997	Feb	MDM Co., Ltd. is founded to develop an online commerce server and operate internet shopping mall, "Rakuten Ichiba", with capital of ¥10 million at 1-6-7 Atago, Minato-ku, Tokyo.
	May	Internet shopping mall, "Rakuten Ichiba" commences operations.
1998	Aug	Head office is transferred to 2-8-16 Yutenji, Meguro-ku, Tokyo.
1999	Jun	MDM Co., Ltd. is renamed as Rakuten, Inc.
2000	Apr	Listed on the Japan Securities Dealers Association.
	May	Head office is transferred to 2-6-20 Nakameguro, Meguro-ku, Tokyo.
2001	Mar	Commencement of "Rakuten Travel" services.
2002	Nov	Introduction of "Rakuten Super Points (currently Rakuten Points)" program.
2003	Sep	MyTrip.net, an accommodation booking site operator, is consolidated as a subsidiary.
	Oct	Head office is transferred to 6-10-1 Roppongi, Minato-ku, Tokyo.
	Nov	DLJdirect SFG Securities (currently Rakuten Securities, Inc.), is consolidated as a subsidiary.
2004	Sep	Aozora Card Co., Ltd. (currently Rakuten Card Co., Ltd.), is consolidated as a subsidiary.
	Nov	Nippon Professional Baseball (currently Nippon Professional Baseball Organization) approves new entry of Tohoku Rakuten Golden Eagles.
	Dec	Listed on the Jasdaq Securities Exchange Inc. (currently Tokyo Securities Exchange JASDAQ (standard)).
2005	Sep	LinkShare Corporation (currently RAKUTEN MARKETING LLC) is consolidated as a subsidiary.
2007	Aug	Fusion Communications (currently Rakuten Communications Corp.), which operates IP telephony business, is consolidated as a subsidiary.
2008	Apr	Head office is transferred to 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo.
2009	Feb	eBank Corporation (currently Rakuten Bank, Ltd.) is consolidated as a subsidiary.
2010	Jan	bitwallet, Inc., (currently Rakuten Edy, Inc.) is consolidated as a subsidiary.
	Jul	PRICEMINISTER S.A. (currently RAKUTEN FRANCE S.A.S.) is consolidated as a subsidiary.
2012	Jan	Kobo Inc. (currently Rakuten Kobo Inc.), which offers e-book services worldwide, is consolidated as a subsidiary.
	Jun	Wuaki. TV, S.L. (currently Rakuten TV Europe, S.L.U.), a provider of video streaming services in Spain, is consolidated as a subsidiary.
	Oct	AIRIO Life Insurance Co., Ltd. (currently Rakuten Life Insurance Co., Ltd.), which used to be an associate accounted for using equity method, is consolidated as a subsidiary.
2013	Sep	Viki, Inc., which provides video streaming services worldwide, is consolidated as a subsidiary.
	Nov	Tohoku Rakuten Golden Eagles win their first Nippon Series championship.
	Dec	Changes listing stock market to the First Section of the Tokyo Stock Exchange.
2014	Mar	Viber Media Ltd. (currently Viber Media S.a.r.l.), which operates mobile messaging and VoIP services worldwide, is consolidated as a subsidiary.
	Oct	Ebates Inc., which operates a leading membership-based online cash-back site in the U.S., is consolidated as a subsidiary.
	Oct	Fully enters the mobile phone business and begins provision of services through "Rakuten Mobile".
2015	Aug	Head office is transferred to 1-14-1 Tamagawa, Setagaya-ku Tokyo.
2017	Jun	Establishes Rakuten LIFULL STAY, Inc. (currently Rakuten STAY, Inc.) and enters the vacation rental business.
	Jul	Establishes Rakuten Data Marketing, Inc. to provide digital marketing solutions.
2018	Mar	Asahi Fire & Marine Insurance Co., Ltd. (currently Rakuten General Insurance Co., Ltd.) is consolidated as a subsidiary.
2019	Aug	"Rakuten Wallet" launches crypto asset (virtual currency) spot transaction service.
	Oct	"Rakuten Mobile" launches mobile carrier service.

Period		Overview
2020	Sep	"Rakuten Mobile" launches 5G mobile communications system service in its mobile carrier service.
2021	Apr	Rakuten, Inc. renamed as Rakuten Group, Inc.
	Aug	Launches the telecommunication platform business organization, Rakuten Symphony.
2022	Jan	Establishes Rakuten Symphony, Inc., a wholly-owned subsidiary of Rakuten Mobile, Inc.
	Apr	Transfers from the First Section to the Prime Market of the Tokyo Stock Exchange following a market restructuring of the exchange.
	Oct	Establishes Rakuten Securities Holdings, Inc. and restructures the securities business.
2023	Apr	Rakuten Bank, Ltd. listed on the Tokyo Stock Exchange Prime market.
	Oct	Special base station deployment plan for 700 MHz "Platinum Band" allocation is approved.
	Nov	A FinTech subsidiary is restructured, making Rakuten Payment, Inc. a subsidiary of Rakuten Card, Inc.

3. Description of Business

As a global innovation company engaged in the three main activities of Internet Services, FinTech, and Mobile, the Rakuten Group (the Company and its Associates) is organized into three reportable segments: "Internet Services", "FinTech", and "Mobile".

Discrete financial information for the operating results of these segments is available and is regularly reviewed by the Board of Directors to determine the allocation of resources and assess performance.

The "Internet Services" segment comprises businesses providing various e-commerce sites including internet shopping mall "Rakuten Ichiba", online cash-back sites, travel booking sites, portal sites, and digital content sites, along with provision of messaging services, sales of advertising, etc. on these sites, and management of professional sports teams, etc.

The "FinTech" segment engages in businesses providing services related to credit cards, banking and securities over the Internet, crypto asset (virtual currency) spot transaction, life insurance, general insurance, and electronic money, etc.

The "Mobile" segment comprises businesses operations engaged in the provision of communication services and technologies, operation of electricity supply services, etc.

The following segments are classified in the same way as stated in the "Segment Information" note of the Consolidated Financial Statements.

Descriptions of major services provided by the Rakuten Group and the main entities involved in such services are as follows:

Internet Services

Significant services provided	Main entity involved in service
Internet shopping mall, "Rakuten Ichiba"	Rakuten Group, Inc.
Online bookstore, "Rakuten Books"	Rakuten Group, Inc.
Online golf course reservation site, "Rakuten GORA"	Rakuten Group, Inc.
A comprehensive internet travel site, "Rakuten Travel"	Rakuten Group, Inc.
Online sales of medical supplies and daily necessities, "Rakuten 24", etc.	Rakuten Group, Inc.
Online fashion store, "Rakuten Fashion"	Rakuten Group, Inc.
Flea market app, "Rakuma"	Rakuten Group, Inc.
Online cash-back service	Ebates Inc.
E-book services	Rakuten Kobo Inc.
Mobile messaging and VoIP services	Viber Media S.a.r.l.

FinTech

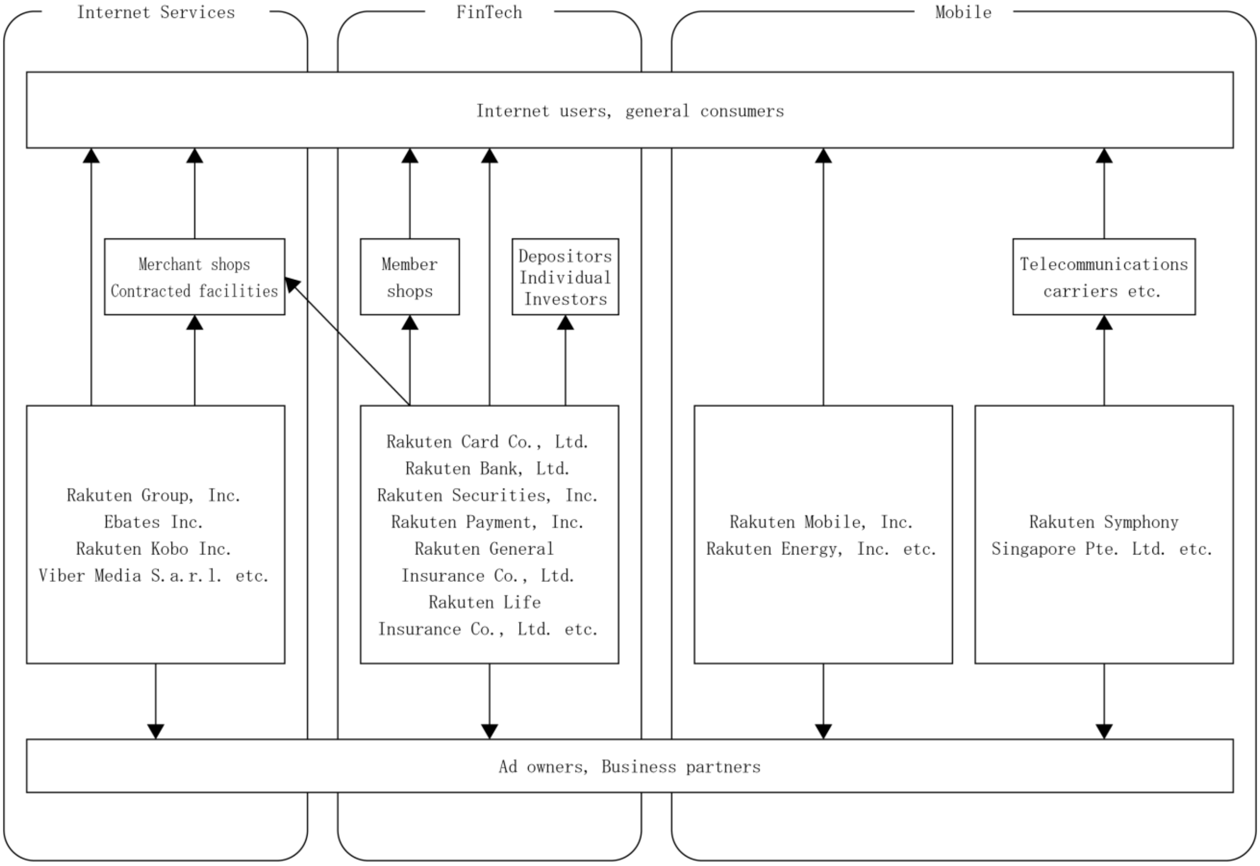
Significant services provided	Main entity involved in service
Issuance of credit card, "Rakuten Card", and provision of related services	Rakuten Card Co., Ltd.
Internet banking service	Rakuten Bank, Ltd.
Online securities trading service	Rakuten Securities, Inc.
Payment business	Rakuten Payment, Inc.
General insurance business	Rakuten General Insurance Co., Ltd.
Life insurance business	Rakuten Life Insurance Co., Ltd.

Mobile

Significant services provided	Main entity involved in service
Mobile communication services	Rakuten Mobile, Inc.
Optical broadband line services, "Rakuten Hikari"	Rakuten Mobile, Inc.
Power supply services, "Rakuten Denki"	Rakuten Energy, Inc.
Development and provision of Open RAN-based communication infrastructure platforms, services, etc.	Rakuten Symphony Singapore Pte. Ltd.

[Business Organization Chart]

The Rakuten Group businesses described above can be illustrated in the following business organization chart.



4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital	Principal business	Ratio of voting rights holding (held)	Relationship	Note
Subsidiaries						
Ebates Inc.	U.S.	0.1 U.S. dollar	Internet Services	100.0 (100.0)		
Rakuten Kobo Inc.	Canada	973 million Canadian dollars	Internet Services	100.0 (100.0)		5
Viber Media S.a.r.l.	Luxembourg	217 thousand U.S. dollars	Internet Services	100.0		
Rakuten Card Co., Ltd.	Minato-ku, Tokyo	19,324 million yen	FinTech	100.0	Involving interlocking directorates	6
Rakuten Bank, Ltd.	Minato-ku, Tokyo	32,616 million yen	FinTech	49.27	Involving interlocking directorates	6, 8
Rakuten Securities, Inc.	Minato-ku, Tokyo	19,496 million yen	FinTech	51.0 (51.0)		
Rakuten Payment, Inc.	Minato-ku, Tokyo	100 million yen	FinTech	97.61 (97.61)	Involving interlocking directorates	
Rakuten General Insurance Co., Ltd.	Minato-ku, Tokyo	20,153 million yen	FinTech	100.0 (100.0)	Involving interlocking directorates	
Rakuten Life Insurance Co., Ltd.	Minato-ku, Tokyo	7,500 million yen	FinTech	100.0 (100.0)	Involving interlocking directorates	
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo	100 million yen	Mobile	100.0	Involving provision of loans Involving interlocking directorates	7, 9
Rakuten Energy, Inc.	Setagaya-ku, Tokyo	31 million yen	Mobile	100.0	Involving provision of loans	
Rakuten Symphony Singapore Pte. Ltd.	Singapore	353 million Singapore dollars	Mobile	100.0 (100.0)		
Associate Accounted for Using Equity Method						
Rakuten Medical, Inc.	U.S.	384 thousand U.S. dollars	Internet Services	21.74	Involving interlocking directorates	

(Notes)
1. The principal business states names of business segments in the segment information.
2. There are 196 consolidated subsidiaries other than those stated above.
3. There are 57 associates accounted for using equity method other than those stated above.
4. Figures in brackets represent the percentage of indirect holdings included in Ratio of voting rights holding.
5. This company is a specified subsidiary.
6. This company files an Annual Securities Report.
7. Revenue of this company (excluding internal revenue recorded among consolidated companies) accounts for more than 10% in consolidated revenue. Major income (loss) information of Rakuten Mobile, Inc. is as follows:

(Millions of Yen)

	Rakuten Mobile, Inc.
Revenue	227,304
Loss before income tax	(370,169)
Net loss	(397,303)
Total equity	178,734
Total assets	1,691,082

8. The Company does not own a majority of Rakuten Bank, Ltd. However, the Company has determined that it has substantial control over Rakuten Bank, Ltd. and included it in the scope of consolidation.
9. The following measures have been taken to procure funds through securitization of telecommunication fee receivables held by Rakuten Mobile, Inc.

   All shares of Rakuten Mobile, Inc. are entrusted by the Company to Rakuten Trust Co., Ltd. This is a mechanism designed to protect investors in the securitization of Rakuten Mobile, Inc.'s telecommunication fee receivables. Under this mechanism, if conditions are met such as the Company's credit rating falling below a certain level, the authority will give instructions to transfer the voting rights to RM Trust Co., Ltd., which is an independent third party and Rakuten Mobile, Inc. will be able to prevent any impact due to the diminishment of the creditworthiness of the Company.

   Because the Company currently holds beneficiary rights including the authority to give instructions for all voting rights, it is included in the percentage of voting rights held.

5. Employees

(1) Consolidated Companies

As of December 31, 2023

Name of business segments	Number of employees (Persons)
Internet Services	10,831
FinTech	6,070
Mobile	5,415
Company-wide (common)	8,514
Total	30,830

(Notes)
1. The number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, temporary staff and part-time employees.
2. The number of company-wide (common) represents the number of those employees of the development, administrative departments and shared service business that cannot be classified in a specific segment.

(2) Company filing Financial Reports

As of December 31, 2023

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
10,350	34.4	5.1	7,946,376

Name of business segments	Number of employees
Internet Services	6,151
FinTech	1
Mobile	29
Company-wide (common)	4,169
Total	10,350

(Notes)
1. The number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, employees seconded to other companies, temporary staff and part-time employees.
2. The average annual salary includes bonuses and extra wages.
3. The number of company-wide (common) represents the number of employees of the development and administrative departments that cannot be classified in a specific segment.

(3) Status of Labor Union

Although no labor union is formed in the Company, there are labor unions in certain subsidiaries. The relationship between labor and management is favorable and there are no special matters to be noted.

(4) Ratio of female employees in managerial positions, percentage of male employees taking childcare leave, etc., and Gender Wage Gap

The Company and consolidated subsidiaries	Ratio of female employees in managerial positions (%) (Notes) 1, 2	Percentage of male employees taking childcare leave, etc. (%) (Notes) 1, 3, 4, 5	Gender Wage Gap (%) (Notes) 1, 2, 6, 7, 8		
			All employees	Permanent employees	Contract employees
Rakuten Group, Inc.	31.5	58.4	78.8	82.8	65.6
Rakuten Card Co., Ltd.	15.9	60.6	59.6	58.8	69.5
Rakuten Customer Service, Inc.	0.0	(**)50.0	73.7	73.7	(***)
Rakuten Bank, Ltd.	21.7	(*) (**)91.6	60.4	62.6	60.6
Rakuten Securities, Inc.	—	—	62.3	68.3	62.4
Rakuten Symphony, Inc.	10.5	91.7	84.1	84.1	(***)
Rakuten Super Logistics, Inc.	—	—	53.5	66.0	92.0
Rakuten Life Insurance Co., Ltd.	14.8	—	59.3	57.4	68.7
Rakuten Socio Business, Inc.	40.0	50.0	90.1	91.0	85.7
Rakuten General Insurance Co., Ltd.	10.1	—	46.9	46.4	60.1
Rakuten Total Solutions, Inc.	9.6	48.5	79.1	76.8	99.4
Rakuten Payment, Inc.	—	—	81.3	82.9	51.9
Rakuten Mobile, Inc.	8.6	40.6	68.2	68.5	74.9
Rakuten Mobile Engineering, Inc.	14.8	(**)50.0	76.1	75.8	30.3

(Notes)

1. Results from the fiscal year ended December 31, 2023 are listed. As the fiscal years of Rakuten Bank, Ltd., Rakuten Life Insurance Co., Ltd. and Rakuten General Insurance Co., Ltd. are from April 1 to March 31, the percentage of male employees taking childcare leave, etc., and the Gender Wage Gap are those of the most recent fiscal year of these companies. The ratio of female employees in managerial positions is as of the end of the most recent fiscal year for Rakuten Bank, Ltd. and as of March 1 of the most recent fiscal year for Rakuten Life Insurance Co., Ltd. and Rakuten General Insurance Co., Ltd.
2. The percentage was calculated pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
3. The percentage of male employees who take childcare leave, etc. defined under Article 71-4, item (1) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) was calculated pursuant to the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
4. For (*), employees taking leave used for purposes related to childcare are included in the numerator.

5. For (**), the rates of childcare leave used by employment management classification according to the Act on the Promotion of Women's Active Engagement in Professional Life are as follows.

Company name	Percentage of male employees taking childcare leave (%)
Rakuten Customer Service, Inc.	Regular Employees: 70.5
Rakuten Bank, Ltd.	General worker (non-fixed term): 90.0 General worker (fixed term): 100.0
Rakuten Mobile Engineering, Inc.	Technical worker: 100.0 Office worker: 40.0

6. Gender Wage Gap is calculated as the ratio of women's average annual wage to men's average annual wage.
7. For (***), it means there are no employees required for the calculation.
8. There are no gender-based differences in how we treat employees in the Global HR System.

II. Business Overview

1. Management Policy, Management Environment and Challenges

(1) Basic management policy

Our corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We contribute to social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. We aim to maximize the corporate value and shareholder value of the Group with the vision of continuing to be a Global Innovation Company.

(2) Targeted management indicators

The Rakuten Group aims to enhance its growth potential and profitability by focusing on Key Performance Indicators (KPIs), which serve as major management indicators. They include company-wide revenue and revenue by business, Non-GAAP operating income, gross merchandise sales (transaction volume of merchandise and services), the number of membership and cross-use rate.

(3) Medium to long-term management strategies

1) Management environment

The development and spread of the internet and other information and communications technology (ICT) has brought a new economy and society called the "Digital Economy". The government of Japan has advanced "Society 5.0", a concept of society positioned as the next stage of evolution. In "Society 5.0", new technologies such as IoT, robots, Artificial Intelligence (AI), and big data, which affect the very shape of society, will be used in every industry and throughout civil life. It is expected to contribute to economic development and the solving of social issues. The Rakuten Group also intends to utilize our various advanced technologies for contributions to society. Moreover, as AI technology has recently shown signs of rapid development and the potential to bring about significant transformations in society, we recognize the impact and importance of AI in business. We aim to fully leverage the power of AI and data in our business operations and value creation, striving to offer innovative services to consumers and business partners.

According to a study by the Ministry of Economy, Trade, and Industry (Note 1), the size of Japan's business-to-consumer e-commerce market reached ¥22.7 trillion in 2022. Furthermore, the e-commerce penetration rate in the BtoC market, following market expansion due to the impact of the COVID-19 pandemic, has continued to increase albeit at a slower pace, resulting in a rate of 9.13%, indicating that the digitalization of commercial transactions continues to progress. Furthermore, since this ratio in Japan is still low compared to that in other countries, we believe that there is still considerable room for expansion of the e-commerce business promoted by the Group.

In cashless payments, the "Cashless Vision" developed by the Ministry of Economy, Trade and Industry in April 2018 sets a goal to increase the ratio of cashless payments to 40% by 2025, and then to 80% in the future, the highest level in the world. The scale of cashless payments is forecast to grow further through the use of various payment methods, including credit card payments and QR code/barcode payments. The Rakuten Group's FinTech companies, as leading companies in their field, will continue to contribute to the expansion of the market.

In mobile communications, with the advancement of networks, the spread of smartphones, as well as the rapid expansion of the content and application market for end users including social media, games, video and music distribution, maps, search, etc., the scenes for use of mobile terminals are significantly expanding. According to a report from the Ministry of Internal Affairs and Communications (Note 2), the number of mobile phone subscribers in Japan as of September 30, 2023 has reached 215.52 million, and the mobile communications market in Japan continues to grow. In the Rakuten Group's mobile business as well, while maximizing the strengths of our ecosystem, we will continue to offer a variety of convenient services to our customers through cross-selling and other means.

The management environment surrounding the Rakuten Group is constantly changing with the acceleration of digital transformation. The Rakuten Group must respond to these changes through constant technical innovation, as well as flexible and swift management decisions, among other measures.

(Note 1) Source: 'FY2022 Digital Transaction Environment Development Project (Market Survey on E-commerce)' by the Ministry of Economy, Trade, and Industry.

(Note 2) Source: 'Publication of quarterly data on the number of contracts and share of telecommunications services (Second quarter of FY2023 (end of September))' (Ministry of Internal Affairs and Communications)

2) Management strategies

The Rakuten Group's basic business strategy is to build and expand a business model based on the Rakuten Ecosystem, which provides various services to users, especially the Rakuten Group members. By expanding the Rakuten Ecosystem through business development that brings together the membership, data, and brand of the Rakuten Group, we aim to generate synergistic benefits that maximize the lifetime value of each member and group revenues, while minimizing customer acquisition costs. We will achieve this by creating an environment in which members worldwide can seamlessly switch between multiple services including e-commerce, FinTech, digital content and our mobile carrier business.

In addition, the Group revised its sustainability strategy (priority ESG issues) in 2021 through a stakeholder engagement process. It identified four areas: "Business Foundations", "Growing with Our Employees", "Providing Sustainable Platforms and Services", and "Addressing Global Challenges". For more details on these areas, please refer to "2. Approach to Sustainability and Related Initiatives".

The Group considers ethical business practices, information security and privacy, and the quality of products and services as "business foundations" of the utmost importance, for which it has established a robust management structure and initiatives. Our priority areas - "Growing with Our Employees", "Providing Sustainable Platforms and Services", and "Addressing Global Challenges" – cover various ESG issues. These include employee diversity, equity, and inclusion; sustainable production and consumption; and combating climate change. Through these initiatives, the Rakuten Group aims to contribute to the revitalization of Japan and the countries and regions where it operates. Furthermore, it seeks to support the development of both the Japanese and global economies, continuing its role as a company trusted by its stakeholders.

(4) Priority challenges

As a company group that contributes to society by creating value through innovation and entrepreneurship, our challenges are to respond flexibly to changes in our business environment and to build a framework for continuous growth. Through long-term continuous growth, we aim to maximize corporate and shareholder value of the Rakuten Group and continue to be a Global Innovation Company that brings benefits to society.

1) Business strategy

Rakuten Group aims to generate synergistic benefits that include the maximization of lifetime value of each member, minimization of customer acquisition cost, and maximization of Group revenue. We will achieve this by creating an environment in which members worldwide can continuously use multiple services in the Rakuten Ecosystem, at the core of which are membership, data, and brand. In addition, we are developing and promoting the use of services that leverage advanced technologies such as AI and data both online and offline based on membership and shared loyalty point programs.

In the Internet Services segment, particularly e-commerce and travel booking, Rakuten Group is aiming for further growth in gross merchandise sales and revenues through various initiatives, including cultivation of loyal customers, acquisition of new customers, promotion of cross-use of services, and developing services and revitalizing regional economies through deeper cooperation with local governments and regional businesses.

We are pursuing even greater growth of FinTech services in areas such as credit cards, banking, securities, insurance, and prepaid money services by generating synergistic benefits between businesses, promoting cross-use of services, and other measures. Given this, Rakuten Group is working on measures to introduce its payment services in more locations and increase the number of active users in order to promote a full range of cashless payments including QR/barcode payments, electronic money, and points. Furthermore, we will continue to focus on achieving Rakuten Group's vision for a comprehensive payment services platform to increase the effectiveness of customer traffic within the Rakuten Ecosystem.

In the Mobile segment, we have realized the world's first (Note) end-to-end fully virtualized cloud-native mobile network. In addition to adopting a flexible and secure network infrastructure, we have succeeded in significantly reducing capital expenditure and operating costs compared to conventional networks. As a result of our efforts to strengthen the Rakuten Mobile service area, we achieved a population coverage of 98.8% as of December 31, 2023. In addition, we concluded a new roaming agreement in the belief that we can improve our network more efficiently by utilizing domestic partner areas. Furthermore, we aim to realize an even stronger network and expand our customer base by utilizing the special base station deployment plan (700 MHz frequency spectrum), which received a government approval in October 2023. Moreover, as communication providers continue to innovate their network equipment configurations and open base stations globally, Rakuten Symphony, which supplies communication cloud platforms, etc. using innovative mobile network technologies, will continue to expand globally while efficiently identifying commercial opportunities based on its experience in building state-of-the-art infrastructure in Japan.

In addition to pursuing growth of individual businesses as well as maximizing cross-business synergies, we intend to expand the Rakuten Ecosystem, not only in Japan but globally, by establishing innovative and efficient marketing methods that utilize Rakuten Group's membership and AI, the use of the advertising business through group synergies, and raising our domestic and international brand recognition and value, etc. To do this, we must further enhance our global management, and we will work to review our business portfolio to optimize the allocation of management resources and to improve productivity and business efficiency through the use of AI, among other efforts.

(Note) For a large-scale commercial mobile network (as of October 1, 2019). Research: Stella Associa

2) Management structure

The Rakuten Group's corporate mission is based on "the empowerment of individuals and society through innovation and entrepreneurship". We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

The Company has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Company's management and ensure its appropriateness, efficiency, fairness, and soundness. The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System by which the Board retains the responsibility for management decision-making and supervision, while Executive Officers are responsible for the executive functions.

The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings where discussions are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

In addition, we have introduced an internal Company System to ensure agile business execution and clear accountability.

Through such efforts, the Rakuten Group will continue to build a management structure with more highly effective governance functions that enable swift management decisions.

2. Approach to Sustainability and Related Initiatives

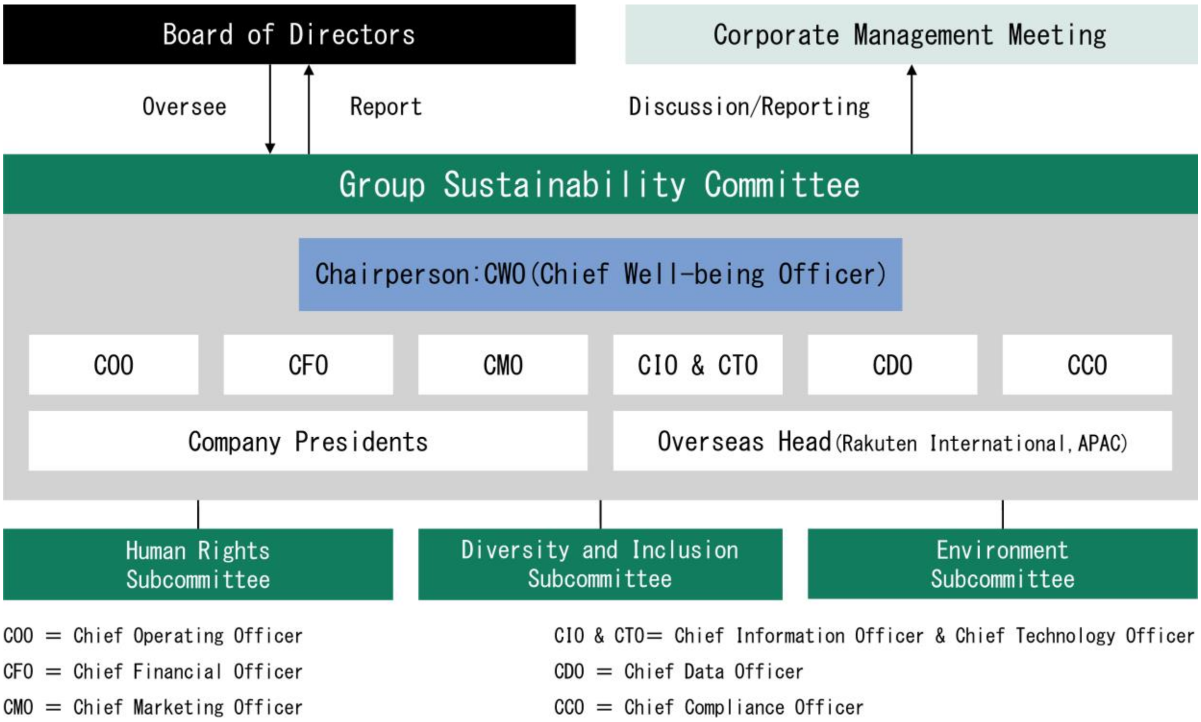
The following is a summary of the Rakuten Group's approach to sustainability and its initiatives. All forward-looking statements herein are based on judgments by the Rakuten Group as of December 31, 2023.

1. Overview of Sustainability

The Rakuten Group has always been committed to the mission of "empowering people and society through innovation". Addressing sustainability-related issues not only supports the sustainable development of the businesses in which the Rakuten Group operates, but also embodies the Rakuten Group's mission.

(1) Governance

In 2021, the Rakuten Group Sustainability Committee was established, consisting of domestic and international management, to strengthen governance over sustainability and oversee the implementation of initiatives related to issues in the focus areas. The committee makes management-level decisions on material ESG issues, including sharing stakeholder expectations and best practices, setting strategies and goals, and participating in initiatives. The committee's activities and recommendations are reported to the Board of Directors. Additionally, subcommittees have been established specifically for the environment, human rights, and diversity and inclusion issues as they require long-term, cross-organizational discussions.



For ESG issues that require clear company-wide commitment and action, the Rakuten Group Sustainability Instruction is adopted as Group policy. The Rakuten Group regularly reports on the progress of the initiatives through the corporate website, corporate reports, the General Meeting of Shareholders, and other media.

(2) Risk Management

To adapt to the rapidly changing risk environment, the Rakuten Group is committed to integrated risk management (ERM: Enterprise Risk Management, hereinafter "ERM"), a company-wide risk management approach that comprehensively identifies and manages all risks affecting the entire organization. In accordance with the ERM framework, the Rakuten Group identifies and evaluates risks related to sustainability, formulates and implements countermeasures according to their significance, and monitors the results.

(3) Strategy

Sustainability is one of the pillars of the Rakuten Group's future development. Through stakeholder engagement, the Rakuten Group revised the sustainability strategy (priority ESG issues) in 2021, identifying four areas: "Business Foundations", "Growing with Our Employees", "Providing Sustainable Platforms and Services", and "Addressing Global Challenges". The Rakuten Group will set long-term goals for each issue and regularly reports the progress to internal and external stakeholders.

2. Material Topics

Here are the Rakuten Group's efforts to address material issues from each of the key sustainability focus areas and business foundation.

(1) Growing with Our Employees (Human Capital)

The Rakuten Group values its employees and promotes the creation of systems and environments that allow them to work in their own unique way. To realize the mission of "empowering people and society through innovation", the Rakuten Group seeks to recruit talented individuals, encourage their career advancement and growth, and create a comfortable workplace that is inclusive of diverse employees so they could thrive and succeed.

i. Governance

To build an organizational foundation that grows together with the employees, the Rakuten Group has established a Human Resources Development Committee chaired by the Chief Operating Officer (COO). The committee discusses issues related to human resources and specific measures such as recruitment, development, evaluation, and compensation. Additionally, issues and opportunities related to diversity are discussed and examined by the Diversity and Inclusion Subcommittee under the Sustainability Committee.

ii. Risk Management

For risks related to human capital, please refer to "3 Business Risk and Other Risk Factors, 3 General Business Operational Risks, (7) Risks Pertaining to Intangible Assets, 3) Risks Pertaining to Human Resources".

iii. Strategy

1) Talent Management

Since 2017, the Rakuten Group has been implementing the "Back to Basics Project", which focuses on the three pillars of "recruitment", "development", and "retention", aiming to build a strong organizational foundation by returning to the core human resources goal of "building winning talent and winning teams".

- Recruitment

The Rakuten Group believes that promoting mutual understanding with job seekers is the key to recruiting talented individuals, and thus, values opportunities for communication both online and offline. The Rakuten Group also offers an internship program that allows job seekers to experience the various jobs and corporate culture of the Rakuten Group, and an "employee referral program" in which employees introduce and recommend acquaintances and friends for open job positions. The Rakuten Group also holds the "Rakuten Career Conference" for job seekers every year, an event attended by approximately 2,800 people in 2023.

- Development

The Rakuten Group aims to be a "Learning Organization" where every employee can maximize their abilities. The Rakuten Group encourages its employees to develop their careers not only through technical skills, but also through self-development support and the acquisition of comprehensive business skills. 1-on-1 meetings are also regularly held between team members and managers to strengthen on-site communication and maximize organizational performance. This is an effective mechanism that not only strengthens the trust between team members and managers, but also allows both parties to learn from each other through mutual feedback. The results of surveys in past years have shown a satisfaction level of over 90%.

An example of training system

Onboarding	Providing the necessary information and knowledge for new employees and managers to swiftly adapt to their new organizations and teams
Business Basics	Teaching the skills necessary for businesspeople such as critical thinking, leadership, and problem-solving methods
Rank-Based	Teaching skills that allow employees to take on a larger role in their organization, such as how to implement plans based on "Rakuten Shugi" and conduct effective 1-on-1 meetings
Data & AI	Teaching how to identify problems, set KPIs, build and test hypotheses, and analyze the results to take action
Diversity & Inclusion	Demonstrating the attitudes necessary to work alongside employees with different backgrounds through training on topics such as Unconscious Biases
Culture & Language	Teaching the skills necessary for effective communication through TOEIC support programs and business English courses
Self-Improvement	Providing opportunities for independent learning through online courses and Rakuten's digital library

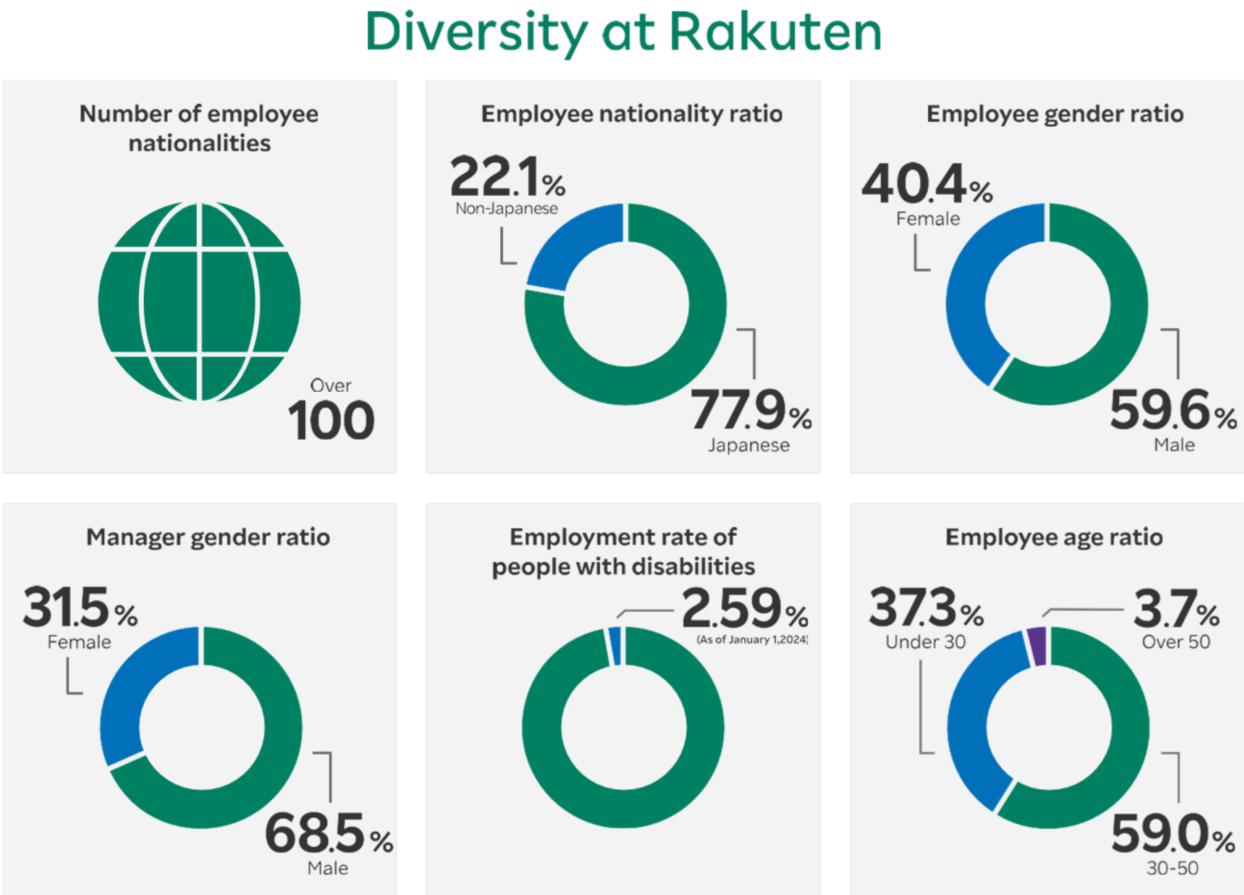
- Retention

In recent years, individuals' work perspectives have changed dramatically due to increased diverse career options and social changes such as reforms in work styles. Various factors influence whether or not employees feel they want to build a long-lasting career with a single organization. To increase employee satisfaction and encourage career advancement, the Rakuten Group has developed a fair and appropriate compensation scheme and benefits, flexible work styles, and a comfortable, attractive, and healthy workplace. As a result of various initiatives, the Rakuten Group's turnover rate in 2023 has decreased by 2.4 percentage points from 2017.

2) Diversity, Equity, and Inclusion (hereinafter "DEI")

The Rakuten Group fosters a culture that provides opportunities for all people regardless of race, nationality, gender, marital or parental status, religion or political beliefs, age, disability, sexual orientation, or gender identity. The Rakuten Group respects the diverse personalities and values of every employee worldwide and strives to create an environment where everyone can reach their full potential. Additionally, as operations continued to expand globally, English was made the official internal language, further accelerating the recruitment and promotion of talented people from around the world, who are the driving force behind the Rakuten Group's business development.

It is also vital to consider the differences between each employee and create an appropriate work environment. For employees raising children, the Rakuten Group offers career sessions and pre- and post-maternity leave seminars. The Rakuten Group has also set up a lactation room and daycare center to support employees after they return to work. For employees with different cultural and religious needs, halal menus and prayer rooms are provided, and for employees with disabilities, the office environment incorporates universal design.



* The data coverage of the number of nationalities is for the Rakuten Group. The data on the employment rate of persons with disabilities covers Rakuten Group, Inc. (standalone), Rakuten Socio Business, and Rakuten Communications, Inc. Other data are for Rakuten Group, Inc. (standalone). The diversity data of Rakuten Group, Inc. are as of January 1, 2024.

To leverage the diversity of the employees to the maximum, it is essential not only to have a common language, but also to ensure that all employees understand and share the values that are fundamental to the company's corporate culture, also called "Rakuten Shugi". To do so, "Rakuten Shugi Workshops" are conducted for all employees. In 2023, 51.3% of the entire Rakuten's employees has participated in the workshops, marking more than 17,000 employee participations to date. The participation rate improved by 9.4 points compared to 2022.

3) Health and Wellness

Since fostering a safe and healthy work environment not only protects employees, but also increases job satisfaction and leads to the acquisition and retention of talented individuals, the Rakuten Group aims to promote the well-being of the physical and mental health among its employees and create an organizational culture that allows them to continue working with vitality. The "Well-Being Survey" is regularly conducted to understand the employees' mental and physical health status and issues, and to measure the effectiveness of the wellness promotion activities. As a result of the latest survey conducted to date, lack of exercise, poor sleep quality, and weight management were identified as the three major health issues. The Rakuten Group is taking steps to reduce the number of employees experiencing these issues.

iv. Indicators and Targets

As part of the human capital strategy, the Rakuten Group will maintain and improve the following indicators with regards to talent management, diversity, equity, and inclusion, and health and wellness.

Indicators	Results
Ratio of employees who received a regular performance and career development review	100% *1
Ratio of female employees in managerial positions	31.5% *1
Data from wellness survey	Absenteeism : 3.3 days *2 Presenteeism : 82.8% *3 Total Employee Experience : 3.3/5 *4

*1. Rakuten Group, Inc. (standalone).

*2. Group-wide (domestic) including Rakuten Group, Inc. Late arrival or early departure due to health issues, time off due to inability to work. The number of sick days is obtained through a wellbeing survey (an independently defined employee survey).

*3. Group-wide (domestic) including Rakuten Group, Inc. Poor performance due to health issues, even when present for work. Employees rated their work performance for the past 4 weeks on a 1-100% scale, with 100% being the performance exhibited in the absence of illness or injury. Obtained from the Well-Being Survey.

*4. Group-wide (domestic) including Rakuten Group, Inc. Employees' level of vitality, enthusiasm and immersion in the workplace. The result of the survey was obtained by incorporating the ultra-short three-item version of the Utrecht Work Engagement Scale.

(2) Providing Sustainable Platforms and Services (Sustainable Production and Consumption)

Sustainable production and consumption require working together with suppliers and business partners. To this end, it is important for the Rakuten Group to reduce negative impacts through supply chain management. The Rakuten Group's approach to supply chain management for a sustainable society is indicated below.

i. Governance

The Human Rights Subcommittee discusses topics related to supply chain management, particularly concerning sustainable production and consumption. It is situated under and reports to a Rakuten Group wide Sustainability Committee comprised of both overseas and domestic management. Suppliers of priority businesses are surveyed and monitored to confirm the status of their initiatives. A "Supplier Hotline" has been set up, both as a consultation service and as a system to report violations or potential violations of the Rakuten Group Sustainable Procurement Instruction.

ii. Risk Management

For supply chain risk management, please refer to "3 Business Risk and Other Risk Factors, 3 General Business Operational Risks, (5) Risks Relating to Supply Chain".

iii. Strategy

As the Rakuten Group has a wide range of suppliers involved in its services and products, the strategy is implemented in stages, with the priority given to businesses handling Rakuten-branded products, direct sales-type businesses, and BtoB businesses.

1) Communication of the Sustainable Procurement Policies

To share a common understanding of sustainability with suppliers, the "Rakuten Group Sustainable Procurement Instruction" and "Rakuten Group Sustainable Procurement Code of Conduct for Suppliers" were established to define the expectations. The Rakuten Group holds online briefing sessions to inform suppliers of the sustainable procurement policies, promote their understanding, ask them to comply with these policies and sign a written pledge. The Rakuten Group also provides e-learning training on sustainable procurement to its employees.

2) Supplier Survey and Monitoring

To prevent problems in the supply chain and promote understanding and resolution of issues, the Rakuten Group regularly sends questionnaires to suppliers and conducts audits, investigations and monitoring etc. as necessary. In addition, feedback is provided on the results of the surveys, including expected improvement actions.

iv. Indicators and Targets

The Rakuten Group considers it important to communicate its sustainable procurement policies and to raise awareness on issues in the supply chain. Following indicators are used.

Indicators	Results
Number of participating companies in briefings on sustainable procurement	152 companies *
Number of companies responding to the SAQ survey	83 companies *

* Suppliers are identified for briefing sessions and questionnaires through criteria such as the Group and specific group companies' suppliers of important products and businesses or suppliers with a certain amount of transactions, etc.

(3) Addressing Global Challenges (Climate Change)

The Rakuten Group's services and the environment are inextricably connected. From the variety of products sold on Rakuten Ichiba to the travel destinations promoted on Rakuten Travel, the continuity and quality of our services and products depend largely on the richness of the natural environment. In addition, the Rakuten Group's operations can have a considerable environmental impact. That is why Rakuten is committed not only to reducing its adverse environmental impact, but also to leveraging its technologies and innovation to create more environmentally conscious options for our customers.

i. Governance

Environmental strategies are communicated to different business units and departments on a monthly basis at the "Environmental Subcommittee", and move into concrete actions under Sustainability Committee. Environmental Management Promotion Department was established in January 2022 to develop strategies for addressing environmental issues. Environmental Management Promotion Department and Environment Subcommittee work closely with relevant teams, organizations and international initiatives while holding every business unit and department accountable for their environmental impacts. Climate change-related issues are managed by the COO (Chief Operating Officer).

ii. Risk Management

Risks relating to climate change are identified and evaluated by Environmental Management Promotion Department. For risk management, please refer to 1. Overview of Sustainability, (2) Risk Management".

iii. Strategy

The Rakuten Group analyzes risks and opportunities to the Company by climate change using scenario analysis. In the transition to a low-carbon society, we must address policy and legal, technology, market and reputation risks. We consider policy and legal risks to be of particular importance, as more than 90% of the CO2 emitted through our business activities comes from electricity consumption. There is a possibility that increasing carbon price could increase our power procurement costs and affect our financial position. The Rakuten Group is putting great efforts into improving energy efficiency, switching to renewable energy, and reducing CO2 emissions. Regarding extreme weather events caused by climate change, please refer to "3 Business Risk and Other Risk Factors, 3 General Business Operational Risks, (10) Risks Relating to Natural Disasters and Other Crisis Events".

iv. Indicators and Targets

In order to fulfill its responsibility as a global company and to realize our corporate philosophy, the Rakuten Group aims to achieve carbon neutrality for CO2 emissions from business operations (Scope 1 and Scope 2) by 2023. The Rakuten Group's carbon neutral strategy encompasses three measures: improving energy efficiency, switching to 100% renewable energy, and procuring carbon credits. In 2022, the Rakuten Group's Scope 1 emissions were 1,745t-CO2, Scope2 (market-based) emissions were 268,476t-CO2, and renewable ratio was 11.6%. Data for each metric will be updated in the ESG Databook accessible from our corporate webpage around June every year.

(4) Business Foundation (Information Security and Privacy)

The Rakuten Group considers information security as one of its most important management issues. It strives to protect and manage its information assets, including customers' personal information and information systems such as software, as well as to maintain and improve information security continuously.

Privacy is more than just a compliance issue, as it is an essential element in building a sustainable "Rakuten Ecosystem", including the use of technology, the promotion of innovation, and earning the trust of stakeholders. The Rakuten Group is committed to implementing, enhancing, and thoroughly enforcing privacy measures to ensure that all customers can confidently use the services.

i. Governance

The Rakuten Group Information Security & Privacy Committee, chaired by the CISO (Chief Information Security Officer, hereinafter referred to as "CISO"), meets monthly to ensure compliance with information security and privacy requirements. Major issues discussed in this committee are reported to the management at the corporate management meeting.

With regard to information security, the Rakuten Group established a CISO community consisting of the Regional CISO, Company CISO, and CISO of each Group company to discuss and share information on information security across the Rakuten Group.

The Rakuten Group also appointed a Global Privacy Manager as a dedicated position to oversee and monitor the privacy status within the company. The Global Privacy Manager works closely with the Regional Privacy Officers to build a robust privacy network and monitor compliance and risks applicable to the Rakuten Group.

ii. Risk Management

For information security and privacy risk management, please refer to "3 Business Risk and Other Risk Factors, 3 General Business Operational Risks, (1) Risks Pertaining to Information Security".

iii. Strategy

1) Information Security

The following five policies were established to ensure information security.

1. Establishment of information security system
2. Appropriate management of information assets
3. Establishment of rules and regulations to ensure information security
4. Compliance with laws and regulations
5. Continuous improvement

- Compliance with International Standards

The Rakuten Group has established internal rules based on ISO/IEC 27001, the international standard for information security management. Currently, the ISO/IEC 27001 certification applies to 44 Group companies. The Rakuten Group aims to continuously expand the scope of the certification and ensure information security.

- Information Security Education

The Rakuten Group conducts annual information security training for all employees. Participants are required to pledge compliance with company regulations in addition to deepening understanding of the importance of information security through case studies of actual incidents.

- Strengthening Cyber Security

Aside from establishing a Security Operations Center (SOC) and a team dedicated to security measures (Rakuten-CERT), the Rakuten Group also provides security training for service developers, security reviews and vulnerability inspections of software development, and security checks at each stage of the development process for addressing vulnerabilities in the service development structure.

2) Privacy

In addition to complying with domestic and international privacy laws, the Rakuten Group is committed to privacy protection measures that exceed legal requirements by establishing its own operational standards. To ensure that all customers can use Rakuten's services with confidence, the Rakuten Group puts a great focus on education, transparency, and trust.

- Introduction of BCR

The world-class privacy protection standards called Binding Corporate Rules (BCR) are adopted at the Rakuten Group. The Rakuten Group's BCR consist of two sets of Binding Corporate Rules, the Binding Corporate Rules approved by the EU Data Protection Authority in Luxembourg under the GDPR and the Binding Corporate Rules approved by the UK Data Protection Authority under the UK General Data Protection Regulation (UK GDPR). By handling data in accordance with the BCR, the entire Group is committed to protecting the privacy and data of individuals.

- Increased Transparency to Users

The "Privacy Center" webpage introduces the Rakuten Group's privacy initiatives and related information. The webpage helps customers have a better understanding of Rakuten's privacy measures by providing information on the Rakuten Group companies' privacy policies to increase the customer's knowledge of privacy protection and its technology.

- Privacy Education

To ensure that the importance of privacy is shared by all employees, a dedicated privacy education and awareness team has been established. In addition to annual and onboarding training for all Group employees, an awareness event is held on the occasion of the International Data Privacy Day.

iv. Indicators and Targets

Based on the Rakuten Group's strategy for information security and privacy, obtaining certifications and educating the employees who provide services to the customers are considered Group's priorities. By ensuring that, customers can use the services with peace of mind, while the company maintains and improves the following indicators.

Indicators	Results
Number of Group companies with ISO/IEC 27001 certification	44 companies
PCI DSS compliant services	38 services
Group companies with JIS Q 15001 Privacy Mark certification	3 companies
Group companies that signed the BCR (Binding Corporate Rules)	78 companies
Training hours on information security (Information security education in FY2023)	25,979 participants, 24 companies *1
Privacy training hours (Privacy Basics training for all employees)	14,980 participants, 23 companies *2

*1. Target companies: 24
1. Rakuten Group, Inc. (*1)
2. Target, Inc.
3. Rakuten Baseball, Inc.
4. Rakuten Insight, Inc.
5. Rakuten Travel Service, Inc.
6. Keiba Mall, Inc
7. Rakuten Communications Corp.
8. Rakuten Socio Business, Inc
9. Rakuten Ticket, Inc.
10. K Dreams Co., Ltd.
11. Rakuten Vissel Kobe, Inc.
12. Hunglead, Inc.
13. Rakuten Wallet, Inc.
14. Rakuten Car Inc.
15. Rakuten Business Support, Inc.
16. Rakuten SQREEM, Inc.
17. Rakuten Energy, Inc.
18. LINKSHARE JAPAN K.K.
19. Rakuten ANA Travel online CO., LTD.
20. RAKUTEN STAY, Inc.
21. Rakuten Data Solutions, Inc.
22. Rakuten Drone, Inc.
23. Rakuten Total Solutions, Inc. (5/17~)
24. WORLD TRAVEL SYSTEM INC. (10/18~)

(*1) Logistics Business (LOGIB): Sales Section only

*2. Target companies: 23
1. Rakuten Group, Inc.
2. Rakuten Baseball, Inc.
3. Rakuten Insight, Inc.
4. Rakuten Travel Service, Inc.
5. Rakuten Communications Corp.
6. Rakuten Socio Business, Inc
7. Rakuten Ticket, Inc.
8. Rakuten Super Logistics, Inc.
9. K Dreams Co., Ltd.
10. Rakuten Insight Global, Inc.
11. Rakuten Vissel Kobe, Inc.
12. Hunglead, Inc.
13. Rakuten Direct Logistics, Inc.
14. Monzen Corporation Japan
15. Executive Golf, Inc
16. CLIPS Corporation
17. Rakuten Car, Inc.
18. Rakuten Business Support, Inc.
19. Rakuten Energy, Inc.
20. LINKSHARE JAPAN K.K.
21. RAKUTEN STAY, Inc.
22. Rakuten Drone, Inc.
23. WORLD TRAVEL SYSTEM INC.

3. Business Risk and Other Risk Factors

The Rakuten Group is engaged in a wide range of businesses both in Japan and overseas, and execution of these corporate activities is accompanied by various risks. Described below are the risk management systems and processes of the Rakuten Group, as well as the main aspects of the business activities and finances of the Rakuten Group that are recognized as potential risk factors or that may have an influence on decisions made by investors. However, not all risks that may arise in the Rakuten Group are covered. Having identified the probability, timing and frequency of these risks, the policy of Rakuten Group management is to take steps to prevent occurrence or to take appropriate action as a contingency. However, it is difficult to reasonably foresee the impact of such occurrence on the Rakuten Group's business activities, financial performance, financial position, and countermeasures the Group might adopt. Therefore, the Rakuten Group's position is that decisions to invest in the Company's securities should be preceded by comprehensive and careful examination of relevant information, including information provided below and elsewhere.

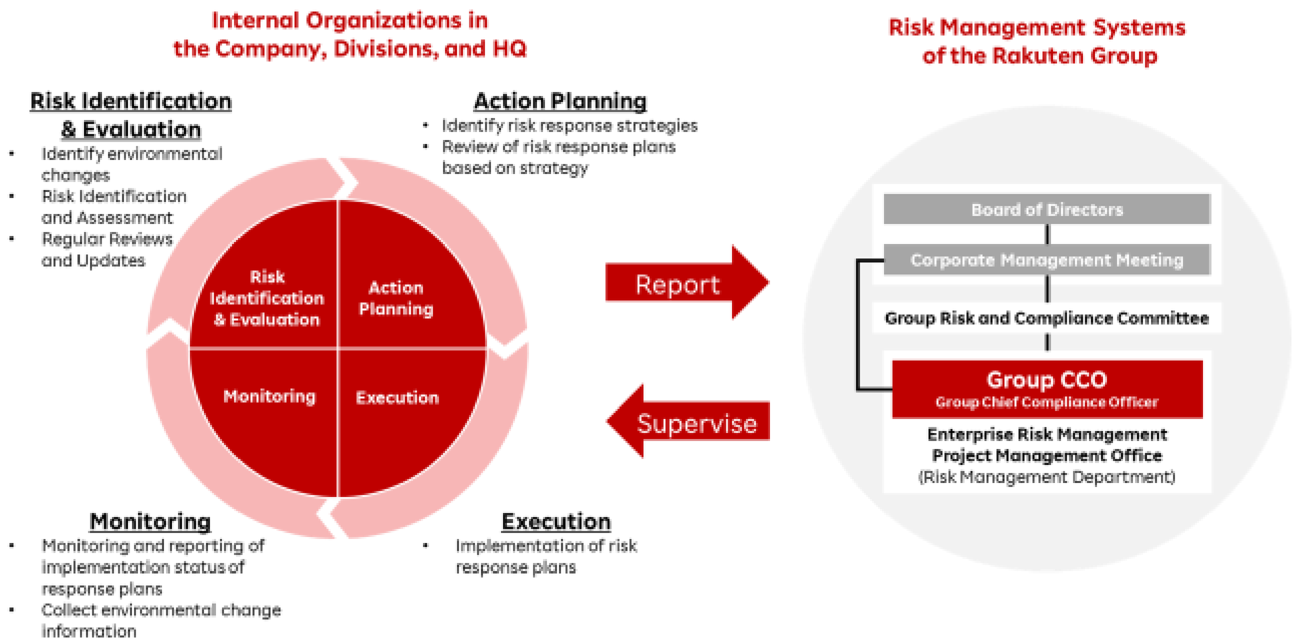
Unless otherwise stated, all forward-looking statements herein are based on judgments by the Rakuten Group as of December 31, 2023. They are subject to uncertainty and could differ from actual results.

1 Risk Management Systems and Activities of the Rakuten Group

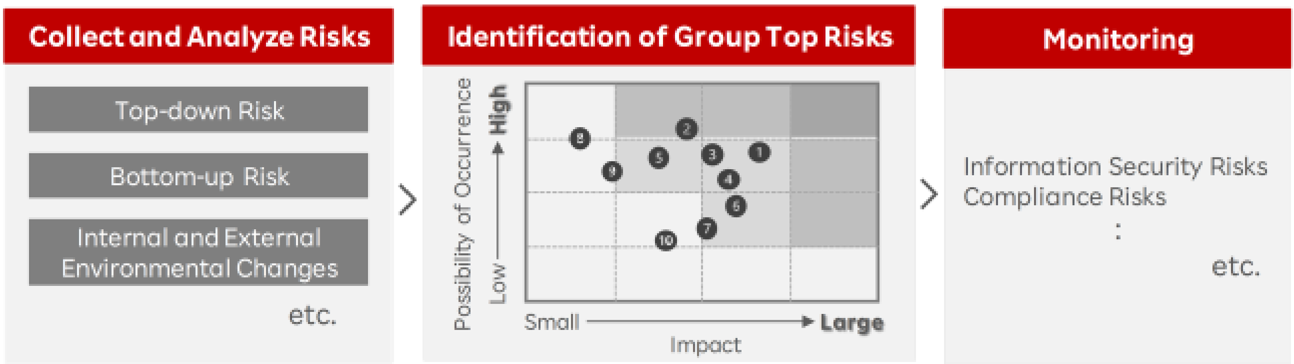
The Rakuten Group defines risk as "uncertainty that may affect them in achieving their management goals" and introduces Enterprise Risk Management (ERM) to increase the probability of achieving management goals. In accordance with Group Regulations, each organization of the Rakuten Group has established a cycle of appropriately comprehending and identifying risks, evaluating them based on Group-wide standards, formulating and implementing response plans according to their materiality, and monitoring the results.

In addition, to manage risks throughout the Rakuten Group, we have established risk management systems as shown in the figure below. We are making efforts to identify and manage risks comprehensively by classifying risks such as "Top-down risk" for risks perceived by management of the Rakuten Group, "Bottom-up risk" for risks perceived by each business or subsidiary of the Rakuten Group, and "Group-Top Risks" for risks that may have a critical impact on the Rakuten Group's business activities. The Rakuten Group Risk Compliance Committee, which meetings are held four times a year, discusses the status of measures for group-top risks, and the main matters discussed by the committee are reported to management through important meetings such as the Board of Directors.

[Risk Management Systems of the Rakuten Group]



[Process for Identifying Group Top Risks]



2 Risks Associated with Management Environment and Strategies

(1) Macro-economic Risks

The Rakuten Group is engaged in a wide range of businesses both in Japan and overseas. The Rakuten Group's business results are affected by various factors such as overseas economic conditions, social conditions and geopolitical risks, as well as by Japan's economic trends. The Rakuten Group will carry on business expansion and other activities while closely watching the macroeconomic environment. However, the outlook for the Japanese and overseas economic environments will remain uncertain. Due to factors such as the global economic recession, social disturbance, as well as confrontations between nations, regional conflicts, and the use of force in the international community, restrictions on exports, imports, and foreign investment resulting from economic sanctions between nations, changes in various regulations, and changes in regulatory trends, the business activities of the Rakuten Group may be hindered, which may affect the stable supply of services and products, as well as the financial performance and financial position of the Rakuten Group.

(2) Competitive Environment

We consider ourselves to be in fierce competition with numerous rivals in all businesses operated by the Rakuten Group. Such competition is likely to intensify when we are confronted by new participants as rivals, including those from other sectors.

The Rakuten Group aims to expand their services by continuously enhancing their response to customer needs while closely watching movements of their competitors. However, if the failure to achieve anticipated results following this effort results in a loss of service competitiveness, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

(3) Technological Changes in the Industry

Progress and changes in technology are pronounced in every business that the Rakuten Group operates, and new services and goods are introduced with high frequency.

The Rakuten Group constantly devises and implements measures for maintaining our competitiveness through endeavors including research into the latest technological and market trends, verification tests with a view to launching new services with technological advantages, and collaboration with other companies. Should the Rakuten Group's response be slow for some reason, there is a risk that our services could be seen as obsolete and our competitiveness could deteriorate. Furthermore, even if we respond appropriately, we may incur increased expenses associated with upgrading existing systems and undertaking development of new systems. These market trends and our response capability may therefore have an impact on the business activities, financial performance, and financial position of the Rakuten Group. In addition, technology that poses a threat to the Rakuten Group's operations may be developed. If this technology becomes widespread, this may also have an impact on the business activities, financial performance, and financial position of the Rakuten Group.

(4) Risks Associated with Management Structure and Business Strategy

1) Risks Associated with Management Structure (Corporate Governance)

The Rakuten Group's corporate mission is based on the empowerment of individuals and society through innovation. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Rakuten Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

The Rakuten Group has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Rakuten Group's management and ensure its appropriateness, efficiency, fairness, and soundness. The Rakuten Group has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Rakuten Group has adopted an Executive Officer System by which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Rakuten Group's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Rakuten Group holds meetings, where discussions are held about Group management strategy, separately from the meetings of the Board of Directors. Participants discuss matters from a medium to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

In addition, we have introduced an internal company system to ensure agile business execution and clear accountability. However, if we fail to achieve anticipated results following the implementation of the aforementioned measures, including those involving management structure, and management decisions are not made in a timely and appropriate manner, or non-compliance arises, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

2) Relationships with Listed Subsidiary

While the Rakuten Group has a listed subsidiary, we have established basic agreements with this entity, outlining "Rakuten Shugi (Rakuten principles)" as the Rakuten Group's basic philosophy, "Core Policies" as fundamentals of the Rakuten Group's governance, and the "Rakuten Group Code of Ethics" as fundamentals to be adhered to by Directors and employees. The agreement also stipulates that the Rakuten Group respects the management independence required from the viewpoint of public interest under related laws and regulations and the independence required of a listed subsidiary, that the Rakuten Group respects the fact that a listed subsidiary has established a system in which appropriate checks are made on governance by actively appointing directors from outside the Group, and that the Company respects the personnel rights of the listed subsidiary.

In such circumstances, to enhance the value of a listed subsidiary as an independent entity contributing to the overall interests of shareholders, the decision-making within this subsidiary may not always align with or solely serve the intentions of our group. If the relationship between both parties' changes or if the business performance of the listed subsidiary worsens, this may affect the business activities, financial performance and financial position of the Rakuten Group.

3) Risks Associated with Business Strategy

The Rakuten Group's business strategy aims to generate synergistic benefits that include maximization of the lifetime value of each member, minimization of customer acquisition cost, and, furthermore, maximization of Group profits. We will achieve this by creating an environment in which members worldwide can continuously use multiple services in the "Rakuten Ecosystem". At the core of this are membership, various data concerning service usage and the Rakuten brand. Under this business strategy, we are utilizing the Rakuten Group's membership, big data and the reward program based on "Rakuten Points", in addition to pursuing growth of individual businesses and maximizing cross-business synergies. Specifically, we pursue service enhancement in each business by capitalizing on online as well as offline data based on the membership IDs of more than 100 million users, along with the promotion of cross-border service usage between online and offline realms. However, if the failure to achieve anticipated results following the implementation of the aforementioned measures causes the total or partial suspension of the services marketed by the Rakuten Group, giving rise to a barrier to the cross-border usage, this may affect the business activities, financial performance and financial position of the Rakuten Group. Furthermore, if laws and regulations regarding our digital platform, methods of using membership data, and reward programs are revised in a way that is disadvantageous to the Rakuten Group, this may affect the business activities, financial performance and financial position of the Rakuten Group.

4) Risks Relating to Business Expansion and Development

a) Investment and M&A

The Rakuten Group engages in merger and acquisition (M&A) activities, establishments of joint ventures, and investment activities both in Japan and overseas. Our aim is to move into overseas markets, gain new users, develop new services, expand our existing services and acquire related technologies. These activities are regarded as one of the important parts of our management strategies.

When acquiring a company, the Rakuten Group seeks to avoid risks as much as possible by conducting detailed due diligence concerning the financial position, contractual relationships, and other aspects of the potential acquisition.

However, it is not always possible to carry out an extensive due diligence process because of circumstances that may surround individual acquisitions and time restrictions, and it is possible that contingent liabilities will be incurred or unrecognized liabilities will come to light after an acquisition. In addition, it is impossible to predict precisely how the characteristics of a newly created service will affect the business activities, financial performance, and financial condition of the Rakuten Group. It may also become impossible to proceed with the new service as anticipated due to changes in the business environment or other factors. In such cases, a greater-than-expected amount of time may be necessary for the recovery of the investment, or it may not even be possible to recover the invested capital, or an impairment of goodwill, etc. may be required. As a result, the business activities, financial performance, and financial condition of the Rakuten Group may be adversely affected. Furthermore, it is also possible that the integration of information systems and standardization of internal control systems with those of an acquired company may not be carried out successfully or that the executives, employees, and customers of an acquired company will be lost after the acquisition. In such cases, the business activities, financial performance and financial condition of the Rakuten Group may be adversely affected.

Also, for engagements in joint ventures and business alliances, the Rakuten Group seeks to avoid risks concerning operating partners as much as possible, through detailed investigations of their financial performance and condition, and in-depth prior discussion of future business plans and synergistic effects. However, if disagreements arise over the management policies of the two parties after the start of a service, there is a possibility that the anticipated synergistic effects will not be realized. In such cases, the business activities, financial performance, and financial condition of the Rakuten Group may be adversely affected, and a greater-than-budgeted amount of time may be necessary for the recovery of the investment, or it may not even be possible to recover the invested capital.

In addition, the Rakuten Group engages in investment activities targeting various companies including investments in venture enterprises. If anticipated revenues from such investments are not realized due to changes in the business environment and underperformance, the probability of recovering the invested capital deteriorates, and a part or all of the investments may become losses, affecting the business activities, financial performance, and financial condition of the Rakuten Group.

b) Overseas Business Expansion

Global expansion is one of the Rakuten Group's key strategies, and we are dynamically extending our existing business model into other countries with an aim to increase revenue opportunities. For example, we are extending our various services including EC to many regions including the Americas, Europe, and Asia. In addition, the Rakuten Group is gradually expanding cross-border services that allow users in Japan and overseas to purchase products and services from each other. The Rakuten Group will continue to expand their overseas service and R&D sites. We will also work to improve and expand our international services while strengthening collaboration amongst services in different countries.

Meanwhile, development of global services may entail a variety of risks, including differences in languages, geographical factors, regulations including legal and taxation systems, and supervision by regulatory authorities including autonomous regulatory bodies, economic and political instability, communication environment, and differing commercial practices. There are further risks that competition with rival companies that are globally active will intensify, and that the regulations of foreign governments and international organizations will change without prior notification, and risks of various types of non-compliance may arise due to insufficient promotion of Group policies. Moreover, in international expansion of services, when setting up these services, the Rakuten Group is likely to incur costs including costs for setting up corporations in other countries, recruitment costs, system development costs, costs for building a system for proper management of local operations, and recurring costs to adapt to revisions in laws and regulations for existing services. In addition, strategic changes in business models may require additional expenses, and group profits may come under pressure from these costs over time, and it will take time before new services start to generate stable sales.

For the purpose of responding to these risks, the Rakuten Group pays close attention to situations in each country and appropriately adapt to local laws and regulations, etc. while suitably establishing a compliance framework in each local Group Company to work towards legal compliance. In addition, when expanding services, the Rakuten Group rapidly launches new businesses and flexibly changes business models mainly by way of continuous performance management using KPIs and the improved efficiency of revenue structures attained by utilizing the "Rakuten Ecosystem", while seeking to reduce risks that may put pressure on the Rakuten Group's revenue by applying cost controls in a timely and appropriate manner. However, if these risks become real, mainly as a consequence of amendments to regulations or systems that may impact business models or changes in the competitive market environment, there is a possibility that greater-than-expected expenses may be incurred for response or that business continuity may become difficult, thereby forcing the Rakuten Group to suspend services and withdraw businesses. In such cases, the business activities, financial performance, and financial condition of the Rakuten Group may be affected.

c) Expansion of Area of Service

The Rakuten Group provides services in a variety of businesses, primarily the internet sector where technologies and business models change rapidly. In providing these services, the Rakuten Group has expanded areas in order to create new services and to construct business models in line with current trends. When the Rakuten Group launches a new service, it becomes exposed to risk factors specific to that activity, in addition to risking a considerable amount of upfront investments. It is also possible that the Rakuten Group will be affected by risk factors not listed in this section.

Further, the Rakuten Group may not be able to achieve results as initially expected, depending on the pace of expansion and the scale of growth of the newly entered market. In addition, the Rakuten Group may incur a loss due to the disposal and amortization of said business assets in cases such as the discontinuation or withdrawal of a service. When expanding the area of service, the Rakuten Group strives to reduce risks by taking timely and appropriate measures. However, if these risks become real, the business activities, financial performance and financial condition of the Rakuten Group may be adversely affected.

d) Risks Relating to Achievement of Growth Objectives

The Rakuten Group announced a management vision titled VISION2030 as of May 12, 2023. However, the implementation of growth strategies and the achievement of objectives outlined in this vision may be impacted by various risk factors and uncertainties detailed in "3. Business Risk and Other Risk Factors". Furthermore, this vision is based on a range of assumptions, including the understanding of economic and business environments at the time of its formulation. If these assumptions do not materialize as expected, it could potentially pose challenges to the execution of growth strategies and the attainment of objectives in the said vision, and this may affect the business activities, financial performance, and financial position of the Rakuten Group.

3 General Business Operational Risks

(1) Risks Pertaining to Information Security

Information security is one of the Rakuten Group's highest management priorities. We continually work to maintain and improve information security by adequately protecting and managing information. This includes the personal data of our valued customers and informational assets from our software and other information systems. The Rakuten Group Information Security & Privacy Committee is chaired by the Group CISO and convenes monthly to discuss major policies, report and make decisions on recent incidents. The major votes and reports made by the committee are reported and discussed at the Corporate Management Meetings and the Board of Directors.

1) Risks Pertaining to Personal Information

When users use any of the services provided by the Rakuten Group as represented by "Rakuten Ichiba", the Rakuten Group assigns the users Rakuten IDs. The Rakuten Group holds these data and engages in a wide range of businesses both in Japan and overseas. The Rakuten Group treats the Rakuten IDs as personal information linked to the users' names and addresses, and recognizes the Rakuten IDs as indispensable assets for business expansion, together with information assets consisting of various types of hardware, software, and other information systems of the Rakuten Group. Accordingly, the Rakuten Group makes it a top priority to enable all users to safely use the Rakuten Group's services and has established the information security management system (ISMS) with a view to developing information security systems and protecting personal information. In the businesses that handle payment cards, including credit cards, the Rakuten Group ensures thorough compliance with PCI DSS (Payment Card Industry Data Security Standard), an international standard for the security of card membership data.

In addition, when expanding businesses in each country, the Rakuten Group ensures thorough conformity with local laws and regulations related to personal information protection. In particular, with the aim to conforming to GDPR (General Data Protection Regulation), the Rakuten Group has introduced a world-class privacy protection standard known as the Binding Corporate Rules (BCR) and has received formal approval from the European data-protection organization.

In Japan, during the fiscal year ended December 31, 2023, we responded to the revised Japanese Telecommunications Business Act of 2022. In addition, some of the subsidiaries within the Rakuten Group operates in conformance with the Japan Industrial Standards (JIS Q 15001: [Personal Information Protection Management System - Requirements]), have been certified by external organizations as business operators that have developed systems to take appropriate measures to protect personal information, and have been granted the Privacy Mark.

However, privacy-related laws and regulations, etc. in each country, including laws and regulations related to personal information management, laws and regulations related to global data transfers, and laws and regulations related to information security, have been getting more and more sophisticated and complicated. Failure to respond to these in a timely and appropriate manner and consequent violations of those laws and regulations, etc. could develop to sanctions, fines, and business suspension orders by the administrative agency, and could give rise to reputation risks and may lead to operation suspension orders or disputes involving litigation. In addition, any failure to smoothly and appropriately respond to privacy-related laws and regulations or the industrial voluntary regulatory reinforcements could affect the data-utilizing businesses and revenue of the Rakuten Group.

For the purpose of avoiding the occurrence of these risks, the Rakuten Group has developed in-house rules, thoroughly publicized laws and regulations related to privacy, and implemented in-house training, together with the above-mentioned initiatives. In addition, the Rakuten Group works for the early detection of violation risks by establishing communication and consultation systems and strives to apply the contents of laws and regulations, etc. to information security systems and business operations in a prompt and appropriate manner through close cooperation between relevant departments and departments in charge of privacy. However, if these risks become real, the Rakuten Group's social credibility may be damaged, and the business activities, financial performance, and financial condition of the Rakuten Group may be affected, mainly due to the withdrawal of users and business partners and the accrual of compensation expenses.

2) Risks Pertaining to Cyber Security

Many of the Rakuten Group's services are provided by the use of telecommunications networks linked computer systems. Therefore, the Rakuten Group might be unable to ensure information system availability, information confidentiality or integrity due to reasons such as failure or defects affecting the hardware or software in the network or the computer system, computer viruses, phishing emails, or criminal activities such as external access to computer resources of the Rakuten Group using illegal methods. In such cases, there arises a possibility that illegal usage of the Rakuten Group's services, deletion or fraudulent procurement of important data and others might occur.

For the purpose of avoiding or lowering the occurrence of these risks, the Rakuten Group has strengthened monitoring systems and has taken a variety of technological and physical measures. However, if these risks become real, there are possibilities that the Rakuten Group's social credibility may be damaged, that users and business partners may withdraw, that compensation for damages, etc. may be demanded, and further, that the Rakuten Group may be subject to administrative penalties, etc., from administrative authorities. In such cases, the business activities, financial performance, and financial condition of the Rakuten Group may be affected.

3) Risks Pertaining to Trade Secrets and Other Information Leaks

The Rakuten Group is subject to the risk that trade secrets or other information of the Rakuten Group will be leaked mainly as a consequence of defects in the course of operations by officers, employees, subcontractors and others, or the abuse of access rights. If a resulting leaked trade secret is abused by external third parties or is used by competitors, there is a possibility that the Rakuten Group's income opportunities will be lost. For the purpose of avoiding or lowering the occurrence of these risks, the Rakuten Group has strengthened monitoring systems by developing management structure and has taken a variety of technological and physical measures, in addition to providing education and enlightening teaching activities for officers, employees, subcontractors and others. However, if these risks become real, there are possibilities that the Rakuten Group's social credibility may be damaged, that users and business partners may withdraw, that compensation for damages, etc. may be demanded, and further, that the Rakuten Group may be subject to administrative sanctions, etc., from administrative authorities. In such cases, the business activities, financial performance, and financial condition of the Rakuten Group may be affected.

(2) Risks Pertaining to using Generative AI services

There are risks such as leakage of personal information, data falsification, intellectual property infringement, spreading false information, and encouragement of unintentional bias that are of concern due to the promotion of using Generative AI in all of the Rakuten Group's services. To avoid or mitigate these risks, we create, operate, and constantly review guidelines for the use of Generative AI, as well as introduce technical measures. At the same time, we have established a compliance system for the use of Generative AI. We conduct company-wide education and training and frequently review corresponding applications to flexibly respond to rapidly evolving technological and social circumstances. By taking all possible measures promptly and continuously, we strive to eliminate or mitigate the possibility of a loss of trust and social credibility from users and business partners. However, if these risks become real, there are possibilities that the Rakuten Group's social credibility may be damaged, that users and business partners may withdraw, that compensation for damages, etc. may be demanded, and further, that the Rakuten Group may be subject to administrative sanctions, etc., from administrative authorities. In such cases, the business activities, financial performance, and financial condition of the Rakuten Group may be affected.

(3) Risks Pertaining to Information System

Many of the Rakuten Group's services are provided by the use of telecommunications networks linked computer systems. The Rakuten Group seeks to make the most up-to-date responses using state-of-the-art technologies as much as applicable, and thereby endeavors to operate telecommunication networks normally so as not to impede the provision of services. However, there lies the possibility that even these measures will create vulnerabilities or deficiencies in the Rakuten Group's information system due to reasons such as failure or defects affecting the hardware or software in the telecommunication network or the computer system. In addition, there lies the possibility that troubles might occur in the provision of normal services stemming from human operational errors, or that illegal usage of the Rakuten Group's services, deletion of important data, and fraudulent procurement, falsification or leakage of confidential information, etc. might occur.

For the purpose of avoiding or lowering the occurrence of these risks, the Rakuten Group has strengthened monitoring systems and has taken a variety of technological and physical measures. However, if these risks become real, there are possibilities that incidents, such as a temporary suspension of the Rakuten Group's system, will occur, that users and business partners will lose confidence and withdraw, or that users and business partners will demand compensation for damages, etc. for losses they have incurred due to system stoppage. In addition, there is a possibility that the Rakuten Group may be subject to administrative penalties, etc., from administrative authorities. In such cases, there are possibilities that the Rakuten Group's social credibility may be damaged, and that the business activities, financial performance, and financial condition of the Rakuten Group may be affected.

(4) Risks Pertaining to Regulatory Systems, etc.

1) Risks Pertaining to Laws and Regulations and Compliance

The Rakuten Group is engaged in a wide range of businesses both in Japan and overseas. In each country and region, there are various laws, regulations, and rules applicable to the Rakuten Group's business activities, including those mentioned in the FinTech segment and the Mobile segment, and business acts regulating specific industry or businesses such as telecommunications, transportation, funds transfer, as well as laws and regulations regarding protection of personal information and privacy, consumer protection, fair competition, anti-corruption, anti-money laundering, combating the financing of terrorism, combating proliferation financing, economic sanctions, environment, labor, crime prevention, disclosure, tax compliance, human rights, import and export, investment, and foreign exchange. Among them, the regulatory systems regarding digital platform operators, personal information management in each country, the global data transfer, and information security are recognized as the most important laws and regulations that particularly affect the Rakuten Group's business operations.

In the event of such violation of relevant laws and regulations, the administrative agency may order sanctions, surcharges, business improvement orders, business suspension orders, and license cancellations, etc., and there is a possibility that it may escalate into disputes, including impacts on reputation and litigation. In addition, new restrictions to the Rakuten Group's business activities due to the establishment or the amendment of related laws, regulations, guidelines or voluntary rules, and the strengthening existing regulations will potentially affect the business operations, financial performance, and financial position of the Rakuten Group.

The Rakuten Group considers compliance with laws and regulations as an important corporate responsibility. We have established a group-wide initiative to promote compliance under the leadership of the Chief Operating Officer (COO), the Chief Compliance Officer (CCO), and the Company Compliance Officers appointed according to the internal company system structure of the Rakuten Group. The status of such initiative is reported to the Rakuten Group Risk and Compliance Committee and the Board of Directors. Operational audit is carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President) and by the internal audit department of each of the Group Companies. In fields where business is expanding rapidly, there is an escalated risk of violations of laws and regulations, and misconduct by employees or subcontractors. We strive to ensure compliance by preparing internal regulations and manuals, conducting education, and monitoring the status of compliance.

Nonetheless, despite these efforts, compliance risks (including the risk that the views of the supervisory authorities and the Rakuten Group differ) and the associated risk of damaging the Rakuten Group's social credibility cannot be completely eliminated. If the Rakuten Group fails to address these risks, including in the situations attributable to the Rakuten Group and the business partners, administrative sanctions from administrative authorities as well as the financial loss and damages may affect the business activities, financial performance and financial condition of the Rakuten Group.

2) Risks Pertaining to Litigation, etc.

The Rakuten Group could be exposed to litigation and other claims, administrative penalties, or charges amounting to large sums if merchants, service providers, purchasers, service users, other users, or other related parties engage in illegal activities or get involved in disputes, if losses are incurred by these related parties as a result of system failures or other situations, or if any of the various regulatory restrictions imposed by the supervisory authorities are violated. As for mobile phones, e-book readers and other products sold by Rakuten Mobile, Inc. and Rakuten Kobo Inc., there is a possibility that product defects or other deficiencies may arise, which may cause the Rakuten Group to incur product liability or other obligations, in their positions as manufacturers or companies that entrust manufacturing to third parties. Furthermore, there is a possibility that litigation or other actions unpredictable at present may be filed due to new contingencies or business risks that have not yet become real, which may cause these companies to assume obligations to pay large sums to compensate for damages. Meanwhile, if the Rakuten Group's rights are infringed in some way by third parties or damaged by the actions of third parties, it is possible that the Rakuten Group will not be protected from the infringement of their rights or that substantial costs will be incurred due to litigation or other actions to protect those rights.

Although the Rakuten Group seeks to provide services in an appropriate and legitimate manner mainly through carrying out preliminary consultations with lawyers and other external specialists and authorities as needed, it is difficult to eliminate the possibility of all litigation, etc. If these risks become real, there are possibilities that special damages will accrue, depending on the details or amounts demanded in the litigation, etc., that the Rakuten Group's social credibility will be damaged, and that users and business partners will withdraw. Ultimately, the business activities, financial performance and financial condition of the Rakuten Group could be affected.

(5) Risks Relating to Supply Chain

The Rakuten Group must procure and supply products in a timely manner. In the procurement and supply of products, there is the potential of loss of sales opportunities due to supply failures and delivery delays, as well as increased costs for recovery efforts, which may affect the Rakuten Group's ability to secure revenue, in the event that production and logistics stagnate due to geopolitical risks, natural disasters, epidemics, global wars, civil wars, riots, terrorism, cyberattacks, strikes, transportation accidents, etc.

In addition, the Rakuten Group outsources to other companies the maintenance and acquisition of customers, construction and maintenance of networks, and incidental work thereof, either in whole or in part. For this reason, when selecting clients, business partners, and subcontractors, we evaluate and select them according to the Instructions for Purchasing Consignment Management in the Rakuten Group, and the purchasing regulations of each company that are based on these instructions. At the same time, through procurement surveys based on the Rakuten Group Sustainable Procurement Instruction, we strive to reduce transaction risks by building a PDCA cycle that includes risk assessment, client screening, identification of issues, and holding interviews.

We have also established the Rakuten Group Sustainable Procurement Code of Conduct for Suppliers, which sets specific action guidelines such as compliance with laws, regulations and social norms, prohibition of corruption and bribery, promotion of fair and impartial transactions, and consideration for the environment for clients, business partners, and subcontractors. Based on these, we are working to build and strengthen favorable relationships with clients, business partners, and subcontractors based on fair, impartial, and highly transparent transactions.

However, despite these measures, if there are intentional or negligent legal violations, misconduct, or human rights violations in the course of business between subcontractors (including officers, employees, and related parties) and the Rakuten Group, it may affect the business development of the Rakuten Group. Since subcontractors handle the services and products of the Rakuten Group, if the credibility or corporate image of a subcontractor deteriorates due to events such as those described above, it may affect the business activities, financial performance, and financial position of the Rakuten Group.

(6) Risks Pertaining to Property, Plant and Equipment

The Rakuten Group owns property, plant and equipment such as equipment necessary for building a communication network in the mobile business. For these assets, we determine whether there are indications of impairment quarterly, and if there are indications of impairment, we estimate the recoverable value of the assets. We use future cash flow forecasts and other methods to estimate the recoverable amount, and an impairment loss is recognized when the recoverable amount is lower than the carrying amount of an asset. If future cash flows are expected to decline due to changes in the business environment in the future, the financial performance and financial condition of the Rakuten Group could be affected.

(7) Risks Pertaining to Intangible Assets

1) Risks Pertaining to the Preservation and Promotion of the Rakuten Brand

The Rakuten Group is striving to establish the Rakuten brand through a variety of services and advertising activities, and recognizes that it has gained a certain level of recognition among its users and others. In line with the further expansion of the scale of businesses, the Rakuten Group is proceeding with the integration of various brands into the Rakuten brand, and integrating member IDs by unifying membership databases and developing a common reward program. Although the Rakuten Group has developed a thorough plan in advance regarding measures and expenses for strengthening the brand to enhance its recognition and loyalty, expenses may exceed the plan if the measures fail to achieve the desired results. In addition, changes to brand names, logos and member IDs, which are conducted as part of the process of the above measures, could lead to loss of loyalty among existing members or cause them to withdraw from member organizations. Moreover, measures of each service brand will affect all Group Companies due to the integration of brands under the Rakuten brand. Therefore, the reliability and brand value of the Rakuten Group may be damaged in the event where incidents are discovered for one of its service brands, and could have adverse effects on all Group Companies. In such cases, the business activities, financial performance, and financial condition of the Rakuten Group could be affected.

2) Risks Pertaining to Intellectual Property

Since all of the businesses developed by the Rakuten Group face rapid progress and changes in technological fields, the Rakuten Group considers that, for their continuous business operations, it is indispensable to protect their technologies, brands, contents in the countries where they proceed with business development. To that end, the Rakuten Group strives to acquire patent rights, trademark rights, copyrights, domain names and other intellectual property rights, along with acquiring licenses for intellectual property rights from third parties as necessary.

However, there is a possibility that the Rakuten Group will be unable to protect their technologies, brands and contents used by the Rakuten Group without being able to acquire intellectual property rights as expected. Furthermore, there are possibilities that allegations of infringements of intellectual property rights, etc. raised by third parties will cause expenses or losses to accrue for defense against allegations or dispute resolutions, a large amount of expenses mainly for acquiring licenses for intellectual property rights will be accrued, and that the Rakuten Group's businesses will be suspended and a large amount of compensation for damages will be imposed.

For the purpose of avoiding the occurrence of these risks, the Rakuten Group is proactively acquiring intellectual property rights such as patent rights, trademark rights, copyrights and domain names, and implementing countermeasures to avoid infringements of the intellectual property rights of third parties. However, if these risks become real in spite of these countermeasures, the business activities, financial performance, and financial position of the Rakuten Group could be affected.

3) Risks Pertaining to Human Resources

The Rakuten Group requires human resources with specialized skills and diversity relating to individual service segments. As the Rakuten Group expands its activities and develops their business internationally, it is necessary to continue the global recruitment and training of personnel and realize diversity. Furthermore, in light of Japan's declining birthrate, aging population, and declining working population, the Rakuten Group recognizes that they must continuously address issues such as recruitment activities responsive to changes in market needs, improvement of productivity, the retention of employed human resources, and the training of manager-class employees.

The Rakuten Group checks monthly personnel plans, diversifies recruitment channels and increases the number of recruiters while closely watching changes in those plans, and conducts recruitment activities accordingly. In addition, the Rakuten Group is seeking to strengthen human resource training and engagement mainly by implementing education and training activities tailored to the job ranking of employed human resources. In the training of manager-class employees, the Rakuten Group creates opportunities for the Group's manager class employees to share their opinions with each other at leadership summits, etc., thereby reinforcing Group-wide cooperation and leadership. Notwithstanding these measures, if the Rakuten Group is unable to proceed with employment as planned due to escalating competition for human resources among competitors, and if efforts to train human resources and develop work environments that enable various kinds of human resources to play active roles do not proceed smoothly, and thus there is an exodus of existing staff, there are possible risks of labor shortages and decreased labor productivity. In such cases, the business activities, financial performance, and financial position of the Rakuten Group could be affected.

In addition, Hiroshi Mikitani, the Chairman, President and Representative Director of the Company, is the founder of the Rakuten Group, has taken part in the Group's management as the CEO since the Company's foundation, and thus plays an important role. Therefore, if he were to unexpectedly resign or become incapable of performing his duties, the Rakuten Group could be affected. The Rakuten Group has set up an in-house company system, has assigned a company president for each company based on an authority table, has adopted an Executive Officer System, and thereby appropriately transfers the authority of business execution. The Rakuten Group also trains human resources who are capable of leading a wide range of the Group's business development globally, and reduces the risks that would arise in the event that Hiroshi Mikitani were to resign or become incapable of performing his duties. However, if these risks surface, the business activities, the financial performance, and financial position of the Rakuten Group could be affected.

(8) Risks Pertaining to Market Risks

1) Risks Pertaining to Interest Rate Fluctuations and Fluctuations in the Prices of Securities, Money Trusts, etc.

The Rakuten Group, Inc. and its subsidiaries, namely Rakuten Card Co., Ltd., Rakuten Bank, Ltd. and Rakuten Securities, Inc., procure funds from banks, etc. necessary for the business activities, and the procurement of these funds for the business activities are exposed to the effects of interest rate fluctuations.

In addition, the Rakuten Group holds substantial amounts of financial products, including securities and money trusts. These securities, etc. are exposed to potential fluctuations in their prices mainly due to the trends of financial instrument markets. Although the Rakuten Group utilizes derivative transactions, etc. for some securities, etc. in order to reduce price fluctuation risks, there is no guarantee that the aforesaid risks will be reduced or completely avoided. For this reason, the business activities, financial performance, and financial position of the Rakuten Group could be affected by price fluctuations in the financial instrument markets.

2) Risks Pertaining to Exchange Rate Fluctuations

In foreign currency-denominated investments and the transactions in foreign currencies executed by the Rakuten Group, it is our policy to avoid exchange rate risks as much as possible, while closely observing economic trends. However, it is difficult to completely eliminate the impact of foreign exchange as the Rakuten Group translates items denominated in local currencies into Japanese yen for the business performance, assets and liabilities pertaining to foreign operations when preparing its Consolidated Financial Statements. For this reason, the business activities, financial performance, and financial position of the Rakuten Group could be affected by movements in foreign exchange rates.

(9) Risks Relating to Finance and Funds

1) Risks Relating to Financing

Loan contracts and corporate bonds, etc. that the Rakuten Group has concluded with financial institutions, etc. may contain financial covenants and other pledge matters. If any of the covenants are violated due to a deterioration in the financial performance, financial position or credit rating of the Rakuten Group, financial institutions, etc. may require full repayment of existing debt or corporate bonds, increases in interest rates or commission rates, provision of collaterals under these clauses, as well as repayment of other debts. There is no guarantee that the Rakuten Group will be able to procure funds on favorable terms, and in a timely manner under certain circumstances, such as if the Rakuten Group's credit status deteriorates and the credit rating by credit rating agencies is lowered, or if fund procurement circumstances deteriorate at financial institutions, etc. mainly due to the situations of financial markets, thereby affecting the lending terms, bond issuance terms, etc. of the Rakuten Group. Such situations could have a limitation effect on the development of the Rakuten Group's services. The Rakuten Group engages in fundraising through the securitization of monetary receivables, such as credit card receivables from Rakuten Card Co., Ltd. and telecommunication receivables from Rakuten Mobile, Inc. However, if circumstances arise that make the continuation of these activities challenging or if transaction conditions worsen, the business activities, financial performance, and financial condition of the Rakuten Group may be affected. The Rakuten Group seeks to reduce these risks as much as possible mainly by means of maintaining favorable business relations with financial institutions, rating agencies, capital markets, etc., and diversifying funds sources and fund-raising methods. If, however, these risks surface, and if financial markets become unstable, the business activities, financial performance, and financial position of the Rakuten Group could be affected. In addition, corporate bonds issued by the Rakuten Group may have an optional early redemption date that can be redeemed early at the Group's discretion. It is the Rakuten Group's policy to conduct early redemption on the optional early redemption date to maintain a good relationship with the capital market. However, if for any reason the Rakuten Group decides not to make early redemption on the optional early redemption date, or if early redemption is restricted by any financial covenants, it may adversely affect the terms and conditions of future securities issuance, and the business activities, financial performance, and financial position of the Rakuten Group could be affected. Furthermore, the terms of the corporate bond issuances may include provisions that restrict dividends and share repurchases of common stock that exceed the dividend levels of comparable publicly listed companies, which could potentially affect dividend payments or share repurchases. Additionally, in the event that the Rakuten Group issues preferred shares and the dividend payment on the preferred shares is restricted for any reason, dividend payments on common shares may be affected. The Rakuten Group will strive to minimize such risks by maintaining good business relationships with financial institutions, rating agencies and capital markets, dispersing procurement sources, diversifying procurement methods. However, in the event that such risks may become apparent or instability in the financial markets, the business activities, financial performance, and financial position of the Rakuten Group could be affected.

2) Risks Relating to Deferred Tax Assets

The Rakuten Group and some of its subsidiaries currently recognize future tax benefits as deferred tax assets, in accordance with IFRS. The Rakuten Group recognizes recoverable deferred tax assets in consideration of future taxable income and exercisable tax planning. However, if the Rakuten Group becomes unable to recover part or all of their deferred tax assets based on downward revisions on estimates of future taxable income, or due to tax reform or changes in accounting standards, the financial position and financial performance of the Rakuten Group would be affected by the consequent reduction in the value of said deferred tax assets.

(10) Risks Relating to Natural Disasters and Other Crisis Events

Natural disasters such as earthquakes, typhoons, and tsunamis, as well as pandemics, largescale accidents, terrorist attacks, riots, and other unanticipated crisis events could affect the business activities, financial performance, and financial position of the Rakuten Group.

In the event of these disasters and crisis, the economic activities of society as a whole may stagnate and the demand for services provided by the Rakuten Group may decrease significantly. Or contrarily, the need for such services may rapidly surge, depending on the nature of the disaster, and if it exceeds the Rakuten Group's operational handling capabilities, service operations could be delayed or temporarily suspended. In addition, the Group's sales and distribution bases, data centers, and other major bases may directly or indirectly incur damage caused by such disasters and crisis events. In such a case, due to the physical and personal damage, the telecommunication networks, information systems, etc. may not operate normally, limiting the Group's business activities, and causing unavoidable suspension of services. In addition, for the purpose of ensuring the safety of officers and employees, the Rakuten Group could be compelled to change operating formats, for example, by restricting or suspending commuting. This may reduce business productivity and temporarily raise risks related to information security and privacy protection.

The Rakuten Group has formulated the business continuity plans (BCP) in preparation of such disasters and crisis events, securing the safety of our officers and employees mainly through training and assuming to set up back-up systems for our information systems, and as such, seeks to minimize the impact of risks. However, if the scale of a disaster or crisis exceeds our assumptions, these risks may become real and business continuity itself may become difficult or jeopardized. In such cases, the business activities, financial performance and financial position of the Rakuten Group could be affected.

(11) Risks Pertaining to Climate Change

Please refer to "2. Approach to Sustainability and Related Initiatives 2. Material Topics (3) Addressing Global Challenges (Climate Change)".

(12) Administrative Operation Risk

1) Risks Pertaining to Financial Reporting

In an effort to prepare highly reliable financial statements, the Rakuten Group designed and is operating their internal controls systems in relation to financial reporting and conducted assessments in accordance with internal control reporting requirements under the Financial Instruments and Exchange Act. However, should material defects occur, such as when the internal controls of the Rakuten Group fail to function properly or internal fraud cannot be prevented, the Group's social credibility could be damaged, users and business partners could withdraw, and the business activities, financial performance and financial position of the Rakuten Group could be affected.

2) Risks Pertaining to Business Efficiency

The Rakuten Group implements numerous measures to increase the accuracy and efficiency of work operations. In particular, the Rakuten Group is working on improvement activities that engage the participation of all employees, utilizing various information systems in conducting their businesses, implementing double-checking systems that enforce sufficient checks of operation details by employees other than those parties responsible for the operation, standardizing and documenting internal rules and administrative procedures, etc. However, there are certain operations for which specialized information systems have not been introduced and which are entrusted to manual handling, and defects in administrative procedure may occur due to misrecognition by company officers and employees, incorrectly performed operations and other factors. Furthermore, it is possible that as a result of an increase in administrative work and the expansion of new services in conjunction with the Rakuten Group's rapid expansion that sharing and transfer of required expertise for business execution would be inadequate. As a result, there may be increased defects in administrative procedures and lower productivity, which could hinder the stable provision of services and lead to economic losses and outflows of personal information, etc., and the business activities, financial performance, and financial position of the Rakuten Group could be affected.

(13) Risks Pertaining to Reputation

A wide range of news and information related to the Rakuten Group's businesses, officers and employees are spread across various news outlets, including social media. In the event that such publicity and information were based on incorrect information or speculation, it could possibly affect the perception or actions of users of the Rakuten Group's services and their investors, regardless of the accuracy of such publicity and information or involvement of the Rakuten Group.

In the event there arises indefinite information that could have a serious influence on the Rakuten Group's stock price, the Group will immediately disclose its opinion about the indefinite information according to an alert issued by the Tokyo Stock Exchange, and disclose appropriate information to capital markets so that investors can evaluate the Rakuten Group's stock based on accurate information. At the same time, the Rakuten Group endeavors appropriately share information through the corporate website. However, news reports and the further dissemination of indefinite information could possibly damage the Rakuten Group's social credibility as a result, and thereby incur the withdrawal of users and business partners. In such cases, the business activities, financial performance, and financial position of the Rakuten Group could be adversely affected.

4 Business Segment-Specific Operation Risks

(1) Internet Services Segment

1) Marketplace Services

The fundamental format of internet shopping malls such as "Rakuten Ichiba", accommodation booking services such as "Rakuten Travel", and online cash-back services such as "Rakuten Rewards" is to provide venues for trading.

The Rakuten Group is not party to trading contracts, and the rules for these marketplaces stipulate that the Rakuten Group will incur no liability in the event of disputes between sellers, service providers and purchasers, and that disputes must be settled between the parties. However, to ensure a sound venue for trading through our marketplace services, the Rakuten Group voluntarily strives to eliminate counterfeit goods or other goods that infringe on rights. Specifically, we clarify rules through guidelines for marketplace products, carry out product screening in advance, conduct regular monitoring, and have set up contact points for the reporting of issues from outside the company. However, if users of our marketplace services engage in activities that defame third parties or infringe their rights, including their intellectual property rights and privacy rights, or if they engage in illegal activities, such as fraud, the resulting liabilities could affect not only the parties responsible for the actions that caused the problem, but could also affect the Rakuten Group as the venue provider. The brand image of the Rakuten Group could also be damaged.

In recent years, platform business, including marketplace services, have made it easier to achieve network effects and leverage economies of scale. It has been pointed out that this creates an environment conducive to incidents of unfair business practices, including abuses of dominant bargaining positions, and to other incidents that violate the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. As previously stated, the Rakuten Group provides sellers, service providers and purchasers with sound and reliable venues for trading and strive to maintain healthy relationships between them. As indicated in "3. General Business Operational Risks, (4) Risks Pertaining to Regulatory Systems, etc., 1) Risks Pertaining to Laws and Regulations and Compliance", the Rakuten Group considers compliance with laws and regulations as an important corporate responsibility, have created a compliance management system, consult with lawyers and other experts as necessary, engage in discussions with supervisory agencies, and enforce strict legal and regulatory compliance. However, despite these efforts, the potential for violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade due to differences between the views of the Japan Fair Trade Commission and the Rakuten Group cannot be completely eliminated. If a cease and desist order, etc. is received from the Japan Fair Trade Commission as stipulated in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, not only could this prevent the implementation of planned measures, but it would also have the potential to damage the Rakuten Group's social credibility and affect the business activities, financial performance, and financial position of the Rakuten Group.

The Rakuten Group strives to continue to provide a system that is convenient and reliable, and to provide marketplaces that are highly attractive to customers. If these efforts do not produce the results expected of them, the number of sellers and service providers could fall, and this may affect the Rakuten Group's business activities, financial performance, and financial position.

2) Direct Selling Services

The Rakuten Group has service categories that involve the direct selling of goods and services to general consumers, such as "Rakuten 24", "Rakuten Books", and "Rakuten Fashion". In these categories, the Rakuten Group is a party to sales contracts, and is therefore liable for the quality and content of goods and services. When selling goods or providing services, the Rakuten Group takes all possible steps to ensure compliance with relevant laws and regulations. However, if a defective product is sold or a defective service is provided, the Rakuten Group could become subject to actions by supervisory agencies. The Rakuten Group could also incur costs resulting from product recalls, liability for damages or other consequences. There could also be damage to trust among customers, leading to a decline in sales. This may affect the business activities, financial performance, and financial position of the Rakuten Group. In addition, although the Rakuten Group controls the purchasing and inventory of some products in accordance with demand forecasts created using data, if the anticipated demand does not appear or if product prices considerably decline due to technological innovation or competing products, a write-off of products accounted for as inventory may need to be recorded in the Rakuten Group's financial accounts. This may affect the business activities, financial performance, and financial position of the Rakuten Group.

3) Logistics Business

The Rakuten Group is focused on the improvement of delivery and shipping quality through measures including an expansion of the logistics agency service for clients, in order to further enhance the satisfaction of users and clients, who are sellers or service providers, of services such as "Rakuten Ichiba".

In the logistics business, the Rakuten Group faces the risk of distribution center operations being interrupted by system failures, accidents within distribution centers, the spread of infectious diseases including COVID-19 within the logistics network, or natural disasters. The Rakuten Group has implemented measures to prevent system outages, implemented permanent measures for addressing the root causes of outages, established health and safety committees for ensuring safe operations within warehouses and during delivery, and created a risk management system that is prepared to handle natural disasters. However, if these measures prove insufficient, it may affect the business activities, financial performance, and financial position of the Rakuten Group. The Rakuten Group utilizes rental properties as facilities for expanding distribution centers and makes capital investments for equipment inside warehouses based on orders anticipated in the future. In addition to that, such expenditure could possibly become an upfront investment since it takes a certain period of time to build such facilities and start operations. If procurement costs for fuel, materials, and labor, etc. increase, or revenue from logistic agency service falls below the forecast due to failure to achieve the initially anticipated order volume, and we are unable to make up for the upfront investment, the business activities, financial performance, and financial position of the Rakuten Group could be adversely affected. Furthermore, the disposal or amortization of said business assets in the case of transfer or discontinuation of such facilities may affect the business activities, financial performance, and financial position of the Rakuten Group.

4) Advertising Business

Net sales in digital advertising-related business account for a certain percentage of overall Group sales. However, since the advertising market tends to be particularly susceptible to the impact of economic trends, budget allocation by advertisers may be lowered if the economy weakens, which could affect the business. In addition, the digital advertising field is particularly competitive due to the emergence of diverse advertising methods made possible through advances in technology allowing for numerous new entrants into the field.

Various laws and regulations, as well as privacy-related restrictions and changes may be applied to the technical methods such as those used by advertising distribution platforms, and these may result in a need to make changes to methods of delivering advertisement that were conventionally possible, as well as the need to engage in further technical development. With regard to the business environment, while the Rakuten Group is taking various measures in order to respond to this competition and change in the environment, including greater use of advertising on their own proprietary platforms and the development of technologies in the digital advertising field, if these measures are not sufficient, the Rakuten Group's services could lose their competitiveness and it may affect their business activities, financial performance, and financial position.

5) Content-Related Business

a) Entertainment Content Services

The Rakuten Group provides entertainment contents such as e-books, video streaming services, music streaming services and online ticket sales in the Internet Services segment. Due to the diverse nature of entertainment contents, fees such as minimum guarantee fees may be required from video licenses and licensors. If the revenue from the contents services falls below the costs of supply, or if the costs of acquiring usage rights exceed the forecast due to fluctuations in exchange rates when acquiring usage rights related to overseas contents, the revenue of this business segment may be adversely affected. When engaging in contract negotiations with licensers, etc., the Rakuten Group strives to use a sales proceed allocation model for licenser payments whenever possible, instead of minimum guarantee money. Furthermore, the Rakuten Group will continue to strive to secure revenue sources by holding entertainment content business-related events online in parallel to conventional offline events and achieving large-scale projects in cooperation with overseas and other promoters. At the same time, we will take preventive measures against system failures caused by increased traffic due to an increase in the number of online live viewers and heavy loads on servers. In addition, the Rakuten Group is using the "Rakuten Ecosystem" to engage in business that leverages synergy with the Group's mobile business through the easy access that the mobile handsets sold by Rakuten Mobile, Inc. provide to the entertainment content of the Rakuten Group, introduction of entertainment content services at sales counters, and implementation of various discount services. However, there is no guarantee that these measures will have the anticipated effects, and if they do not, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

b) Messaging Services

Our subsidiary Viber Media S.a.r.l. and its subsidiaries provide mobile messaging and VoIP services, advertising services, etc. accompanying them, that are widely deployed in Japan, as well as Europe and other regions overseas. They handle information such as communication contents in this service appropriately, in accordance with the laws and regulations regarding protection of personal information in Japan and other countries where they operate. However, as described in "3. General Business Operational Risks (3) Risks Pertaining to Information System" above, there is a possibility that the availability of information systems or the confidentiality and integrity of the information cannot be ensured due to malfunctions in systems that provide services, the impact of malware, or criminal acts such as unauthorized access by outside parties. As described in "2. Risks Associated with Management Environment and Strategies (1) Macro-economic Risks", if geopolitical risks such as regional conflicts and political clashes become reality, policy changes and regulations in specific areas may cause the impact of restrictions on the use of services provided by the Rakuten Group and advertising regulations, and other factors, which may lead to a decline in revenue. For the purpose of avoiding or lowering the occurrence of these risks, the Rakuten Group will strengthen monitoring systems and take a variety of technological and physical measures. Furthermore, we will continue to follow the political climate and observe the impact on revenue etc. with the establishment of a task force. However, if these measures prove insufficient, it may affect the business activities, financial performance, and financial position of the Rakuten Group.

(2) FinTech Segment

1) Risks Shared by FinTech Segment

a) Regulatory Requirements

Rakuten Card Co., Ltd., Rakuten Bank, Ltd., Rakuten Securities, Inc., Rakuten General Insurance Co., Ltd., Rakuten Life Insurance Co., Ltd., Rakuten Payment, Inc., Rakuten Edy, Inc. and other companies of the Rakuten Group that offers finance-related services (hereinafter "Group Financial Companies") are subject to and comply with the provisions of laws covering various industries, laws and regulations relating to financing activities, as well as the guidelines of supervisory agencies, and the rules imposed by autonomous regulatory bodies, such as financial instruments exchanges and industry organizations. If in the future, with respect to the permissions required to provide services, the Group Financial Companies are subject to license revocation or other actions for any reason, or if they are requested to suspend business operations, it may affect the business activities, financial performance, and financial position of the Rakuten Group. Furthermore, if the establishment and amendment of laws and regulations makes it easier for other companies to enter the market, or if the Rakuten Group's services become subject to stricter restrictions, the Group Financial Companies may need to incur unexpected additional costs or overhaul their business models in order to respond to intensified competition or stricter restrictions. If changes to or relaxation of laws and regulations have a favorable effect on the provision of said services, this could provide an additional boost to business operations, which could affect the business activities, financial performance, and financial position of the Rakuten Group.

In August 2021, the Financial Action Task Force (FATF) published the 4th Mutual Evaluation Report of Japan. The authorities in various countries, including the Japanese authorities, are strengthening measures based on requests from FATF and other organizations regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and the Rakuten Group is subject to various regulations when operating businesses in Japan and overseas. In order to comply with relevant laws, regulations, and rules, the Rakuten Group has established rules regarding AML/CFT as the basic policy of the entire Group, and performs operations and management based on these rules.

However, if the Rakuten Group fails to comply with relevant laws, regulations, and rules, or fails to adequately examine laws and regulations, there is a risk of administrative sanctions, penalties, or restrictions on operations, which could affect the business activities, financial performance, and financial position of the Rakuten Group.

The Group Financial Companies have built a Group governance framework that ensures the soundness and appropriateness of operations based on the guidelines of supervisory agencies, by establishing basic internal control policies, risk management rules, and other internal regulations, as well as establishing internal control systems by referring to the internal controls related to financial reporting under the Financial Instruments and Exchange Act. However, if there are any defects in the Rakuten Group's governance system, for any reason, and administrative sanctions are issued by a regulatory agency, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

b) Market

The business operations of each of the Group Financial Companies are subject to risks involving fluctuations in the market value of assets and liabilities. The Group Financial Companies appropriately implement Asset and Liability Management (ALM), but if market trends or other factors result in large changes in interest rates, it may affect the business activities, financial performance, and financial position of the Rakuten Group.

The Group Financial Companies also possess loan claims for individuals and corporations, government bonds, corporate bonds and other bonds. If the economic conditions deteriorate and the credit situation of debtors or bond issuers deteriorates significantly, the credit status of the loan claims and held bonds could fall and default of the principal and interest could occur. Furthermore, the recording of allowance for the loan claims and falling market values for held bonds could adversely affect the business activities, financial performance, and financial position of the Rakuten Group. The derivative transactions the Rakuten Group enter to hedge market risks, such as interest rate swaps, currency swaps, foreign exchange forward contracts, and options, are exposed to the risk of counterparty risk (the risk of the counterparty declaring bankruptcy and being unable to pay as contractually stipulated). To counter these risks, the Group Financial Companies perform investigations as necessary of the credit situation of the loan claims and held bonds, as well as counterparties to derivative transactions, and strive to respond promptly. However, if the response is not sufficiently rapid and these risks eventuate, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

For other market risks faced by all Group Companies, including the Group Financial Companies, please refer to "3. General Business Operational Risks (8) Risks Pertaining to Market Risks".

2) Risks for Individual FinTech Segment

There are also risks specific to individual business operations by Group Financial Companies. Matters that are considered especially important for investors when making investment decisions are described below. These risks are not mutually independent. When a situation arises, it can result in the simultaneous manifestation of multiple risks.

a) Rakuten Card Co., Ltd.

Rakuten Card Co., Ltd. provides member shop contract services for credit card settlements, and interchange fees from member shops constitute the source of revenue in these services. It may experience a decline in profit ratio from interchange fees or an outflow of member shops due to intensifying competition, but Rakuten Card Co., Ltd. will continue to reduce costs through improvement of business operation and work to develop services that meet customer needs. However, if these efforts do not produce the expected results, it may result in a decrease in the number of member shops or a deterioration in the profit margin of the commission business, which may affect the business activities, financial performance, and financial position of the Rakuten Group.

Deteriorating economic conditions could cause a decline in the profitability of underwritten guarantees due to an increase in personal bankruptcies and the number of heavily indebted creditors, a downturn in consumer spending and demand for Rakuten Card Co., Ltd. services, and an increase in receivables for claim. To address these risks, Rakuten Card Co., Ltd. performs appropriate credit management, but if the deterioration of economic conditions exceeds our assumptions, it may affect the business activities, financial performance, and financial position of the Rakuten Group.

Furthermore, fraudulent use of credit cards is increasing every year due to the increase in transaction volume brought about by the growth of cashless payment methods including credit cards. Rakuten Card Co., Ltd. has strengthened its system to prevent fraudulent use by issuing cards with card information written on the back, implementation of identity authentication service using SMS, and 24-hour monitoring. However, in the event of unauthorized use beyond expectations, it may have an effect on the financial performance and financial position.

b) Rakuten Bank, Ltd.

Rakuten Bank, Ltd., is subject to oversight by the Financial Services Agency in accordance with the Banking Law, the Financial Instruments and Exchange Act, and other relevant laws and regulations. It is required by laws and regulations to maintain a certain equity ratio and pay close attention to ensure that it maintains a sound financial position and its equity ratio does not fall below the minimum equity ratio. However, if a decline in its financial position causes its equity ratio to fall below the stipulated equity ratio, it could be subject to administrative sanctions by the Financial Services Agency, including the total or partial suspension of business activities. Furthermore, it engages in foreign exchange margin contracts as a registered financial institution, and engages in business operations while taking care to comply with the Financial Instruments and Exchange Act, other relevant laws and regulations, and the regulations of the Financial Futures Association of Japan, and to never engage in prohibited behavior. However, if these efforts and measures are insufficient, this could cause administrative sanctions, loss of trust among customers and affect the business activities, financial performance, and financial position of the Rakuten Group.

In addition, Rakuten Bank, Ltd., provides internet banking services, and customers are able to make withdrawal of savings at ATMs from ordinary deposit accounts, close time deposits, and transfer or remit funds to other financial institutions, etc. 24 hours a day, 365 days a year (excluding system maintenance time). A deterioration of the economic climate or unforeseeable circumstances that harm the reputation of Rakuten Bank, Ltd. or the Rakuten Group could cause deposit outflows to occur more rapidly than for other financial institutions. To address this risk, Rakuten Bank, Ltd., performs regular monitoring to prevent incidents from occurring and swiftly detect if incidents do occur, and conducts internal auditing as internal control measures. However, if these measures fail to produce the anticipated benefits, the business activities, financial performance, and financial position of the Rakuten Group could be affected.

Rakuten Bank, Ltd., also secures appropriate revenue and manages marketing costs, but if the business climate becomes more competitive and this causes a decline in loan interest rates, an increase in deposit procurement costs, high marketing costs, or if the Bank of Japan unexpectedly changes its policy interest rate, it may affect the business activities, financial performance, and financial position of the Rakuten Group.

Rakuten Bank, Ltd. does not have its own ATM network, so if its relationship with the other financial institutions with which it has concluded ATM utilization agreements deteriorates, or if there is an outage in these services and related systems, this could adversely affect the business activities, financial performance, and financial position of the Rakuten Group.

c) Rakuten Securities, Inc. and Rakuten Wallet, Inc.

Rakuten Securities, Inc. is registered as a financial instruments business in accordance with the Financial Instruments and Exchange Act, and is subject to the provisions of the Financial Instruments and Exchange Act, its Enforcement Order, and other relevant laws and regulations. Rakuten Wallet, Inc. is registered as a crypto-asset exchange service provider under the Payment Services Act and as a financial instruments business in accordance with the Financial Instruments and Exchange Act, and is subject to the relevant laws and regulations, including the above acts and enforcement ordinances. Each company accordingly performs regular monitoring, implements internal control measures such as internal auditing, and complies with laws and regulations. In addition, it is required by laws and regulations to maintain a certain equity ratio and strives to maintain a sound financial position. However, if its efforts fail to produce the anticipated benefits and its equity ratio falls below the stipulated equity ratio, it could be subject to administrative sanctions by the Financial Services Agency, including the total or partial suspension of business activities.

In order to secure appropriate revenue, Rakuten Securities, Inc. and Rakuten Wallet, Inc. perform trend studies of competitors and strive to maintain their revenue level. However, if the competitive environment intensifies, it will be necessary for us to expand products and services that can serve as new sources of revenue. If these efforts do not produce the expected effects, it will be detrimental to the company's profitability. In addition, if changes to the monetary policy of various countries trigger turmoil or stagnation of financial markets that cause deterioration of investor sentiment, the company's commission earnings may decrease significantly, which may affect the business activities, financial performance, and financial position of the Rakuten Group.

Rakuten Wallet, Inc. takes measures such as requiring two-factor authentication as a countermeasure against the risk of cyber-attacks. However, it is constantly exposed to the risk of cyber-attacks, and there is a possibility of crypto asset outflows occurring. If such risks materialize, it may affect our business, operating results, and financial condition.

d) Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd.

Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. are subject to oversight by the Financial Services Agency in accordance with the Insurance Business Act and other relevant laws and regulations. The Insurance Business Act and other relevant laws and regulations, whose primary objective is the protection of policyholders, place restrictions on scopes of business and asset management methods and stipulate regulations concerning the accumulation of reserves and the maintaining of solvency margin ratios, etc. As an index to understand financial soundness more accurately, Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. have introduced the Economic Solvency Ratio (ESR). Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. have created internal regulations, etc., defined risk tolerance with regard to solvency margin ratios and the ESR, and carry out monitoring and management, establishing a system capable of responding to situations as necessary. However, if administrative sanctions are issued by the Financial Services Agency because major discrepancies occur in business operation or asset management assumptions for any reason, resulting in a failure to properly maintain such ratios, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

Rakuten General Insurance Co., Ltd., sells insurance products such as automobile insurance and fire insurance. Rakuten Life Insurance Co., Ltd., sells insurance products such as term insurance and health insurance. Their primary sources of revenue are insurance premiums paid by policyholders and earnings from the management of assets using such revenue as a source of funds. They carry out various measures aimed at increasing product sales and strive to improve their policy renewal rates. However, if factors such as declines in the economic climate cause the number of in-force contracts to decrease dramatically due to a lower number of new contracts and an unexpected increase in cancellations, this may affect the business activities, financial performance, and financial position of the Rakuten Group. With regard to asset management, Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. strive to manage risk appropriately by managing monetary limits for risks based on risk tolerance. However, if the amount of price fluctuation for owned foreign and domestic securities, etc., exceeds our assumptions, this may affect the business activities, financial performance, and financial position of the Rakuten Group.

In addition, Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. utilize reinsurance and hold a catastrophe reserve, etc., in preparation for large-scale natural disasters or pandemics, but the business activities, financial performance, and financial position of the Rakuten Group may be affected if the frequency or scale of insurance claim payments exceeds forecasts.

e) Rakuten Payment, Inc. and Rakuten Edy, Inc.

Rakuten Payment, Inc. and Rakuten Edy, Inc. provide cashless payment services such as QR code payment, electronic money payment, and point payment. Rakuten Edy, Inc. is registered as an issuer of prepaid payment instruments and funds transfer service provider based on the Payment Services Act. They are subject to the relevant laws and regulations, including the above acts and enforcement ordinances. In particular, for prepaid payment, it is mandatory to secure a guarantee deposit of at least half the unused balance on reference date. In the case of fund transfer business, it is required to maintain a performance guarantee deposit of over 100% of funds in transit that are currently being held. We are implementing the preservation of customer assets in accordance with the contents stipulated by laws and guidelines for the preservation of customer assets. However, if they violate laws covering relevant industries for any reason, they could be subject to administrative sanctions by the Financial Services Agency, including the total or partial suspension of business activities, and this may affect the business activities, financial performance, and financial position of the Rakuten Group.

If the cashless payment service-related systems used by Rakuten Payment, Inc. and Rakuten Edy, Inc. suffer an outage or unauthorized access, it could harm the reputation of the company and the Rakuten Group and the trust placed in their security, and could lead to the withdrawal of users and business partners. In addition, using cashless payments has gained recognition and frequent use in Japan, and has come to be acknowledged as part of the social infrastructure like credit cards, which commands even higher reliability. To prevent cashless payment system outages and unauthorized access, Rakuten Payment, Inc. and Rakuten Edy, Inc. strive to maintain system redundancies (creating backup systems) and enhance security, but if these measures fail to produce the anticipated benefits, the business activities, financial performance, and financial position of the Rakuten Group could be adversely affected.

(3) Mobile Segment

1) Mobile Business

a) Regulatory Requirements, etc.

The provision of the communication service by Rakuten Mobile, Inc. may be affected directly or indirectly by the revision or abolition of laws and regulations, security-related restrictions, business or investment licenses, etc., newly established policies, or by policy making, etc., relating to the telecommunications business in Japan and in countries in which Rakuten Mobile, Inc. plans to do business. Also, to ensure the efficient provision of telecommunications services, Rakuten Mobile, Inc. has concluded interconnection agreements providing for reciprocal connections between its telecommunications facilities and those of other telecommunications providers. Telecommunications carriers that own telecommunications facilities are, in principle, required to allow other providers to connect to those facilities. However, revisions to the Telecommunications Business Act, etc., could cause conditions to change in ways disadvantageous to this company, such as by the abolition or relaxation of this requirement, resulting in increased usage charges or interconnection charges.

The company collaborates with the Rakuten Group to keep close watch of trends in the revision and abolition of laws and regulations, or the establishment of new policies, etc., relating to the telecommunications businesses in Japan and in countries in which Rakuten Mobile, Inc. plans to do business. When appropriate, it consults in advance with lawyers, other outside experts, and authorities to acquire necessary information at an early stage and take appropriate measures such as promptly changing operation methods to conform to the relevant trends, and it monitors the implementation status of these measures. By implementing necessary measures in this way, it strives to reduce risk, but it is difficult to perfectly predict when said risks will manifest, and there is no guarantee that the risks can be completely avoided. Such revisions or abolitions of laws and regulations or establishment of new policies, etc. may restrict the provision of services by Rakuten Mobile, Inc. and may result in the incurring of unanticipated expenses. In addition, Rakuten Mobile, Inc. may be subject to administrative penalties, etc., from administrative authorities if it violates these laws and regulations, etc. In that case, the business activities, financial performance, and financial position of the Rakuten Group could be adversely affected through the decline of their credibility and restrictions on their business expansion.

Additionally, in response to the fraudulent incident involving former employees and business partners that came to light in 2022, Rakuten Mobile, Inc. and the Rakuten Group are conducting internal investigations, strengthening the internal management system, developing and promulgating internal rules related to procurement, and implementing thorough education about compliance. In this way, the Rakuten Group is working to prevent serious violations of laws and regulations, misconduct, and prevent recurrence of cases like this one. However, it is impossible to completely eliminate compliance-related risks, including those arising not only within Rakuten Mobile, Inc. and the Rakuten Group, but also from clients. If Rakuten Mobile, Inc. and the Rakuten Group cannot deal with these risks, then administrative sanctions from administrative authorities and the occurrence of financial loss and damage may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Rakuten Group.

b) Competition with Other Business Operators, Market and Business Environment

In this business market, price competition is arising with other Mobile Network Operators (MNO) and Mobile Virtual Network Operators (MVNO) who have solid customer bases. Furthermore, with the advancing homogenization of services provided by the business operators, the business environment is changing substantially, with the expansion of telecommunications operators providing services in business domains other than telecommunications for the purposes of securing new revenues. In this business environment, Rakuten Mobile, Inc. provides users with communication services that leverage the low-cost and high-speed communications environments it produces by using its unique, innovative technologies to create virtual wireless networks. It uses the "Rakuten Ecosystem" of the Rakuten Group for easy access to other attractive services offered by the Rakuten Group in order to differentiate itself from competitors and acquire new users. However, if, despite promoting these measures, Rakuten Mobile, Inc. cannot leverage the advantages of the Rakuten Group and, conversely, competitors both leverage their own existing advantages and roll out low-cost communication services, etc., it may be difficult for Rakuten Mobile, Inc. to acquire new users and maintain existing users, and Rakuten Mobile, Inc. and the Rakuten Group may be unable to provide services and related products as expected.

Under these circumstances, if, despite the aforementioned measures, Rakuten Mobile, Inc. and the Rakuten Group are unable to successfully compete with other telecommunications business operators, the planned number of subscribers and customer unit price may not reach planned levels and impede revenue contribution as planned, and our business activities, financial performance, and financial position may be affected.

c) Facilities and Equipment

In order to expand and improve the quality of Mobile Network Operator (MNO) service by Rakuten Mobile, Inc., it carries out discussions with landowners in order to set up base stations as well as transmission and switching telecommunications facilities, which will link telecommunications lines owned by other telecommunications businesses, along with the procurement of telecommunications and network equipment, and mobile handsets in required for the construction of the network. If these discussions, etc., do not progress as planned, Rakuten Mobile, Inc. and the Rakuten Group may not be able to expand services as planned, additional expenses may arise, and the sales of telecommunications equipment may decline, which may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Rakuten Group.

d) Stable Provision of Communication Services

Rakuten Mobile, Inc. recognizes its social mission of supplying communications, an element of social infrastructure, and strives to supply stable communication services. It has defined a basic policy on crisis management and formulated a business continuity plan (BCP) based on this policy. It engages in initial response in the event of a crisis and strives to continue core operations without interruption and swiftly restore normal operations, and has concluded agreements with local governments, building a collaborative system to prepare for large-scale disasters. At the same time, Rakuten Mobile, Inc. strives to improve network quality and security and implements countermeasures against external attacks. However, it is possible that telecommunications failures or other unforeseeable circumstances could occur due to external attacks such as cyberattacks significantly exceeding the forecasts of Rakuten Mobile, Inc., natural disasters, accidents, and the like. If these were to occur, Rakuten Mobile, Inc. could be forced to limit the services it provides or temporarily suspend service provision, which could adversely affect the business activities, financial performance, and financial position of the Rakuten Group.

On October 23, 2023, the company received certification from the Minister of Internal Affairs and Communications for the establishment plan for specified base stations to promote the spread of mobile communication systems in the 700MHz band called "Platinum Band". With this certification, the company will start building mobile networks using the 700MHz band and establish efficient base stations with low cost by utilizing the company's unique network technology and existing base station sites. We will prepare for the start of operation as soon as possible, considering various preparation schedules in the opening plan. However, if this plan cannot be realized according to the expectations of Rakuten Mobile, Inc., it may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Rakuten Group.

In addition, Rakuten Mobile, Inc. aims to realize mobile communication using low-orbit satellites, and as soon as it has obtained an experimental test station preliminary license for communication tests and preliminary verification, and has been granted an experimental test station license, it will conduct mobile communication tests and preliminary verification using low orbit satellites in Japan. Going forward, we will keep striving to expand the Rakuten line area and improve communication quality so that our customers can use comfortable and highly convenient communication services no matter where they are. However, depending on the results of the preliminary verification, it may not be possible to provide the service according to the originally planned schedule, which may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Rakuten Group.

e) Third-Party Alliances

Rakuten Mobile, Inc. is expanding its base stations as well as transmission and switching telecommunications facilities, but it uses the lines of other telecommunications providers (roaming providers) to offer services (roaming services). Since the full-scale launch of services in April 2020, the company has been gradually expanding the coverage of Rakuten line area. As of the end of September 2023, the 4G population coverage rate has reached 98.8%. Considering the situation of this area expansion, the company engaged in discussions with roaming partners to review the agreement terms and in April 2023, a new roaming agreement was reached. Currently, under this new roaming agreement, the company strives to provide stable service. However, if, for some reason, the roaming providers with which Rakuten Mobile, Inc. has entered alliances raise line usage fees or terminate the alliances, or if the telecommunications facilities of roaming providers can no longer be used due to natural disasters, Rakuten Mobile, Inc. may be forced to change the services it provides, or these situations may result in service provision outages. Such situations may affect the business activities, financial performance, and financial position of the Rakuten Group.

f) Global Business

Through Rakuten Symphony, Inc., the Rakuten Group provides infrastructure and platform solutions for 4G and 5G to the global market. Under a long-term partnership with 1&1 AG (headquartered in Germany), the two companies will build Europe's first fully virtualized mobile network based on the innovative Open RAN technology. However, the company's business model will take time to turn a profit, and the company is an organization that combines companies from multiple countries, so unexpected events such as the emergence of country risk may cause delay in the company's service development, and it may affect the business activities, financial performance, and financial position of the Rakuten Group.

Rakuten Symphony, Inc. aims to expand globally to serve government bodies, telecom operators, and enterprises, and strives to meet the expected product performance while controlling costs. However, if Rakuten Symphony, Inc. needs to change its development plans for reasons such as changes in technical or customer needs, and this increases the development workload, it could cause development delays. Failure to achieve service quality guaranteed to the customer may result in a claim for damages or legal disputes such as litigation on intellectual property. In addition, the need may arise to acquire a license for intellectual property rights from a third party. Due to these circumstances, if expenses are incurred at amounts higher than originally planned, it may affect the business activities, financial performance, and financial position of the Rakuten Group. In addition to business partnerships with strategic partners, the company is also considering accepting capital. If progress is not made as planned due to changes in the business environment, it may affect the business activities, financial performance, and financial position of Rakuten Symphony, Inc. and the Rakuten Group.

2) Energy Business

In its electric power retailing business, Rakuten Energy, Inc. procures power from the wholesale power trading market, and it is therefore subject to the risk of electric power procurement price fluctuations.

To prepare itself for the possibility of power procurement price fluctuations in the wholesale power trading market, Rakuten Energy, Inc. has concluded fixed rate power procurement contracts for some of the power it procures, and introduced a retail rate that is linked to the wholesale power trading price. However, there is no guarantee that the risk of power procurement price fluctuations can be completely avoided, and the business activities, financial performance, and financial position of Rakuten Energy, Inc. and the Rakuten Group may be affected in the event that Rakuten Energy, Inc.'s power procurement prices rise due to fluctuations in power trading prices in the wholesale power trading market.

4. Management Analysis of Consolidated Business Results, Financial Position and Cash Flows

(1) Status of Business Results

The Rakuten Group discloses consolidated business results in terms of both its internal measures which management relies upon in making decisions (hereinafter the "Non-GAAP financial measures") and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter "IFRS operating income") after deducting unusual items and other adjustments as prescribed by the Rakuten Group. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as share based compensation expenses and amortization of acquisition-related intangible assets.

The Rakuten Group has adopted IFRS 17 "Insurance Contracts" from the beginning of the three months ended March 31, 2023. As a result, figures for the FinTech segment for the fiscal year ended December 31, 2022 have been restated reflecting the cumulative effect of this accounting standard change as of the beginning of the previous fiscal year, being the date of transition. For further details, please refer to "V. Financial Information, 1. Consolidated Financial Statements,(1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 2. Significant Accounting Policies" .

(Note) For disclosure of Non-GAAP financial measures, the Rakuten Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

1) Business Results for the fiscal year ended December 31, 2023 (Non-GAAP basis)

The world economy picked up during the fiscal year ended December 31, 2023 despite weakness seen in some regions. Looking ahead, it will be necessary to pay attention to an increasing risk of economic downturn due to the impact from global monetary tightening and other factors. The Japanese economy, including personal investments and capital expenditures etc., is recovering moderately, although there are some recent signs of a slowdown, and going forward, it is expected that a moderate economic recovery will continue partly due to the effects of various government policies.

According to the "White Paper on Information and Communications in Japan" (Note), the amount of data used over networks in Japan has increased dramatically along with the advancement of communications infrastructure and the spread and diversification of digital services. Since the spread of COVID-19, digitalization has progressed, making contactless life possible, especially the amount of data used via mobile terminals, has increased significantly, and is expected to grow further in the future.

Under such an environment, the Rakuten Group is proactively developing and promoting the use of services that leverage advanced technologies such as AI and data both online and offline based on membership and a common loyalty point program. Rakuten Mobile was the first company in the world to introduce Open RAN that enables multi-vendor wireless access networks, including cell phone base stations, as well as vRAN, a virtualization technology, across its entire commercial network. In addition, Rakuten Symphony is proposing the architecture implemented by "Rakuten Mobile" to telecommunications companies around the world, as telecommunications carriers continue to innovate their network equipment configurations. Going forward, the Rakuten Group will continue to enhance its competitiveness by further evolving the Rakuten Ecosystem.

In the Internet Services segment, factors including various measures and sales promotion activities which sought to improve customer convenience and satisfaction for internet shopping mall "Rakuten Ichiba" successfully led to further retention of customers, even after the stay-at-home consumption amid the COVID-19 pandemic had run its course. In addition, continued steady recovery in demand for domestic travel and other factors resulted in continued growth in transaction value in domestic e-commerce services. In the FinTech segment, the customer base for each service has continued to expand, and the Rakuten Group achieved increases in revenue and profit in credit card related services, banking services, securities services, among others. In the Mobile segment, revenue increased year-on-year due to an increase in telecommunication fee revenues and other factors, and the segment loss steadily decreased accordingly.

As a result, the Rakuten Group recorded revenue of ¥2,071,315 million, up 7.8% year-on-year for the fiscal year ended December 31, 2023. It recorded a Non-GAAP operating loss of ¥153,041 million, compared to a Non-GAAP operating loss of ¥335,192 million in the previous fiscal year.

Note: Source: "2023 White Paper on Information and Communications in Japan" (Ministry of Internal Affairs and Communications)

(Non-GAAP basis)

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023	Amount Change YoY	% Change YoY
Revenue	1,920,894	2,071,315	150,421	7.8%
Non-GAAP operating loss	(335,192)	(153,041)	182,151	－%

2) Reconciliation of Non-GAAP Operating Income to IFRS Operating Income

For the fiscal year ended December 31, 2023, amortization of intangible assets of ¥13,564 million and share based compensation expenses of ¥14,318 million were excluded from the Non-GAAP operating loss. One-off items listed for the fiscal year ended December 31, 2022 were expenses associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use and estimated costs with regard to the fraudulent acts committed in collusion by former employees of a subsidiary and suppliers (moreover, the latter is included in other expenses of the Consolidated Statement of Income). One-off items listed for the fiscal year ended December 31, 2023 include an impairment loss on noncurrent assets of ¥15,922 million, associated with changes in the operation method of the online grocery delivery business, costs temporarily incurred due to the cancellation of base station construction etc. of ¥13,598 million, associated with changes to capital expenditure plans resulting from a review of roaming agreements in the mobile business, gains and losses resulting from the sale of all shares in Seiyu Holdings Co., Ltd., and fees paid to external experts and others such as legal fees related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers which came to light in the previous year.

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023	Amount Change YoY
Non-GAAP operating loss	(335,192)	(153,041)	182,151
Amortization of intangible assets	(8,657)	(13,564)	(4,907)
Share-based compensation expenses	(12,587)	(14,318)	(1,731)
One-off items	(15,176)	(31,934)	(16,758)
IFRS operating loss	(371,612)	(212,857)	158,755

3) Business Results for the fiscal year ended December 31, 2023 (IFRS basis)

For the fiscal year ended December 31, 2023, the Rakuten Group recorded revenue of ¥2,071,315 million, up 7.8% year-on-year, and an IFRS operating loss of ¥212,857 million, compared with an IFRS operating loss of ¥371,612 million in the fiscal year ended December 31, 2022, and a net loss attributable to owners of the Company of ¥339,473 million, compared with a net loss of ¥377,217 million in the fiscal year ended December 31, 2022, due to the impact of the reversal of deferred tax assets and other factors.

(IFRS basis)

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023	Amount Change YoY	% Change YoY
Revenue	1,920,894	2,071,315	150,421	7.8%
IFRS operating loss	(371,612)	(212,857)	158,755	－%
Net loss attributable to owners of the Company	(377,217)	(339,473)	37,744	－%

4) Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss is presented on a Non-GAAP operating income basis.
Effective from the three months ended March 31, 2023, subsidiaries and businesses belonging to the media & entertainment department were transferred from the Mobile segment to the Internet Services segment for the purpose of expanding the Rakuten Ecosystem, enhancing synergy effects, etc. In accordance with this change, segment revenue increased by ¥17,935 million and segment profit decreased by ¥13,573 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the fiscal year ended December 31, 2022.

(Internet Services)

In domestic e-commerce services, the mainstay of Internet services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenue by working on various initiatives, including winning new customers, promotion of cross-use of services, and developing services and revitalizing regional economies through deeper cooperation with local governments and regional businesses. In the internet shopping mall "Rakuten Ichiba", the various measures and sales promotion activities which sought to improve customer convenience and satisfaction successfully led to further retention of customers. Moreover, the online travel booking service, "Rakuten Travel", saw growth in transaction value compared to the fiscal year ended December 31, 2022, thanks to favorable sales promotion measures and other measures in line with the recovery in demand for domestic travel. In addition, sales in the advertising business continued to grow due to the growth in transaction value in domestic e-commerce services.
In other Internet services including overseas Internet services, strong sales growth continued in the US cashback service "Rakuten Rewards". In addition, in the investment business, investment profit and loss improved compared to the previous fiscal year, in the messaging and VoIP service "Rakuten Viber", there was a recovery seen in various sales, including telecommunication fee revenue and advertising revenue, and in the sports business, revenue increased as "Vissel Kobe" won the J1 League championship, which resulted in an increase in revenue compared to the fiscal year ended December 31, 2022 and contributed to an increase in segment profit.
As a result, revenue for the Internet Services segment recorded to ¥1,212,314 million, a 9.8% year-on-year increase, while segment profit stood at ¥76,831 million, an 18.9% year-on-year increase.

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023	Amount Change YoY	% Change YoY
Segment revenue	1,103,807	1,212,314	108,507	9.8%
Segment profit	64,630	76,831	12,201	18.9%

(FinTech)

In credit card related services, the cumulative total number of "Rakuten Card" issued surpassed 30 million in December 2023. In addition to an ongoing recovery in offline consumption, advancement continued in the popularization of cashless transactions due to increased demand for contactless services as spurred by a change in behavioral patterns amid the COVID-19 pandemic. The services continued to show strong growth, as demonstrated by the card shopping transaction value for the fiscal year ended December 31, 2023 having surpassed ¥20 trillion as a result of increased transactions both in and outside the various services of the Rakuten Group. There was also a substantial increase in transaction value for cashless payment services as a result of active initiatives to expand the range of locations where payment is available and provide a service that achieves a high level of satisfaction among both member shops and users.
In banking services, the number of savings accounts surpassed 14 million in June 2023 and the balance of deposits exceeded ¥10 trillion at the end of December of the same year, while in securities services, the total number of general securities accounts reached 10 million in December 2023, further expanding the customer base.
As a result, the FinTech segment recorded ¥725,165 million in revenue, an 11.2% year-on-year increase, while segment profit stood at ¥122,915 million, a 36.8% year-on-year increase.

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023	Amount Change YoY	% Change YoY
Segment revenue	651,944	725,165	73,221	11.2%
Segment profit	89,840	122,915	33,075	36.8%

(Mobile)

In mobile services, the number of subscribers for the mobile carrier service surpassed 5.96 million by the end of December 2023 (combined number of B2C and B2B MNO subscribers, excluding BCP. Surpassed 6.09 million when BCP is included) and revenue grew steadily compared to the fiscal year ended December 31, 2022 due to an increase in revenue from telecommunication fees and other factors. ARPU has demonstrated a rising trend in line with the increase in revenue from telecommunication fees. More specifically, we believe there is a room for further growth in B2C ARPU by expanding sales of optional services and advertising sales etc., in addition to continued growth in data usage, while improving B2B ARPU by expanding sales of solution services etc.

With regard to cost, we achieved a reduction of ¥15,000 million in operating expenses (network expenses and selling, general and administrative expenses, etc. excluding depreciation) alone in December 2023, compared to its highest level in fiscal year 2022, which had been one of our goals for cost optimization from the beginning. With regard to capital expenditure, with the conclusion of the new roaming agreement, we had significantly reduced our previous plan to approximately ¥200,000 million, but the result of capital expenditure for the fiscal year ended December 31, 2023 was ¥177,648 million.

As a result, the Mobile segment recorded ¥364,556 million in revenue, a 3.9% year-on-year increase. Although a segment loss of ¥337,524 million (compared to losses of ¥479,257 million in the fiscal year ended December 31, 2022) was recorded, the loss has contracted since its peak in the first quarter ended March 31, 2022.

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023	Amount Change YoY	% Change YoY
Segment revenue	350,734	364,556	13,822	3.9%
Segment loss	(479,257)	(337,524)	141,733	－%

5) Production, Order and Sales Status

(Production Results)

As the Rakuten Group provides various internet-based services as our main line of business, with no activities classified as production, no information is presented in respect of the production result.

(Order Results)

In mobile segment, the Rakuten Group provides Open RAN-based communication infrastructure platforms and services. Segment order results in the current fiscal year are as follows. In the other segments, our main business is providing various internet-based services, and we are not engaged in any make-to-order production, so no information is presented in respect of order results.

Name of business segments	Order amount (Millions of Yen)	Year-on-year (%)	Order backlogs (Millions of Yen)	Year-on-year (%)
Mobile	3,338	226.0	114,214	(18.3)

(Note)

Intercompany transactions with other segments are offset.

(Sales Results)

Segment sales results in the current fiscal year are as follows:

Name of business segments	Revenue (Millions of Yen)	Year-on-year (%)
Internet Services	1,212,314	9.8
FinTech	725,165	11.2
Mobile	364,556	3.9
Intercompany transactions, etc.	(230,720)	—
Total	2,071,315	7.8

(2) Management Analyses and Details of Examination of Business Results, etc.

The content of Management Analyses and Details of Examination of Business Results, etc. is as follows. All forward-looking statements herein are based on judgments by the Rakuten Group as of December 31, 2023.

1) Analysis of Business Results

(Revenue)

The Rakuten Group, for the fiscal year ended December 31, 2023, achieved revenue of ¥2,071,315 million, an increase of ¥150,421 million (7.8%) from ¥1,920,894 million for the previous fiscal year. This increase in revenue was driven by increased sales from domestic existing businesses represented by "Rakuten Ichiba" in the Internet Services segment, increases of commission income and other income in the FinTech segment owing to the expansion of the "Rakuten Card" membership base, rebound in demand for revolving credit payments and cash advances, alongside increased interest income due to the steady accumulation of assets under management in banking services, increases of commission income and financial income due to the steady accumulation of deposited assets in securities services, and an increase in communication fee revenue in the Mobile segment.

(Operating expenses)

Operating expenses for the fiscal year ended December 31, 2023, amounted to ¥2,234,959 million, a decrease of ¥19,898 million (0.9%) from ¥2,254,857 million from the previous fiscal year. This decrease was primarily due to various cost-cutting measures, including revised capital investments in base station equipment and roaming costs, etc. in the Mobile segment.

(Other income)

Other income for the fiscal year ended December 31, 2023, amounted to ¥10,272 million, an increase of ¥1,900 million (22.7%) from ¥8,372 million for the previous fiscal year. This increase was primarily due to recording a profit of ¥1,335 million from the liquidation of a business of a subsidiary, among other factors.

(Other expenses)

Other expenses for the fiscal year ended December 31, 2023, amounted to ¥59,485 million, an increase of ¥13,464 million (29.3%) from ¥46,021 million for the previous fiscal year. This increase was primarily due to recording an impairment loss of ¥15,922 million on fixed assets, associated with changes in the operation method of the online grocery delivery business, among other factors.

(Operating loss)

An operating loss was recorded for the fiscal year ended December 31, 2023, of ¥212,857 million, compared to an operating loss of ¥371,612 million for the previous fiscal year. This reduction in loss can be attributed to robust performance and increased revenue in the Internet Services, FinTech, and Mobile segments. Moreover, in the Mobile segment, the implementation of cost reduction strategies contributed to the substantial narrowing of the loss compared to the previous fiscal year.

(Share of income (losses) of investments in associates and joint ventures)

Share of losses of investments in associates and joint ventures for the fiscal year ended December 31, 2023, amounted to ¥13,731 million, compared to a share of losses of investments in associates and joint ventures of ¥2,548 million for the previous fiscal year. This was primarily due to recording an impairment loss of ¥6,498 million on the investment in Rakuten Medical, Inc., among other factors.

(Loss before income tax)

The loss before income tax for the fiscal year ended December 31, 2023, amounted to ¥217,741 million, compared to a loss before income tax of ¥415,612 million for the previous fiscal year. This decrease in loss was attributable to factors described under operating loss.

(Income tax expenses)

An income tax expenses for the fiscal year ended December 31, 2023, amounted to ¥111,794 million, compared to an income tax benefit of ¥35,368 million for the previous fiscal year. This was primarily due to considerations of the business environment and future performance trends, which led to the reversal of deferred tax assets, among other factors.

(Net loss)

As a result of the above, a net loss for the fiscal year ended December 31, 2023 amounted to ¥329,535 million, compared to a net loss of ¥380,244 million for the previous fiscal year.

(Net loss attributable to owners of the Company)

As a result of the above, a net loss attributable to owners of the Company for the fiscal year ended December 31, 2023, amounted to ¥339,473 million, compared to a net loss attributable to owners of the Company of ¥377,217 million for the previous fiscal year.

2) Analysis of Financial Position

(Assets)

Total assets as of December 31, 2023, amounted to ¥22,625,576 million, an increase of ¥2,223,295 million from ¥20,402,281 million at the end of the previous fiscal year. The main factors included an increase of ¥697,469 million in financial assets for securities business, an increase of ¥433,314 million in cash and cash equivalents, an increase of ¥379,329 million in loans for banking business, and an increase of ¥291,876 million in investment securities for banking business.

(Liabilities)

Total liabilities as of December 31, 2023 amounted to ¥21,537,853 million, an increase of ¥1,984,283 million from ¥19,553,570 million at the end of the previous fiscal year. The main factors included a decrease of ¥208,869 million in bonds and borrowings for credit card business, an increase of ¥1,313,731 million in deposits for banking business, and an increase of ¥742,050 million in financial liabilities for securities business.

(Equity)

Total equity as of December 31, 2023 was ¥1,087,723 million, an increase of ¥239,012 million from ¥848,711 million at the end of the previous fiscal year. The main factors included a decrease of ¥363,906 million in retained earnings due mainly to the recording of ¥339,473 million in net loss attributable to owners of the Company during the fiscal year ended on December 31, 2023, offset by increases of ¥152,708 million in common stock due to the issuance of new shares through public offering and third-party allotment etc., an increase of ¥187,734 million in capital surplus, an increase of ¥68,685 million in other components of equity due to changes in foreign currency translation adjustments affected by yen depreciation, and an increase of ¥193,791 million in non-controlling interests due to the stock listing and sale of the company's share of Rakuten Bank, Ltd., and an additional sale of shares of Rakuten Securities, Inc. etc.

3) Cash Flows

Cash and cash equivalents as of December 31, 2023 stood at ¥5,127,674 million, an increase of ¥433,314 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the fiscal year ended December 31, 2023 are as follows:

(Net cash flows from operating activities)

Net cash flows from operating activities for the fiscal year ended December 31, 2023 resulted in a cash inflow of ¥724,192 million (compared with a cash outflow of ¥262,068 million for the previous fiscal year). Main factors included a cash outflow of ¥403,585 million due to an increase in loans for banking business, a cash outflow of ¥242,487 million due to an increase in loans for credit card business, and a cash inflow of ¥1,307,958 million due to an increase in deposits for banking business.

(Net cash flows from investing activities)

Cash flows from investing activities for the fiscal year ended December 31, 2023 resulted in a cash outflow of ¥597,416 million (compared with a cash outflow of ¥948,289 million for the previous fiscal year). Main factors included a net cash outflow of ¥280,238 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥835,982 million due to purchases and a cash inflow of ¥555,744 million from sales and redemption), and a cash outflow of ¥193,829 million due to purchases of property, plant and equipment.

(Net cash flows from financing activities)

Cash flows from financing activities for the fiscal year ended December 31, 2023 resulted in a cash inflow of ¥291,956 million (compared with a cash inflow of ¥1,486,686 million for the previous fiscal year). Main factors included a cash outflow of ¥967,200 million in repayments of long-term borrowings for banking business, offset by a cash inflow of ¥1,223,400 million due to proceeds from long-term borrowings for banking business.

4) Recognition and Presentation of Revenues

For recognition and presentation of revenues, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 36. Revenue, (1) The Breakdown of Revenue".

5) Recoverability of Deferred Tax Assets

In terms of deferred tax assets, the Group Companies recognize all deductible temporary differences as well as all carryforwards of unused tax loss and tax credit, to the extent that there will likely be sufficient taxable income in the future to which they will be utilized. The Group Companies believe that their estimates of the assessment of the recoverability of deferred tax assets are reasonable and that recognized deferred tax assets are recoverable. However, as these estimates contain uncertainties beyond the Group Companies' control, if unforeseeable changes occur in the assumptions, which precipitate changes to the estimates relating to the assessment of recoverability, the Group Companies may reduce the deferred tax assets in the future.

6) Financial Assets Measured at Fair Value

For the financial assets measured at fair value, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 48. Fair Value of Financial Instruments".

(3) Asset Sources and Liquidity of Funds

1) Basic Policy on Financial Management

The Company's basic policy on financial management is to ensure stable and diverse means of procuring funds to meet funding needs in order to enable the realization of sustainable growth for the Rakuten Group, and to ensure sufficient liquidity in order to maintain the financial soundness of subsidiaries engaged in the finance business.

In principle, subsidiaries belonging to the FinTech segment, which requires management independence, and subsidiaries excluding Rakuten Mobile, Inc. that procure leases from external financial institutions, do not procure funds from banks or other external financial institutions. Instead, the Company raises funds, improves the efficiency of the Rakuten Group's funds, and ensures liquidity through the use of cash management services within the Rakuten Group.

In addition, the Company's basic policy is to use funds obtained from cash flows from operating activities and short-term borrowings including commercial papers to procure increased operating funds, etc., in the continuously growing Internet Services segment. As for the appropriation of funds for capital expenditures in the Mobile segment, which is in the investment phase, please refer to "3) Future Funding Procurement Needs and Funding Procurement Forecast" below.

As to a case that requires new capital expenditure including any investment, members, including external experts, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors. In addition, cases exceeding a certain amount are required to be approved by the Board of Directors. Furthermore, post-investment monitoring is conducted on an ongoing basis, and the portfolio is flexibly reviewed as necessary. Through these efforts, the Company aims to achieve Group-wide risk management and optimal allocation of management resources.

Based on the above, specific funding procurement methods and the timing of funding procurement are determined in light of factors including cash flows and liquidity on hand, based on the business plan for the Rakuten Group as a whole. For risks related to funding procurement, please refer to "II. Business Overview, 3. Business Risk and Other Risk Factors, 3 General Business Operational Risks, (9) Risks Relating to Finance and Funds, 1) Risks Relating to Financing".

2) Current Status

As of December 31, 2023, the Rakuten Group has a total of ¥4,795,173 million in bonds and borrowings, a decrease of ¥117,576 million from the previous fiscal year. Of these, short-term bonds and borrowings decreased by ¥496,608 million to ¥251,679 million from the previous fiscal year, consisting of short-term borrowings of ¥166,479 million and commercial papers of ¥85,200 million.

Furthermore, the Company's long- and short-term credit ratings as of December 31, 2023 were A-/J-1, from the Japan Credit Rating Agency (JCR), BBB+/a-2 from Rating and Investment Information (R&I), and BB (long-term) from S&P Global Ratings.

3) Future Funding Procurement Needs and Funding Procurement Forecast

The Company's subsidiary Rakuten Mobile, Inc. received approval for a "plan to set up specified base stations to promote the spread of the fourth-generation mobile communication system" in April 2018, and for a "plan to set up specified base stations for the introduction of a fifth-generation mobile communication system" in April 2019. The Rakuten Group has fully launched 4G services in April 2020, and 5G services in September 2020. Capital investment in the approved plans is expected to amount to a maximum of approximately ¥800,000 million by the end of March 2026. In addition, in April 2021, we received approval for a "plan to set up specified base stations to promote the spread of the fifth-generation mobile communication system", and the amount of capital investment in the approved plan is expected to be approximately ¥118,600 million by the end of March 2029. Regarding the amount of capital investment related to 4G thereafter, in order to improve communication quality by increasing the density of base stations and to accommodate the expected increase in the number of users going forward, we are installing more base stations than originally planned, and the amount of capital investment in base stations is increasing accordingly. Additionally, in October 2023, we received approval for a "special base station deployment plan for the expansion of mobile communications systems in the 700 MHz frequency spectrum," and the amount of capital investment in the approved plan is expected to be approximately ¥54,400 million by the end of fiscal year 2033.

Plans for procurement of these necessary funds in the mobile business include investment from the Company to Rakuten Mobile, Inc., and leasing and securitization financing, etc., in Rakuten Mobile, Inc. As for the investments and financing provided so far, the investment was mainly funded by ¥182,000 million (of this amount, ¥75,000 million was redeemed by purchase in July 2021) procured through unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement) issued in December 2018, and ¥120,000 million procured through unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement) issued in November 2020, ¥242,347 million raised from the issuance of new shares through a third-party allotment and disposal of treasury stock in March 2021, $1,750 million and €1,000 million raised from U.S. dollar and euro-denominated non-call permanent subordinated bonds issued in April 2021, ¥300,000 million procured through unsecured bonds issued in December 2021, ¥150,000 million procured through unsecured bonds issued in June 2022, $500 million raised through dollar-denominated unsecured bonds issued in November 2022, $450 million raised through dollar-denominated unsecured bonds issued in January 2023, and ¥250,000 million procured through unsecured bonds issued in February 2023, and the funds raised from the issuance of new shares through public offering and third-party allotment in May 2023, used in whole or in part. Capital investment of Rakuten Mobile, Inc. for the fiscal year ending December 31, 2024, is planned to be approximately ¥100,000 million.

However, going forward, there is a possibility that the Company may be required to make further investments in Rakuten Mobile, Inc., due to accelerated capital investments in 5G services, etc. In such cases, the Company will consider the most appropriate means of fund procurement, taking into account the "1) Basic Policy on Financial Management" above.

(4) Factors Having a Serious Impact on Business Results

For factors that have a serious impact on business results, please refer to "II. Business Overview, 3. Business Risks".

(5) Significant Accounting Estimates and the Assumptions Used in Such Estimates

The Rakuten Group's Consolidated Financial Statements are prepared in accordance with IFRS. For the significant accounting estimates and the assumptions used in such estimates applied for the preparation of the Consolidated Financial Statements, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 3. Significant Accounting Estimates and Judgments".

5. Material Business Agreements, etc.

Important contracts for business in the current fiscal year are as follows:

(1) Issuance of Corporate Bonds

On January 20, 2023, the Company issued U.S. dollar-denominated bonds. The Company also issued unsecured bonds on February 10, 2023. For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 23. Bonds and Borrowings".

(2) Issuance of New Shares and secondary offering of Rakuten Bank, Inc.

Rakuten Bank, Ltd., a subsidiary of the Company, was listed on the Tokyo Stock Exchange Prime Market on April 21, 2023. At the time of listing, Rakuten Bank, Ltd. issued new shares through a public offering and the Company sold a portion of Rakuten Bank, Ltd. shares owned by the Company.

With regards to the offering through overallotment, Rakuten Bank, Ltd. issued new shares through a third-party allotment to Daiwa Securities Co., Ltd.

As a result, the Rakuten Group's voting rights and ownership ratio in Rakuten Bank, Ltd. decreased from 100% to 63.34% as of June 30, 2023. For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 52. Major Subsidiaries".

(3) Sale of shares of associates accounted for using the equity method

At the Board of Directors meeting held on May 12, 2023, the Company resolved to sell all shares of Seiyu Holdings Co. Ltd. held by the Rakuten Group, to KKR & Co. Inc., a parent company of SY Investment L.P. (a transferee company) through the transferee company and concluded Share Sale Agreement on the same date. As a result, Seiyu Holdings Co., Ltd. has been excluded from the scope of equity method.

(4) Issuance of New Shares by Public Offering and Third-Party Allotment

At the Board of Directors meeting held on May 16, 2023, the Company resolved to issue new shares through a public offering (Japanese domestic public offering and overseas offering) and a third-party allotment to Mikitani Kosan, Inc., Spirit Inc., CyberAgent, Inc. and TOKYU CORPORATION, and all payments were completed on May 31, 2023. For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 34. Common Stock and Other Capital Items".

(5) Additional secondary sale of shares of Rakuten Bank, Inc.

The company conducted a secondary sale in overseas markets of 14.07% of the common stock of our consolidated subsidiary, Rakuten Bank, Inc on December 11, 2023.

As a result, the Rakuten Group's voting rights and ownership ratio in Rakuten Bank, Ltd. decreased from 63.34% to 49.27% as of December 31, 2023. For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 52. Major Subsidiaries".

(6) Additional share sale of Rakuten Securities, Inc.

At the Board of Directors meeting held on November 9, 2023, the Company resolved to sell an additional 29.01% of the common shares of Rakuten Securities, Inc. held by the Company's consolidated subsidiary, Rakuten Securities Holdings, Inc. to Mizuho Securities Co., Ltd., a consolidated subsidiary of Mizuho Financial Group, Inc. Rakuten Securities Holdings, Inc. and Mizuho Securities Co., Ltd. concluded a Shareholder Agreement and Share Sale Agreement on the same date.

An overview of the Share Sale is as follows:

1) Background and objectives of the Share Sale

Rakuten Securities Holdings, Inc. and Mizuho Securities Co., Ltd. have agreed to further strengthen the strategic capital and business alliance between the two companies (hereinafter the "Alliance") originally announced on October 7, 2022.

This Alliance will expand retail financial services for individual customers as social interest in asset building and asset management increases more than ever, such as the "new NISA system" scheduled to start from January 2024, and provide financial transactions that go beyond the boundaries between online and offline. We will strengthen our efforts to provide an excellent UI/UX and high value-added services, as we believe that accelerating the Alliance will contribute to a strengthening of the added value provided to our customers and have reached this agreement after multiple discussions.

2) Overview of the subsidiary whose shares are to be sold
 a) Name: Rakuten Securities, Inc.
 b) Head office location: 2-6-21 Minami Aoyama, Minato-ku, Tokyo
 c) Title and name of representative: Yuji Kusunoki, President
 d) Description of business: Financial instruments business
 e) Share capital: ¥19,495 million
 f) Date of establishment: March 24, 1999
 g) Major shareholders and ownership ratios: Rakuten Securities Holdings, Inc. 80.01%.

3) Overview of the counterparty to the Share Sale
 a) Name: Mizuho Securities Co., Ltd.
 b) Head office location: 1-5-1 Otemachi, Chiyoda-ku, Tokyo
 c) Title and name of representative: Yoshiro Hamamoto, President & CEO
 d) Description of business: Financial instruments business

4) Price of the shares to be sold and percentage of voting rights held before and after the Share Sale
 a) Price of shares to be sold: ¥87 billion
 b) Date of shares to be sold: December 15, 2023.
 c) Percentage of voting rights held before the sale: 80.01%
 d) Percentage of voting rights held after the sale: 51.00% (Note)

(Note)
Rakuten Securities will remain a consolidated subsidiary of the Company and Rakuten Securities Holdings, Inc.

For details of transactions with non-controlling interests associated with the sale of shares, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 52. Major Subsidiaries".

6. Research and Development Activities

Research and development activities of the Rakuten Group are carried out separately from each business segment with the purpose of contributing to the development operations of the Company and the Rakuten Group. In February 2014, a research base was established in Paris, France, in July 2015 in Singapore and Boston, the United States, in April 2018 in San Mateo, the United States, and in December 2018 in Bengaluru, India, adding to our facilities in Japan, to expand our research system. We explore research themes focused on three areas, namely AI-related technologies, user interaction and AR/VR/MR, and mobile communication system-related technologies, IoT, robot and drone-related technologies, based on our corporate vision on the future direction of internet development, with the details given below. Since the Rakuten Group's research and development activities mainly cover internet-related basic technologies and mobile communication system-related technologies, which cannot be classified into specific segments, activities are not listed by segment. The total expense of research and development for the fiscal year ended December 31, 2023 was ¥14,312 million.

1) AI-related Technologies

In the area of AI-related technologies, we develop advanced technologies to automatically analyze the abundant amount of text data and multi-media data that the Rakuten Group possesses, as well as technologies for optimizing recommender systems, advertisement, and searching systems. We also aim to develop platforms based on technologies that can adapt to our commerce, finance, mobile, medical care, and other businesses.

2) User Interaction and AR/VR/MR

We have developed user interaction that enables a rich content experience and that is compatible with various devices and sensors in line with changes in users' technical environments, in order to enhance the overall service level of the Company and the Rakuten Group. This area also includes the latest user interaction such as AR/VR/MR.

3) Mobile Communication System-related Technologies, IoT, Robot and Drone-related Technologies

We are engaged in the research and development of 5G-related technologies, technologies related to the advancement of next-generation virtualized wireless access networks and automation of network operations, an IoT technology platform, and robot and drone-related technologies.

III. Equipment and Facilities

1. Status of Capital Expenditures, etc.

Capital expenditure in the fiscal year ended December 31, 2023 was ¥385,874 million. This was mainly due to increases in capital investment and right-of-use assets at Rakuten Mobile, Inc. for the purpose of establishing new base stations and network equipment regarding "4G" and "5G".

2. Situation of Major Equipment

(1) Company filing Financial Reports

As of December 31, 2023

Business Place (Location)	Name of segments	Details of major facilities	Book value (Millions of Yen)						Number of employees (Persons)
			Buildings and accompanying facilities	Furniture, fixtures and equipment	Right-of-use assets	Software	Other	Total	
Head Office (Setagaya-ku, Tokyo)	-	Facilities involved with all operations	2,248	1,456	8,802	4,413	28,471	45,390	9,048
Matsudo Rakuten Dedicated Logistics Center (Matsudo-shi, Chiba) and 2 other locations	Internet Services	Warehouse facilities	4,844	1,506	59,303	74	7,775	73,502	16

(Note)
Number of employees represents the number of persons engaged.

(2) Domestic Subsidiaries

As of December 31, 2023

Name of company	Location	Name of segments	Details of major facilities	Book value (Millions of Yen)							Number of employees (Persons)
				Furniture, fixtures and equipment	Machinery and facilities	Right-of-use assets	Software	Construction in progress	Other	Total	
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo	Mobile	Facilities involved with all operations	94	5,979	4	57,432	-	102,609	166,118	641
Rakuten Mobile, Inc.	Base station network center in Japan	Mobile	Base stations, network equipment, etc.	48,643	504,201	215,408	6,250	135,947	61,170	971,619	246

(Notes)
1. Number of employees represents the number of persons engaged.
2. The carrying value of "Other" is primarily software in progress.

(3) Overseas Subsidiaries

As of December 31, 2023

Name of companies	Location	Name of segments	Details of major facilities	Book value (Millions of Yen)						Number of employees (Persons)
				Buildings and accompanying facilities	Furniture, fixtures and equipment	Right-of-use assets	Land (m^2)	Software	Total	
Rakuten USA, Inc.	U.S.	Internet Services	Facilities involved with all operations	17,980	201	125	5,063 (19,287)	171	23,540	320

(Note)

Number of employees represents the number of persons engaged.

3. Plans for Establishment, Disposals, etc. of Facilities

(1) Establishment etc. of Major Facilities

As of December 31, 2023

Name of companies	Location	Name of segments	Details of major facilities	Expected investment amount	Method of procuring funds	Start date	Expected Completion date
				Total amount			
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo	Mobile	Base stations, network equipment, etc. regarding "4G" and "5G"	100.0 billion yen	Private fund, loans, issuance of bonds, issuance of new shares, etc.	January 2024	December 2024

(Note)

Expected investment amount excludes right-of-use assets and capitalization for specified base station opening fees.

(2) Disposals etc. of Major Facilities

Not applicable.

IV. Information on the Company Submitting Financial Reports

1. Information on the Company's Shares

(1) Total Number of Shares, etc.

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common stock	3,941,800,000
Total	3,941,800,000

2) Total Number of Shares Issued

Class	As of the end of the current fiscal year (shares) (December 31, 2023)	As of the submission date (shares) (March 28, 2024)	Stock exchange on which the Company is listed	Description
Common stock	2,142,140,300	2,143,222,700	Tokyo Stock Exchange Prime Market	One unit of stock constitutes 100 common stocks.
Total	2,142,140,300	2,143,222,700	—	—

(Note)
The number of shares issued as of the submission date of this Annual Securities Report does not include the number of shares issued between March 1, 2024 and such submission date.

(2) Status of the Share Options

1) Share Option Plans

Share options issued pursuant to the Companies Act are as follows:

1), 2) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (April 19, 2014)	March 28, 2014 (June 19, 2014)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 112	Employees of the Company, and Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries 5,176
Number of Share Options (share options)*	1,600 [1,570] (Note 1)	4,050 [3,762] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 160,000 [157,000] (Note 1)	Common stock 405,000 [376,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,336 Amount to be included in capital: ¥668 (Note 4)	Issue price: ¥1,331 Amount to be included in capital: ¥666 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

* Abovementioned items are based on Information as of the end of the current fiscal year (December 31, 2023). For the items that changed between the end of the current fiscal year and the end of the month prior to the date of submission (February 29, 2024), information as of the end of the month prior to the date of submission are stated within square brackets. Other items have not changed since the end of the current fiscal year.

(Notes)

1. Class and number of shares to be issued upon exercise of Share Options
   If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of issued shares after adjustment} = \text{Number of issued shares before adjustment} \times \text{Ratio of split or consolidation}$$

   In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, and share transfer.
2. Value of the assets to be contributed upon exercise of Share Options
   The value shall be ¥1 per share option.
3. Conditions for exercise of Share Options
   1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
   2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
   3) Share Options shall not be offered for pledge or disposed of in any other way.
   4) The Holders of Share Options have duties to pay all taxes and contributions (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, whether imposed in Japan or not) specified by laws and regulations in relation to share options and shares. In cases where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of Share Options by the methods listed below.
      i) Receipt by cash
      ii) Appropriation of shares owned by the Holders of Share Options
      iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
      iv) Other methods specified by the Company
4. Matters concerning increase in capital stock and capital reserve by issuing of shares (including transfer of treasury stocks instead of issuance; hereinafter the same shall apply) upon exercise of Share Options
   1) Amount of increase in capital stock by issuing shares upon exercise of Share Options shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
   2) Amount of increase in capital reserve by issuing shares upon exercise of Share Options shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.
5. Reasons and conditions for the acquisition of Share Options
   1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
   2) In case that Holders of Share Options cease to accommodate the conditions of 3 1) before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
6. Restriction on Transfer
   Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.
7. Treatment of Share Options in the event of organizational restructuring
   In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items (viii) (a) through (e) of the Companies Act (hereinafter "Restructured Company") will be delivered under the following conditions to Holders of Share Options remaining unexercised (hereinafter "Remaining Share Options") at the time when Organizational Restructuring takes effect. In this case, the Remaining Share Options will lapse and the Restructured Company will issue new Share Options. However, the foregoing will apply only to cases in

which the delivery of Share Options of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement, or the share transfer plan.

1) Number of Share Options of the Restructured Company to be delivered

The Restructured Company shall deliver Share Options, the number of which will equal the number of Share Options held by the holder of the Remaining Share Options.

2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options

Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options

To be decided according to 1 above and Total number of Share Options after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Share Options

The value of the assets to be contributed upon the exercise of each Share Options will be decided according to 2 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

5) Exercise period of Share Options

Starting from the later of either the first date of the exercise period of Share Options as stipulated or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Options.

6) Matters concerning increase in capital stock and capital reserve to be increased by the issuing of shares by the Restructured Company upon the exercise of Share Options

To be determined in accordance with 4 above.

7) Restriction on acquisition of Share Options by transfer

Acquisition of Share Options by transfer will be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with a Board of Directors).

8) Reasons and conditions for the acquisition of Share Options

To be determined in accordance with 5 above.

8. Rules pertaining to fractions of less than one share arising from the exercise of Share Options

Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

3), 4) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (August 21, 2014)	March 28, 2014 (September 18, 2014)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 106	Directors and employees of the Company's subsidiaries 11
Number of Share Options (share options)*	1,798 [1,798] (Note 1)	89 [89] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 179,800 [179,800] (Note 1)	Common stock 8,900 [8,900] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,320 Amount to be included in capital: ¥660 (Note 4)	Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

5), 6) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (October 21, 2014)	March 28, 2014 (January 24, 2015)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 60	Employees of the Company, and Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries 5,224
Number of Share Options (share options)*	4,820 [4,797] (Note 1)	3,260 [2,954] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 482,000 [479,700] (Note 1)	Common stock 326,000 [295,400] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,230 Amount to be included in capital: ¥615 (Note 4)	Issue price: ¥1,629 Amount to be included in capital: ¥815 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

7) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (February 20, 2015)
Classification and number of persons received (persons)	Directors, Audit & Supervisory Board Members and employees of the Company, and Directors and employees of the Company's subsidiaries 72
Number of Share Options (share options)*	3,542 [3,326] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 354,200 [332,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,980 Amount to be included in capital: ¥990 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

8), 9) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (May 21, 2015)	March 27, 2015 (June 24, 2015)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 7	Directors and employees of the Company's subsidiaries 17
Number of Share Options (share options)*	65 [65] (Note 1)	353 [353] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 6,500 [6,500] (Note 1)	Common stock 35,300 [35,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From June 1, 2016 to June 1, 2025 B. From June 1, 2017 to June 1, 2025 C. From June 1, 2018 to June 1, 2025 D. From June 1, 2019 to June 1, 2025	A. From July 1, 2016 to July 1, 2025 B. From July 1, 2017 to July 1, 2025 C. From July 1, 2018 to July 1, 2025 D. From July 1, 2019 to July 1, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥2,055 Amount to be included in capital: ¥1,028 B. Issue price: ¥2,051 Amount to be included in capital: ¥1,026 C. Issue price: ¥2,046 Amount to be included in capital: ¥1,023 D. Issue price: ¥2,042 Amount to be included in capital: ¥1,021 (Note 4)	A. Issue price: ¥2,026 Amount to be included in capital: ¥1,013 B. Issue price: ¥2,022 Amount to be included in capital: ¥1,011 C. Issue price: ¥2,017 Amount to be included in capital: ¥1,009 D. Issue price: ¥2,013 Amount to be included in capital: ¥1,007 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Conditions for exercise of Share Options

1)-3) Same as Note 3 1)-3) of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

4) Those who received the allotment of issue of Share Options Displayed in the Exercise period of Share Options may exercise all or a part of the share options. Details of A through D described in exercise period are as follows:

A. 15% of the allotted Share Options.
B. 20% of the allotted Share Options.
C. 30% of the allotted Share Options.
D. 35% of the allotted Share Options.

5) Same as Note 3 4) of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

10) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (July 18, 2015)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 6,003
Number of Share Options (share options)*	7,448 [7,380] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 744,800 [738,000] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2016 to August 1, 2025 B. From August 1, 2017 to August 1, 2025 C. From August 1, 2018 to August 1, 2025 D. From August 1, 2019 to August 1, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,991 Amount to be included in capital: ¥996 B. Issue price: ¥1,986 Amount to be included in capital: ¥993 C. Issue price: ¥1,982 Amount to be included in capital: ¥991 D. Issue price: ¥1,978 Amount to be included in capital: ¥989 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

11), 12) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (August 20, 2015)	March 27, 2015 (October 17, 2015)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 2	Directors and employees of the Company's subsidiaries 384
Number of Share Options (share options)*	665 [665] (Note 1)	3,735 [3,735] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 66,500 [66,500] (Note 1)	Common stock 373,500 [373,500] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From October 1, 2016 to October 1, 2025 B. From October 1, 2017 to October 1, 2025 C. From October 1, 2018 to October 1, 2025 D. From October 1, 2019 to October 1, 2025	A. From November 1, 2016 to October 31, 2025 B. From November 1, 2017 to October 31, 2025 C. From November 1, 2018 to October 31, 2025 D. From November 1, 2019 to October 31, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,553 Amount to be included in capital: ¥777 B. Issue price: ¥1,549 Amount to be included in capital: ¥775 C. Issue price: ¥1,545 Amount to be included in capital: ¥773 D. Issue price: ¥1,540 Amount to be included in capital: ¥770 (Note 4)	A. Issue price: ¥1,683 Amount to be included in capital: ¥842 B. Issue price: ¥1,678 Amount to be included in capital: ¥839 C. Issue price: ¥1,674 Amount to be included in capital: ¥837 D. Issue price: ¥1,670 Amount to be included in capital: ¥835 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

13), 14) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (January 23, 2016)	March 27, 2015 (January 23, 2016)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 6,827	Audit & Supervisory Board Members of the Company's subsidiaries 3
Number of Share Options (share options)*	9,232 [9,103] (Note 1)	6 [6] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 923,200 [910,300] (Note 1)	Common stock 600 [600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2017 to January 30, 2026 B. From February 1, 2018 to January 30, 2026 C. From February 1, 2019 to January 30, 2026 D. From February 1, 2020 to January 30, 2026	From March 28, 2019 to March 26, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,290 Amount to be included in capital: ¥645 B. Issue price:¥1,286 Amount to be included in capital: ¥643 C. Issue price: ¥1,282 Amount to be included in capital: ¥641 D. Issue price: ¥1,277 Amount to be included in capital: ¥639 (Note 4)	Issue price: ¥1,281 Amount to be included in capital: ¥641 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

15), 16) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (February 18, 2016)	March 27, 2015 (February 18, 2016)
Classification and number of persons received (persons)	Directors and employees of the Company, and employees of the Company's subsidiaries 108	Outside Directors and Audit & Supervisory Board Members of the Company 8
Number of Share Options (share options)*	3,050 [2,999] (Note 1)	30 [30] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 305,000 [299,900] (Note 1)	Common stock 3,000 [3,000] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2017 to February 27, 2026 B. From March 1, 2018 to February 27, 2026 C. From March 1, 2019 to February 27, 2026 D. From March 1, 2020 to February 27, 2026	From March 28, 2019 to March 26, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,069 Amount to be included in capital: ¥535 B. Issue price: ¥1,065 Amount to be included in capital: ¥533 C. Issue price: ¥1,060 Amount to be included in capital: ¥530 D. Issue price: ¥1,056 Amount to be included in capital: ¥528 (Note 4)	Issue price: ¥1,060 Amount to be included in capital: ¥530 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Note 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

17), 18) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (April 28, 2016)	March 30, 2016 (July 22, 2016)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 272	Directors and employees of the Company, and Directors and employees of the Company's subsidiaries 6,973
Number of Share Options (share options)*	4,098 [4,098] (Note 1)	12,607 [12,464] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 409,800 [409,800] (Note 1)	Common stock 1,260,700 [1,246,400] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2017 to May 1, 2026 B. From May 1, 2018 to May 1, 2026 C. From May 1, 2019 to May 1, 2026 D. From May 1, 2020 to May 1, 2026	A. From August 1, 2017 to July 31, 2026 B. From August 1, 2018 to July 31, 2026 C. From August 1, 2019 to July 31, 2026 D. From August 1, 2020 to July 31, 2026
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,216 Amount to be included in capital: ¥608 B. Issue price: ¥1,212 Amount to be included in capital: ¥606 C. Issue price: ¥1,207 Amount to be included in capital: ¥604 D. Issue price: ¥1,203 Amount to be included in capital: ¥602 (Note 4)	A. Issue price: ¥1,184 Amount to be included in capital: ¥592 B. Issue price: ¥1,180 Amount to be included in capital: ¥590 C. Issue price: ¥1,176 Amount to be included in capital: ¥588 D. Issue price: ¥1,171 Amount to be included in capital: ¥586 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

19), 20) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (August 4, 2016)	March 30, 2016 (October 28, 2016)
Classification and number of persons received (persons)	Audit & Supervisory Board Members of the Company's subsidiaries 3	Employees of the Company's subsidiaries 390
Number of Share Options (share options)*	9 [9] (Note 1)	2,967 [2,967] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 900 [900] (Note 1)	Common stock 296,700 [296,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 31, 2020 to March 29, 2026	A. From November 1, 2017 to October 30, 2026 B. From November 1, 2018 to October 30, 2026 C. From November 1, 2019 to October 30, 2026 D. From November 1, 2020 to October 30, 2026
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,316 Amount to be included in capital: ¥658 (Note 4)	A. Issue price: ¥1,214 Amount to be included in capital: ¥607 B. Issue price: ¥1,210 Amount to be included in capital: ¥605 C. Issue price: ¥1,206 Amount to be included in capital: ¥603 D. Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

21), 22) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (January 21, 2017)	March 30, 2016 (January 21, 2017)
Classification and number of persons received (persons)	Audit & Supervisory Board Members of the Company's subsidiaries 3	Employees of the Company, and Directors and employees of the Company's subsidiaries 6,996
Number of Share Options (share options)*	15 [11] (Note 1)	10,596 [10,467] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,500 [1,100] (Note 1)	Common stock 1,059,600 [1,046,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 31, 2020 to March 29, 2026	A. From February 1, 2018 to February 1, 2027 B. From February 1, 2019 to February 1, 2027 C. From February 1, 2020 to February 1, 2027 D. From February 1, 2021 to February 1, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,092 Amount to be included in capital: ¥546 (Note 4)	A. Issue price: ¥1,101 Amount to be included in capital: ¥551 B. Issue price: ¥1,097 Amount to be included in capital: ¥549 C. Issue price: ¥1,093 Amount to be included in capital: ¥547 D. Issue price: ¥1,088 Amount to be included in capital: ¥544 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

23), 24) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (January 21, 2017)	March 30, 2016 (February 20, 2017)
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 299	Outside Directors and Audit & Supervisory Board Members of the Company 9
Number of Share Options (share options)*	1,273 [1,268] (Note 1)	72 [72] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 127,300 [126,800] (Note 1)	Common stock 7,200 [7,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2018 to March 1, 2027 B. From March 1, 2019 to March 1, 2027 C. From March 1, 2020 to March 1, 2027 D. From March 1, 2021 to March 1, 2027	From March 31, 2020 to March 29, 2026
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,114 Amount to be included in capital: ¥557 B. Issue price: ¥1,110 Amount to be included in capital: ¥555 C. Issue price: ¥1,106 Amount to be included in capital: ¥553 D. Issue price: ¥1,101 Amount to be included in capital: ¥551 (Note 4)	Issue price: ¥1,105 Amount to be included in capital: ¥553 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

25) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (February 20, 2017)
Classification and number of persons received (persons)	Directors and employees of the Company, and Directors and employees of the Company's subsidiaries 244
Number of Share Options (share options)*	5,724 [5,724] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 572,400 [572,400] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2018 to March 1, 2027 B. From March 1, 2019 to March 1, 2027 C. From March 1, 2020 to March 1, 2027 D. From March 1, 2021 to March 1, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,114 Amount to be included in capital: ¥557 B. Issue price: ¥1,110 Amount to be included in capital: ¥555 C. Issue price: ¥1,106 Amount to be included in capital: ¥553 D. Issue price: ¥1,101 Amount to be included in capital: ¥551 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

26), 27) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (April 24, 2017)	March 30, 2017 (July 28, 2017)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 442	Audit & Supervisory Board Members of the Company's subsidiaries 2
Number of Share Options (share options)*	7,194 [7,178] (Note 1)	7 [7] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 719,400 [717,800] (Note 1)	Common stock 700 [700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2018 to April 30, 2027 B. From May 1, 2019 to April 30, 2027 C. From May 1, 2020 to April 30, 2027 D. From May 1, 2021 to April 30, 2027	From March 31, 2021 to March 29, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,128 Amount to be included in capital: ¥564 B. Issue price: ¥1,124 Amount to be included in capital: ¥562 C. Issue price: ¥1,120 Amount to be included in capital: ¥560 D. Issue price: ¥1,115 Amount to be included in capital: ¥558 (Note 4)	Issue price: ¥1,333 Amount to be included in capital: ¥667 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

28), 29) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (July 28, 2017)	March 30, 2017 (October 24, 2017)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 7,378	Directors and employees of the Company's subsidiaries 510
Number of Share Options (share options)*	15,084 [14,976] (Note 1)	5,656 [5,656] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,508,400 [1,497,600] (Note 1)	Common stock 565,600 [565,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2018 to July 30, 2027 B. From August 1, 2019 to July 30, 2027 C. From August 1, 2020 to July 30, 2027 D. From August 1, 2021 to July 30, 2027	A. From November 1, 2018 to November 1, 2027 B. From November 1, 2019 to November 1, 2027 C. From November 1, 2020 to November 1, 2027 D. From November 1, 2021 to November 1, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,345 Amount to be included in capital: ¥673 B. Issue price: ¥1,341 Amount to be included in capital: ¥671 C. Issue price: ¥1,336 Amount to be included in capital: ¥668 D. Issue price: ¥1,332 Amount to be included in capital: ¥666 (Note 4)	A. Issue price: ¥1,188 Amount to be included in capital: ¥594 B. Issue price: ¥1,184 Amount to be included in capital: ¥592 C. Issue price: ¥1,179 Amount to be included in capital: ¥590 D. Issue price: ¥1,175 Amount to be included in capital: ¥588 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

30), 31) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (December 14, 2017)	March 30, 2017 (January 18, 2018)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 272	Audit & Supervisory Board Members of the Company's subsidiaries 3
Number of Share Options (share options)*	322 [318] (Note 1)	9 [9] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 32,200 [31,800] (Note 1)	Common stock 900 [900] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From January 1, 2019 to December 29, 2027 B. From January 1, 2020 to December 29, 2027 C. From January 1, 2021 to December 29, 2027 D. From January 1, 2022 to December 29, 2027	From March 31, 2021 to March 29, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,027 Amount to be included in capital: ¥514 B. Issue price: ¥1,023 Amount to be included in capital: ¥512 C. Issue price: ¥1,019 Amount to be included in capital: ¥510 D. Issue price: ¥1,014 Amount to be included in capital: ¥507 (Note 4)	Issue price: ¥972 Amount to be included in capital: ¥486 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

32), 33) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (January 18, 2018)	March 30, 2017 (January 18, 2018)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 7,318	Employees of the Company's subsidiaries 317
Number of Share Options (share options)*	13,271 [13,023] (Note 1)	1,632 [1,616] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,327,100 [1,302,300] (Note 1)	Common stock 163,200 [161,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2019 to February 1, 2028 B. From February 1, 2020 to February 1, 2028 C. From February 1, 2021 to February 1, 2028 D. From February 1, 2022 to February 1, 2028	A. From March 1, 2019 to March 1, 2028 B. From March 1, 2020 to March 1, 2028 C. From March 1, 2021 to March 1, 2028 D. From March 1, 2022 to March 1, 2028
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥981 Amount to be included in capital: ¥491 B. Issue price: ¥977 Amount to be included in capital: ¥489 C. Issue price: ¥972 Amount to be included in capital: ¥486 D. Issue price: ¥968 Amount to be included in capital: ¥484 (Note 4)	A. Issue price: ¥948 Amount to be included in capital: ¥474 B. Issue price: ¥943 Amount to be included in capital: ¥472 C. Issue price: ¥939 Amount to be included in capital: ¥470 D. Issue price: ¥935 Amount to be included in capital: ¥468 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

34), 35) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (February 19, 2018)	March 30, 2017 (February 19, 2018)
Classification and number of persons received (persons)	Outside Directors and Audit & Supervisory Board Members of the Company 9	Directors and employees of the Company, and Directors and employees of the Company's subsidiaries 117
Number of Share Options (share options)*	105 [105] (Note 1)	7,417 [7,405] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 10,500 [10,500] (Note 1)	Common stock 741,700 [740,500] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 31, 2021 to March 29, 2027	A. From March 1, 2019 to March 1, 2028 B. From March 1, 2020 to March 1, 2028 C. From March 1, 2021 to March 1, 2028 D. From March 1, 2022 to March 1, 2028
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥939 Amount to be included in capital: ¥470 (Note 4)	A. Issue price: ¥948 Amount to be included in capital: ¥474 B. Issue price: ¥943 Amount to be included in capital: ¥472 C. Issue price: ¥939 Amount to be included in capital: ¥470 D. Issue price: ¥935 Amount to be included in capital: ¥468 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1.-8. Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

9. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

36), 37) Resolution at 21st General Shareholders' Meeting (March 29, 2018)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 29, 2018 (April 27, 2018)	March 29, 2018 (July 27, 2018)
Classification and number of persons received (persons)	Directors of the Company, and Directors and employees of the Company's subsidiaries 1,264	Directors and employees of the Company's subsidiaries 7,503
Number of Share Options (share options)*	16,578 [16,515] (Note 1)	34,026 [33,655] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,657,800 [1,651,500] (Note 1)	Common stock 3,402,600 [3,365,500] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2019 to May 1, 2028 B. From May 1, 2020 to May 1, 2028 C. From May 1, 2021 to May 1, 2028 D. From May 1, 2022 to May 1, 2028	A. From August 1, 2019 to August 1, 2028 B. From August 1, 2020 to August 1, 2028 C. From August 1, 2021 to August 1, 2028 D. From August 1, 2022 to August 1, 2028
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥795 Amount to be included in capital: ¥398 B. Issue price: ¥790 Amount to be included in capital: ¥395 C. Issue price: ¥786 Amount to be included in capital: ¥393 D. Issue price: ¥782 Amount to be included in capital: ¥391 (Note 4)	A. Issue price: ¥777 Amount to be included in capital: ¥389 B. Issue price: ¥773 Amount to be included in capital: ¥387 C. Issue price: ¥768 Amount to be included in capital: ¥384 D. Issue price: ¥764 Amount to be included in capital: ¥382 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

38), 39) Resolution at 21st General Shareholders' Meeting (March 29, 2018)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 29, 2018 (October 26, 2018)	March 29, 2018 (January 18, 2019)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 219	Employees of the Company, and Directors and employees of the Company's subsidiaries 8,417
Number of Share Options (share options)*	3,230 [3,226] (Note 1)	28,032 [27,422] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 323,000 [322,600] (Note 1)	Common stock 2,803,200 [2,742,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2019 to November 1, 2028 B. From November 1, 2020 to November 1, 2028 C. From November 1, 2021 to November 1, 2028 D. From November 1, 2022 to November 1, 2028	A. From February 1, 2020 to February 1, 2029 B. From February 1, 2021 to February 1, 2029 C. From February 1, 2022 to February 1, 2029 D. From February 1, 2023 to February 1, 2029
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥783 Amount to be included in capital: ¥392 B. Issue price: ¥778 Amount to be included in capital: ¥389 C. Issue price: ¥774 Amount to be included in capital: ¥387 D. Issue price: ¥769 Amount to be included in capital: ¥385 (Note 4)	A. Issue price: ¥798 Amount to be included in capital: ¥399 B. Issue price: ¥793 Amount to be included in capital: ¥397 C. Issue price: ¥789 Amount to be included in capital: ¥395 D. Issue price: ¥784 Amount to be included in capital: ¥392 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

40), 41) Resolution at 21st General Shareholders' Meeting (March 29, 2018)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 29, 2018 (January 18, 2019)	March 29, 2018 (February 22, 2019)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 321	Employees of the Company, and Directors and employees of the Company's subsidiaries 20
Number of Share Options (share options)*	2,347 [2,327] (Note 1)	398 [398] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 234,700 [232,700] (Note 1)	Common stock 39,800 [39,800] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2020 to March 1, 2029 B. From March 1, 2021 to March 1, 2029 C. From March 1, 2022 to March 1, 2029 D. From March 1, 2023 to March 1, 2029	A. From March 1, 2020 to March 1, 2029 B. From March 1, 2021 to March 1, 2029 C. From March 1, 2022 to March 1, 2029 D. From March 1, 2023 to March 1, 2029
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥880 Amount to be included in capital: ¥440 B. Issue price: ¥875 Amount to be included in capital: ¥438 C. Issue price: ¥871 Amount to be included in capital: ¥436 D. Issue price: ¥866 Amount to be included in capital: ¥433 (Note 4)	A. Issue price: ¥880 Amount to be included in capital: ¥440 B. Issue price: ¥875 Amount to be included in capital: ¥438 C. Issue price: ¥871 Amount to be included in capital: ¥436 D. Issue price: ¥866 Amount to be included in capital: ¥433 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

42), 43) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (April 26, 2019)	March 28, 2019 (April 26, 2019)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 1,501	Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company 55
Number of Share Options (share options)*	23,891 [23,730] (Note 1)	8,781 [8,781] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 2,389,100 [2,373,000] (Note 1)	Common stock 878,100 [878,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2020 to May 1, 2029 B. From May 1, 2021 to May 1, 2029 C. From May 1, 2022 to May 1, 2029 D. From May 1, 2023 to May 1, 2029	From November 1, 2019 to May 1, 2059 The Company may change the schedule during which holders of Share Options can exercise the Share Options.
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,195 Amount to be included in capital: ¥598 B. Issue price: ¥1,191 Amount to be included in capital: ¥596 C. Issue price: ¥1,187 Amount to be included in capital: ¥594 D. Issue price: ¥1,182 Amount to be included in capital: ¥591 (Note 4)	Issue price: ¥1,175 Amount to be included in capital: ¥588 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Conditions for exercise of Share Options

1) Holders of Share Options remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances or in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).

2)-5) Same as Notes 3 2)-5) of the Share Options of 8), 9) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9. Conditions for exercise of Share Options

1) Holders of Share Options shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees.

2)-4) Same as Notes 3 2)-4) of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

44), 45) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (July 26, 2019)	March 28, 2019 (October 25, 2019)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 8,284	Employees of the Company's subsidiaries 1,029
Number of Share Options (share options)*	13,161 [12,657] (Note 1)	19,044 [18,460] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,316,100 [1,265,700] (Note 1)	Common stock 1,904,400 [1,846,000] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2020 to August 1, 2029 B. From August 1, 2021 to August 1, 2029 C. From August 1, 2022 to August 1, 2029 D. From August 1, 2023 to August 1, 2029	A. From November 1, 2020 to November 1, 2029 B. From November 1, 2021 to November 1, 2029 C. From November 1, 2022 to November 1, 2029 D. From November 1, 2023 to November 1, 2029
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,118 Amount to be included in capital: ¥559 B. Issue price: ¥1,114 Amount to be included in capital: ¥557 C. Issue price: ¥1,110 Amount to be included in capital: ¥555 D. Issue price: ¥1,105 Amount to be included in capital: ¥553 (Note 4)	A. Issue price: ¥1,019 Amount to be included in capital: ¥510 B. Issue price: ¥1,015 Amount to be included in capital: ¥508 C. Issue price: ¥1,011 Amount to be included in capital: ¥506 D. Issue price: ¥1,006 Amount to be included in capital: ¥503 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

46) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (January 31, 2020)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 10,081
Number of Share Options (share options)*	28,216 [26,034] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 2,821,600 [2,603,400] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2021 to February 1, 2030 B. From February 1, 2022 to February 1, 2030 C. From February 1, 2023 to February 1, 2030 D. From February 1, 2024 to February 1, 2030
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥851 Amount to be included in capital: ¥426 B. Issue price: ¥847 Amount to be included in capital: ¥424 C. Issue price: ¥843 Amount to be included in capital: ¥422 D. Issue price: ¥838 Amount to be included in capital: ¥419 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

47), 48) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (February 28, 2020)	March 28, 2019 (February 28, 2020)
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 50	Executive Officers of the Company 54
Number of Share Options (share options)*	2,204 [2,175] (Note 1)	6,713 [6,713] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 220,400 [217,500] (Note 1)	Common stock 671,300 [671,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2021 to March 1, 2030 B. From March 1, 2022 to March 1, 2030 C. From March 1, 2023 to March 1, 2030 D. From March 1, 2024 to March 1, 2030	From March 1, 2020 to March 1, 2060
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥898 Amount to be included in capital: ¥449 B. Issue price: ¥894 Amount to be included in capital: ¥447 C. Issue price: ¥890 Amount to be included in capital: ¥445 D. Issue price: ¥885 Amount to be included in capital: ¥443 (Note 4)	Issue price: ¥878 Amount to be included in capital: ¥439 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

49), 50) Resolution at Meeting of the Board of Directors (April 16, 2020)

Date of resolution at Meeting of the Board of Directors	April 16, 2020	April 16, 2020
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 2,012	Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company 9
Number of Share Options (share options)*	42,202 [42,076] (Note 1)	1,712 [1,712] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 4,220,200 [4,207,600] (Note 1)	Common stock 171,200 [171,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2021 to May 1, 2030 B. From May 1, 2022 to May 1, 2030 C. From May 1, 2023 to May 1, 2030 D. From May 1, 2024 to May 1, 2030	From May 1, 2020 to May 1, 2060
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥909 Amount to be included in capital: ¥455 B. Issue price: ¥905 Amount to be included in capital: ¥453 C. Issue price: ¥901 Amount to be included in capital: ¥451 D. Issue price: ¥896 Amount to be included in capital: ¥448 (Note 4)	Issue price: ¥889 Amount to be included in capital: ¥445 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

51) Resolution at Meeting of the Board of Directors (July 16, 2020),

52) Resolution at Meeting of the Board of Directors (October 7, 2020)

Date of resolution at Meeting of the Board of Directors	July 16, 2020	October 7, 2020
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 10,804	Employees of the Company's subsidiaries 196
Number of Share Options (share options)*	29,386 [28,982] (Note 1)	5,715 [5,536] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 2,938,600 [2,898,200] (Note 1)	Common stock 571,500 [553,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2021 to August 1, 2030 B. From August 1, 2022 to August 1, 2030 C. From August 1, 2023 to August 1, 2030 D. From August 1, 2024 to August 1, 2030	A. From November 1, 2021 to November 1, 2030 B. From November 1, 2022 to November 1, 2030 C. From November 1, 2023 to November 1, 2030 D. From November 1, 2024 to November 1, 2030
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥960 Amount to be included in capital: ¥480 B. Issue price: ¥956 Amount to be included in capital: ¥478 C. Issue price: ¥952 Amount to be included in capital: ¥476 D. Issue price: ¥947 Amount to be included in capital: ¥474 (Note 4)	A. Issue price: ¥1,010 Amount to be included in capital: ¥505 B. Issue price: ¥1,006 Amount to be included in capital: ¥503 C. Issue price: ¥1,002 Amount to be included in capital: ¥501 D. Issue price: ¥997 Amount to be included in capital: ¥499 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

53) Resolution at Meeting of the Board of Directors (January 14, 2021)

Date of resolution at Meeting of the Board of Directors	January 14, 2021
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 12,814
Number of Share Options (share options)*	36,406 [35,310] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,640,600 [3,531,000] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2022 to February 1, 2031 B. From February 1, 2023 to February 1, 2031 C. From February 1, 2024 to February 1, 2031 D. From February 1, 2025 to February 1, 2031
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,008 Amount to be included in capital: ¥504 B. Issue price: ¥1,004 Amount to be included in capital: ¥502 C. Issue price: ¥1,000 Amount to be included in capital: ¥500 D. Issue price: ¥995 Amount to be included in capital: ¥498 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

54), 55) Resolution at Meeting of the Board of Directors (February 12, 2021)

Date of resolution at Meeting of the Board of Directors	February 12, 2021	February 12, 2021
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 102	Executive Officers of the Company 54
Number of Share Options (share options)*	3,026 [3,022] (Note 1)	5,598 [5,598] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 302,600 [302,200] (Note 1)	Common stock 559,800 [559,800] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2022 to March 1, 2031 B. From March 1, 2023 to March 1, 2031 C. From March 1, 2024 to March 1, 2031 D. From March 1, 2025 to March 1, 2031	From March 1, 2021 to March 1, 2061
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,162 Amount to be included in capital: ¥581 B. Issue price: ¥1,158 Amount to be included in capital: ¥579 C. Issue price: ¥1,154 Amount to be included in capital: ¥577 D. Issue price: ¥1,149 Amount to be included in capital: ¥575 (Note 4)	Issue price: ¥1,142 Amount to be included in capital: ¥571 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

56), 57) Resolution at Meeting of the Board of Directors (April 15, 2021)

Date of resolution at Meeting of the Board of Directors	April 15, 2021	April 15, 2021
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 2,411	Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company 49
Number of Share Options (share options)*	56,177 [56,037] (Note 1)	1,973 [1,973] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 5,617,700 [5,603,700] (Note 1)	Common stock 197,300 [197,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2022 to May 1, 2031 B. From May 1, 2023 to May 1, 2031 C. From May 1, 2024 to May 1, 2031 D. From May 1, 2025 to May 1, 2031	From May 1, 2021 to May 1, 2061
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price:¥1,384 Amount to be included in capital: ¥692 B. Issue price: ¥1,380 Amount to be included in capital: ¥690 C. Issue price: ¥1,376 Amount to be included in capital: ¥688 D. Issue price: ¥1,371 Amount to be included in capital: ¥686 (Note 4)	Issue price: ¥1,362 Amount to be included in capital: ¥681 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

58) Resolution at Meeting of the Board of Directors (July 15, 2021)

Date of resolution at Meeting of the Board of Directors	July 15, 2021
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 12,998
Number of Share Options (share options)*	31,343 [31,223] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,134,300 [3,122,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2022 to August 1, 2031 B. From August 1, 2023 to August 1, 2031 C. From August 1, 2024 to August 1, 2031 D. From August 1, 2025 to August 1, 2031
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,198 Amount to be included in capital: ¥599 B. Issue price: ¥1,194 Amount to be included in capital: ¥597 C. Issue price: ¥1,190 Amount to be included in capital: ¥595 D. Issue price: ¥1,185 Amount to be included in capital: ¥593 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

59) Resolution at Meeting of the Board of Directors (September 29, 2021)

Date of resolution at Meeting of the Board of Directors	September 29, 2021
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 774
Number of Share Options (share options)*	20,026 [19,651] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 2,002,600 [1,965,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2022 to November 1, 2031 B. From November 1, 2023 to November 1, 2031 C. From November 1, 2024 to November 1, 2031 D. From November 1, 2025 to November 1, 2031
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,258 Amount to be included in capital: ¥629 B. Issue price: ¥1,254 Amount to be included in capital: ¥627 C. Issue price: ¥1,250 Amount to be included in capital: ¥625 D. Issue price: ¥1,245 Amount to be included in capital: ¥623 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

60) Resolution at Meeting of the Board of Directors (January 14, 2022)

Date of resolution at Meeting of the Board of Directors	January 14, 2022
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 14,927
Number of Share Options (share options)*	46,628 [45,451] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 4,662,800 [4,545,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2023 to February 1, 2032 B. From February 1, 2024 to February 1, 2032 C. From February 1, 2025 to February 1, 2032 D. From February 1, 2026 to February 1, 2032
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥970 Amount to be included in capital: ¥485 B. Issue price: ¥966 Amount to be included in capital: ¥483 C. Issue price: ¥962 Amount to be included in capital: ¥481 D. Issue price: ¥957 Amount to be included in capital: ¥479 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

61), 62) Resolution at Meeting of the Board of Directors (February 14, 2022)

Date of resolution at Meeting of the Board of Directors	February 14, 2022	February 14, 2022
Classification and number of persons received (persons)	Executive Officers of the Company, and Directors and Executive Officers of the Company's subsidiaries 77	Executive Officers of the Company 48
Number of Share Options (share options)*	3,209 [3,186] (Note 1)	5,071 [5,071] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 320,900 [318,600] (Note 1)	Common stock 507,100 [507,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2023 to March 1, 2032 B. From March 1, 2024 to March 1, 2032 C. From March 1, 2025 to March 1, 2032 D. From March 1, 2026 to March 1, 2032	From March 1, 2022 to March 1, 2062
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥981 Amount to be included in capital: ¥491 B. Issue price: ¥977 Amount to be included in capital: ¥489 C. Issue price: ¥973 Amount to be included in capital: ¥487 D. Issue price: ¥968 Amount to be included in capital: ¥484 (Note 4)	Issue price: ¥959 Amount to be included in capital: ¥480 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

63), 64) Resolution at Meeting of the Board of Directors (April 14, 2022)

Date of resolution at Meeting of the Board of Directors	April 14, 2022	April 14, 2022
Classification and number of persons received (persons)	Directors of the Company and employees of the Company's subsidiaries 2,863	Directors of the Company who serve concurrently as Executive Officers of the Company 3
Number of Share Options (share options)*	94,616 [94,402] (Note 1)	2,507 [2,507] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 9,461,600 [9,440,200] (Note 1)	Common stock 250,700 [250,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2023 to May 1, 2032 B. From May 1, 2024 to May 1, 2032 C. From May 1, 2025 to May 1, 2032 D. From May 1, 2026 to May 1, 2032	From May 1, 2022 to May 1, 2062
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥913 Amount to be included in capital: ¥457 B. Issue price: ¥909 Amount to be included in capital: ¥455 C. Issue price: ¥905 Amount to be included in capital: ¥453 D. Issue price: ¥900 Amount to be included in capital: ¥450 (Note 4)	Issue price: ¥890 Amount to be included in capital: ¥445 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

65) Resolution at Meeting of the Board of Directors (July 14, 2022)

Date of resolution at Meeting of the Board of Directors	July 14, 2022
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 14,037
Number of Share Options (share options)*	67,904 [67,823] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 6,790,400 [6,782,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2023 to August 1, 2032 B. From August 1, 2024 to August 1, 2032 C. From August 1, 2025 to August 1, 2032 D. From August 1, 2026 to August 1, 2032
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥667 Amount to be included in capital: ¥334 B. Issue price: ¥663 Amount to be included in capital: ¥332 C. Issue price: ¥659 Amount to be included in capital: ¥330 D. Issue price: ¥654 Amount to be included in capital: ¥327 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

66) Resolution at Meeting of the Board of Directors (October 14, 2022)

Date of resolution at Meeting of the Board of Directors	October 14, 2022
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 1,771
Number of Share Options (share options)*	52,536 [52,269] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 5,253,600 [5,226,900] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2023 to November 1, 2032 B. From November 1, 2024 to November 1, 2032 C. From November 1, 2025 to November 1, 2032 D. From November 1, 2026 to November 1, 2032
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥670 Amount to be included in capital: ¥335 B. Issue price: ¥666 Amount to be included in capital: ¥333 C. Issue price: ¥662 Amount to be included in capital: ¥331 D. Issue price: ¥657 Amount to be included in capital: ¥329 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

67) Resolution at Meeting of the Board of Directors (January 16, 2023)

Date of resolution at Meeting of the Board of Directors	January 16, 2023
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 15,679
Number of Share Options (share options)*	75,940 [75,646] (Notes 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 7,594,000 [7,564,600] (Notes 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2024 to February 1, 2033 B. From February 1, 2025 to February 1, 2033 C. From February 1, 2026 to February 1, 2033 D. From February 1, 2027 to February 1, 2033
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥662 Amount to be included in capital: ¥331 B. Issue price: ¥658 Amount to be included in capital: ¥329 C. Issue price: ¥654 Amount to be included in capital: ¥327 D. Issue price: ¥649 Amount to be included in capital: ¥325 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

68), 69) Resolution at Meeting of the Board of Directors (February 14, 2023)

Date of resolution at Meeting of the Board of Directors	February 14, 2023	February 14, 2023
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 79	Executive Officers of the Company 52
Number of Share Options (share options)*	10,305 [10,305] (Notes 1)	8,972 [8,972] (Notes 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,030,500 [1,030,500] (Notes 1)	Common stock 897,200 [897,200] (Notes 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2024 to March 1, 2033 B. From March 1, 2025 to March 1, 2033 C. From March 1, 2026 to March 1, 2033 D. From March 1, 2027 to March 1, 2033	From March 1, 2023 to March 1, 2063
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥675 Amount to be included in capital: ¥338 B. Issue price: ¥671 Amount to be included in capital: ¥336 C. Issue price: ¥667 Amount to be included in capital: ¥334 D. Issue price: ¥662 Amount to be included in capital: ¥331 (Note 4)	Issue price: ¥652 Amount to be included in capital: ¥326 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

70), 71) Resolution at Meeting of the Board of Directors (April 13, 2023)

Date of resolution at Meeting of the Board of Directors	April 13, 2023	April 13, 2023
Classification and number of persons received (persons)	Directors of the Company and employees of the Company's subsidiaries 3,983	Directors of the Company who serve concurrently as Executive Officers of the Company 5
Number of Share Options (share options)*	101,258 [101,258] (Note 1)	5,074 [5,074] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 10,125,800 [10,125,800] (Note 1)	Common stock 507,400 [507,400] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2024 to May 1, 2033 B. From May 1, 2025 to May 1, 2033 C. From May 1, 2026 to May 1, 2033 D. From May 1, 2027 to May 1, 2033	From May 1, 2023 to May 1, 2063
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥668 Amount to be included in capital: ¥334 B. Issue price: ¥664 Amount to be included in capital: ¥332 C. Issue price: ¥660 Amount to be included in capital: ¥330 D. Issue price: ¥655 Amount to be included in capital: ¥328 (Note 4)	Issue price: ¥645 Amount to be included in capital: ¥323 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

72) Resolution at Meeting of the Board of Directors (July 13, 2023)

Date of resolution at Meeting of the Board of Directors	July 13, 2023
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 15,172
Number of Share Options (share options)*	79,209 [79,209] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 7,920,900 [7,920,900] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2024 to August 1, 2033 B. From August 1, 2025 to August 1, 2033 C. From August 1, 2026 to August 1, 2033 D. From August 1, 2027 to August 1, 2033
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥555 Amount to be included in capital: ¥278 B. Issue price: ¥551 Amount to be included in capital: ¥276 C. Issue price: ¥547 Amount to be included in capital: ¥274 D. Issue price: ¥542 Amount to be included in capital: ¥271 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

73) Resolution at Meeting of the Board of Directors (October 16, 2023)

Date of resolution at Meeting of the Board of Directors	October 16, 2023
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 76
Number of Share Options (share options)*	1,763 [1,763] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 176,300 [176,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2024 to November 1, 2033 B. From November 1, 2025 to November 1, 2033 C. From November 1, 2026 to November 1, 2033 D. From November 1, 2027 to November 1, 2033
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥547 Amount to be included in capital: ¥274 B. Issue price: ¥542 Amount to be included in capital: ¥271 C. Issue price: ¥538 Amount to be included in capital: ¥269 D. Issue price: ¥533 Amount to be included in capital: ¥267 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

74) Resolution at Meeting of the Board of Directors (January 16, 2024)

Date of resolution at Meeting of the Board of Directors	January 16, 2024
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 16,070
Number of Share Options (share options)*	74,902 (Notes 1, 10)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 7,490,200 (Notes 1, 10)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2025 to February 1, 2034 B. From February 1, 2026 to February 1, 2034 C. From February 1, 2027 to February 1, 2034 D. From February 1, 2028 to February 1, 2034
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥624 Amount to be included in capital: ¥312 B. Issue price: ¥624 Amount to be included in capital: ¥312 C. Issue price: ¥624 Amount to be included in capital: ¥312 D. Issue price: ¥624 Amount to be included in capital: ¥312 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3. Same as Note 3 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

10. Abovementioned items are based on information as of the allotment date of the Share Options (February 1, 2024).

75), 76) Resolution at Meeting of the Board of Directors (February 14, 2024)

Date of resolution at Meeting of the Board of Directors	February 14, 2024	February 14, 2024
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 74	Executive Officers of the Company 48
Number of Share Options (share options)*	10,377 (Notes 1, 10)	8,612 (Notes 1, 10)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,037,700 (Notes 1, 10)	Common stock 861,200 (Notes 1, 10)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2025 to March 1, 2034 B. From March 1, 2026 to March 1, 2034 C. From March 1, 2027 to March 1, 2034 D. From March 1, 2028 to March 1, 2034	From March 1, 2024 to March 1, 2064
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥821 Amount to be included in capital: ¥411 B. Issue price: ¥821 Amount to be included in capital: ¥411 C. Issue price: ¥821 Amount to be included in capital: ¥411 D. Issue price: ¥821 Amount to be included in capital: ¥411 (Note 4)	Issue price: ¥821 Amount to be included in capital: ¥411 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes)

1., 2., 4.-8. Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

3., 9. Same as Notes 3, 9 of the Share Options of 43), 44) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

10. Abovementioned items are based on information as of the allotment date of the Share Options (March 1, 2024).

2) Rights Plans

Not applicable.

3) Other Status of Share Options

Not applicable.

(3) Status in the Exercise of Bonds with Share Options with Exercise Price Amendment

Not applicable.

(4) Changes in the Total Number of Shares Issued and the Amount of Common Stock and Others

(Millions of Yen, unless otherwise stated)

Period	Changes in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock	Balance of common stock	Changes in legal capital surplus	Balance of legal capital surplus
From January 1, 2021 to March 31, 2021 (Note 1)	1,458,600	1,436,032,500	721	206,645	721	174,182
March 29, 2021 (Note 2)	139,737,600	1,575,770,100	80,000	286,645	80,000	254,182
From April 1, 2021 to December 31, 2021 (Note 1)	5,965,000	1,581,735,100	3,028	289,673	3,028	257,210
From January 1, 2022 to December 31, 2022 (Note 1)	8,727,900	1,590,463,000	4,387	294,061	4,387	261,597
From January 1, 2023 to May 31, 2023 (Note 1)	4,993,900	1,595,456,900	2,548	296,609	2,548	264,146
May 31, 2023 (Note 3)	468,102,100	2,063,559,000	127,005	423,615	127,005	391,151
May 31, 2023 (Note 4)	74,204,700	2,137,763,700	20,999	444,615	20,999	412,151
From June 1, 2023 to December 31, 2023 (Note 1)	4,376,600	2,142,140,300	2,153	446,768	2,153	414,305

(Notes)

1. Through the exercise of Share Options.
2. Increased due to the issuance of new shares through third-party allotment for which payments were made on March 29, 2021 by the allottees Japan Post Holdings Co., Ltd., Mikitani Kosan, Inc., and Spirit Inc. The issue price for shares and the amounts to be included in capital in this offering are ¥1,145 and ¥573, respectively.
3. Increased due to the issuance of new shares through a public offering (Japanese domestic public offering and overseas offering) for which payments were made on May 31, 2023. The issue price for shares, subscription price and the amounts to be included in capital in this offering are ¥566, ¥542.64 and ¥271.32, respectively.
4. Increased due to the issuance of new shares through third-party allotment for which payments were made on May 31, 2023 by the allottees Mikitani Kosan, Inc., Spirit Inc., CyberAgent, Inc., and TOKYU CORPORATION. The issue price for shares and the amounts to be included in capital in this offering are ¥566 and ¥283, respectively.
5. Upon the exercise of Share Options from January 1, 2024 to February 29, 2024, the total number of shares issued, amounts of common stock and legal capital surplus increased by 1,082,400 shares, ¥544 million and ¥544 million, respectively.

(5) Status of Shareholders

As of December 31, 2023

Classification	Status of shares (the number of minimum unit is 100 shares)								Status of shares below unit (shares)
	Government and local municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Others	Individuals			
Number of shareholders	1	33	43	1,764	739	5,560	440,461	448,601	—
Number of shares held (Unit)	1,170	3,555,472	853,221	4,789,837	5,311,676	105,422	6,797,678	21,414,476	692,700
Percentage of shares held (%)	0.01	16.60	3.98	22.37	24.81	0.49	31.74	100.00	—

(Note)
384 shares of treasury stocks are included as 3 units in the item of "Individuals and others" and as 84 shares in the "Status of shares below unit".

(6) Major Shareholders

As of December 31, 2023

Name	Address	Number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	262,981,800	12.28
Crimson Group, Inc.	ARK Hills Executive Tower N211, 1-14-5 Akasaka, Minato-ku, Tokyo	226,419,000	10.57
Hiroshi Mikitani	Minato-ku, Tokyo	176,346,300	8.23
Haruko Mikitani	Shibuya-ku, Tokyo	132,625,000	6.19
Japan Post Holdings Co., Ltd.	2-3-1 Otemachi, Chiyoda-ku, Tokyo	131,004,000	6.12
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	71,194,694	3.32
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (Otemachi Financial City South Tower, 1-9-7 Otemachi, Chiyoda-ku, Tokyo)	66,561,180	3.11
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	54,033,397	2.52
Goldman Sachs Japan Co., Ltd. (Standing proxy: MUFG Bank, Ltd.)	6-10-1 Roppongi, Minato-ku, Tokyo (2-7-1, Marunouchi,Chiyoda-ku, Tokyo)	51,173,405	2.39
Mikitani Kosan, Inc.	ARK Hills Executive Tower N211, 1-14-5 Akasaka, Minato-ku, Tokyo	30,868,500	1.44
Spirit Inc.	ARK Hills Executive Tower N211, 1-14-5 Akasaka, Minato-ku, Tokyo	30,868,500	1.44
Total	—	1,234,075,776	57.61

(7) Status of Voting Rights

1) Issued shares

As of December 31, 2023

Classification	Number of shares (shares)		Number of voting rights	Details
Shares without voting rights	—		—	—
Shares with limited voting rights (treasury stocks, etc.)	—		—	—
Shares with limited voting rights (others)	—		—	—
Shares with full voting rights (treasury stocks, etc.)	(Treasury stocks) Common stock	300	—	—
Shares with full voting rights (others)	Common stock	2,141,447,300	21,414,473	—
Shares below unit	Common stock	692,700	—	—
Total number of shares issued		2,142,140,300	—	—
Total voting rights held by all shareholders	—		21,414,473	—

(Note)
84 shares of treasury stocks are included in "Shares below unit".

2) Treasury Stocks, etc.

As of December 31, 2023

Shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stocks) Rakuten Group, Inc.	1-14-1 Tamagawa, Setagaya-ku, Tokyo	300	—	300	0.00
Total	—	300	—	300	0.00

(Note)
The Company holds 84 shares of treasury stocks that are below unit.

2. Status of Acquisition of Treasury Stocks, etc

Class of shares, etc. Acquisition of common stock as stipulated in Article 155, Item 7 of the Companies Act

(1) Status of the Acquisition of Treasury Stocks Resolved at Shareholders' Meetings

Not applicable.

(2) Status of the Acquisition of Treasury Stocks Resolved at the Meetings of the Board of Directors

Not applicable.

(3) Details of the Acquisition of Treasury Stocks not Based on the Resolutions of Shareholders' Meetings or the Resolutions of the Meetings of the Board of Directors

Acquisition in accordance with Article 155, Item 7 of the Companies Act

Classification	Number of shares (shares)	Total acquisition cost (Thousands of Yen)
Acquired treasury stocks during the current fiscal year	140	82
Acquired treasury stocks during the current period	1,303	918

(Note)
The number of shares of acquired treasury stocks during the current period does not include the number of shares as a result of the purchase of shares below unit during the period from March 1, 2024 to the filing date of this securities report.

(4) Status of the Disposition and Holding of Acquired Treasury Stocks

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total disposition amount (Millions of Yen)	Number of shares (shares)	Total disposition amount (Millions of Yen)
Acquired treasury stocks for which subscribers were solicited	—	—	—	—
Acquired treasury stocks that was cancelled	—	—	—	—
Acquired treasury stocks transferred due to merger, share exchange, share issuance or company split	—	—	—	—
Others (Disposal of treasury stocks associated with execution of share options)	—	—	—	—
Number of treasury stocks held	384	—	1,687	—

(Note)
The number of shares of treasury stocks held during the current period does not include the number of acquired shares during the period from March 1, 2024 to the filing date of this securities report.

3. Basic Policy on Dividends

Considering the current financial situation of the Company, with the aim of ensuring its financial soundness, and under our policy of not increasing the amount of interest-bearing debt, we are currently actively promoting various types of capital procurement without relying solely on interest-bearing debt. We have secured funds for investment in growth businesses, and have also worked to reduce the balance of interest-bearing debt. Therefore, for the current fiscal year, we believe that controlling the outflow of funds through dividends will lead to stabilizing our financial base and ultimately improve shareholder value, so we decided not to pay dividends at the Board of Directors meeting held on February 14, 2024.

Our basic dividend policy is to pay dividends in a stable and continuous manner, taking into account investment for medium- to long-term growth and the enhancement of internal reserves to stabilize our financial base. There are no changes to this policy in the future. The timing of resuming dividends after the fiscal year ending December 2024 has not been determined at this time, but we will strive to resume dividends in a timely and appropriate manner as we move toward achieving profitability on a consolidated basis as early as possible, along with reducing interest-bearing debt.

The Company's distribution of dividends of surplus is decided by the Board of Directors. As a general rule, payment in principle is made once a year in the form of a year-end dividend. Payment of dividends in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to judgment allowing for management circumstances and other factors.

(Reference) Trends in dividend per share

Fiscal period	23rd	24th	25th	26th	27th
Year-end	December 2019	December 2020	December 2021	December 2022	December 2023
Dividend per share (Yen)	4.50	4.50	4.50	4.50	0.00

4. Corporate Governance

(1) Overview of Corporate Governance

1) Basic Approach to Corporate Governance

Our corporate mission since founding is based on the empowerment of individuals and society through innovation and entrepreneurship. We achieve social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. To achieve this, the Rakuten Group has been implementing various measures by making rigorous corporate governance its highest priority.

2) Corporate Governance

(a) Basic Structure of Corporate Governance and Reasons for Adoption

The Company has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Company's management and ensure its appropriateness, efficiency, fairness, and soundness. The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

(b) Corporate Organization

(Directors, Board of Directors, Executive Officers, etc.)

While it is stipulated in the Articles of Incorporation that the number of Directors shall be not more than 16, the Board of Directors consists of twelve Directors, including seven Outside Directors. Resolutions to appoint Directors must be approved by a majority of voting rights at an Annual General Shareholders' Meeting attended by shareholders holding at least one-third of voting rights.

The Board of Directors holds regular meetings, as well as special meetings as required, for the purpose of enhancing medium- to long-term corporate value and shareholder value. Within these meetings, Directors make decisions on important management matters, which are under the authority of the Board of Directors, and supervise the business execution of each Executive Officer. Executive Officers, upon receiving business execution orders from the CEO, carry out business execution within the administrative authority set forth by the Company. The current members of the Board of Directors are twelve Directors, namely Hiroshi Mikitani (Representative Director, Chairman, President & CEO), Masayuki Hosaka (Representative Director & Vice Chairman), Kentaro Hyakuno (Representative Director & Group Executive Vice President), Kazunori Takeda (Director & Group Executive Vice President), Kenji Hirose (Director & Group Executive Vice President), Takaharu Ando (Outside Director), Sarah J.M. Whitley (Outside Director), Tsedal Neeley (Outside Director), Charles B. Baxter (Outside Director), Shigeki Habuka (Outside Director), Takashi Mitachi (Outside Director), and Jun Murai (Outside Director) with Hiroshi Mikitani (Representative Director, Chairman, President & CEO) serving as the Chairman of the Board.

In case of new capital outlay, including any investment, the Investment Committee preliminarily deliberates on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors.

(Activities of the Board of Directors)

The Company held 15 Board of Directors meetings during the current fiscal year, and the attendance of each director is as follows.

Position	Name	Attendance
Representative Director, Chairman, President & CEO	Hiroshi Mikitani	15/15 (100%)
Representative Director & Vice Chairman	Masayuki Hosaka	15/15 (100%)
Representative Director & Group Executive Vice President	Kentaro Hyakuno	15/15 (100%)
Director & Group Executive Vice President	Kazunori Takeda	11/11 (100%)
Director & Group Executive Vice President	Kenji Hirose	11/11 (100%)
Outside Director	Takaharu Ando	11/11 (100%)
Outside Director	Sarah J. M. Whitley	15/15 (100%)
Outside Director	Tsedal Neeley	10/11 (91%)
Outside Director	Charles B. Baxter	10/11 (91%)
Outside Director	Shigeki Habuka	10/11 (91%)
Outside Director	Takashi Mitachi	14/15 (93%)
Outside Director	Jun Murai	13/15 (87%)

(Note)

1 Director & Group Executive Vice President Kazunori Takeda, Director & Group Executive Vice President Kenji Hirose, Outside Director Takaharu Ando, Outside Director Tsedal Neeley, and Outside Director Shigeki Habuka were newly elected at the 26th Annual General Shareholders' Meeting and assumed the office on the same day. The attendance at the Board of Directors meetings held after their appointments is listed above.

2 Outside Director Charles B. Baxter's record indicates his attendance at the meetings of the Board of Directors after assuming the office of Outside Director on March 30, 2023.

3 Apart from the above, there were 7 written resolutions that deemed to be Board of Directors resolutions.

The Company makes determinations and decisions via Board of Directors meeting about matters that are legally required to be resolved at the Board of Directors, as well as about strategically important matters that the Company has deemed they should be resolved at the Board of Directors. These items are stipulated in "the Rakuten Group Authority Table", which includes financial matters such as finance, M&A, assets, accounting, annual budget and business plan, and cost expenditure, and non-financial matters such as human resources, intellectual property, organizations, and information security.

In the current fiscal year, the Board of Directors deliberated on capital increase, issuance of stock acquisition rights, absorption-type merger/split, financial settlement, budget planning, funding, subsidiary listing, subsidiary restructuring, dividend, cost expenditure, human resources, sponsorship and conflict of interest transaction, and important matters related in business management, etc.

(Audit & Supervisory Board Members and the Audit & Supervisory Board)

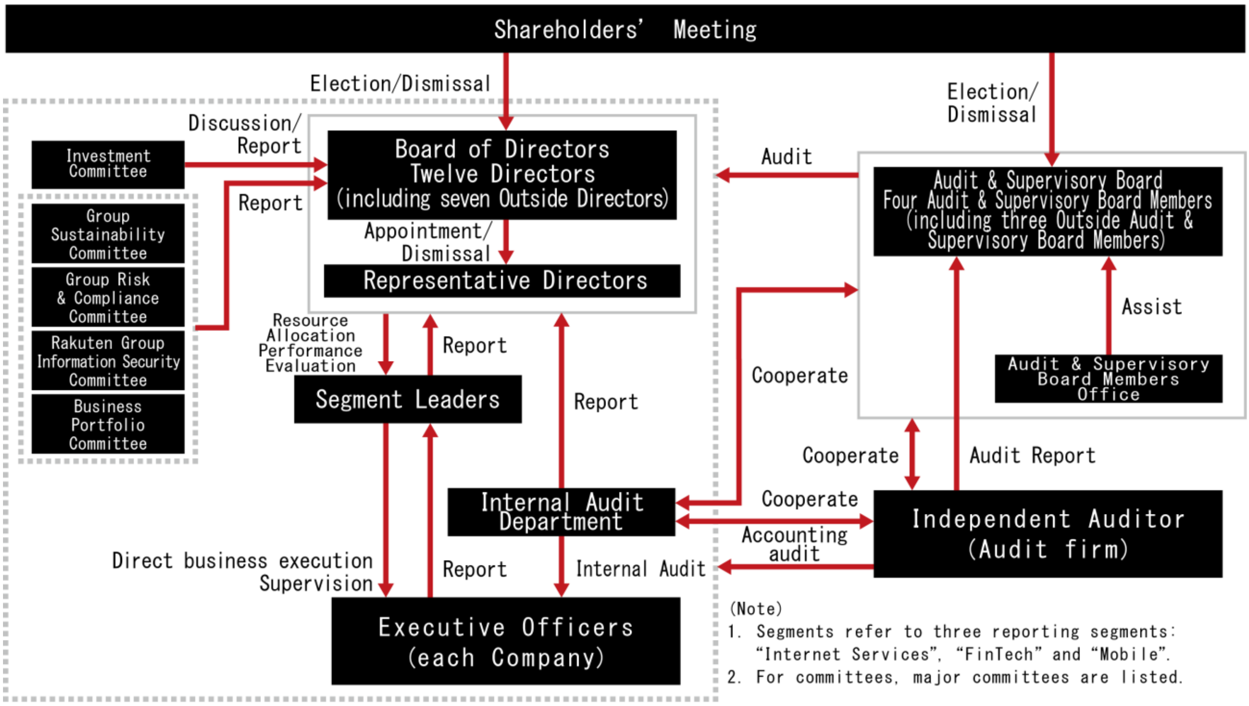
The Company has four Audit & Supervisory Board Members (including two full-time Audit & Supervisory Board Members) and the majority are outside Audit & Supervisory Board Members.

A three-member Audit & Supervisory Board Members' Office assists the Audit & Supervisory Board Members in the performance of their duties. In addition to its regular meetings, the Audit & Supervisory Board holds special meetings as required.

The purpose of the Audit & Supervisory Board is to receive reports, hold discussions, and make decisions regarding important audit-related matters. However, it does not prevent each Audit & Supervisory Board Member from exercising their individual authority.

In accordance with audit policies and plans established by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend meetings of the Board of Directors and other important management meetings to receive reports about the state of the Company's operations from Directors and employees, and they also check the operations of the Company and its subsidiaries. In addition, the Audit & Supervisory Board Members receive audit reports from the independent auditors, audit financial statements and business reports, and discuss various matters with the CEO. The current members of the Audit & Supervisory Board are Yoshito Naganuma (Audit & Supervisory Board Member, Full-time), Futoshi Nakamura (Outside Audit & Supervisory Board Member, Full-time), Maki Kataoka (Outside Audit & Supervisory Board Member, Part-time), and Katsuyuki Yamaguchi (Outside Audit & Supervisory Board Member, Part-time) with Yoshito Naganuma (Audit & Supervisory Board Member, Full-time) serving as the Chairman of the Board.

<Corporate Governance Structure>



3) Internal Control Systems and System to Ensure the Appropriateness of Operations of Subsidiaries of the Company Submitting Financial Reports (Including Risk Management Systems)

The Board of Directors of the Company has made the following resolutions concerning systems to ensure the performance of business operations of Directors comply with laws, regulations and the "Articles of Incorporation".

(1) System for Ensuring Directors and Employees Comply with Laws, Regulations and the "Articles of Incorporation"

Rakuten Group, Inc. has stipulated the "Rakuten Group Code of Ethics" and Rakuten Group, Inc. as well as its subsidiaries ("Rakuten Group"), shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President); initiatives promoting Group-wide compliance under the leadership of the COO and CCO (a position overseeing Group-wide compliance initiatives under the leadership of the COO), and Company Compliance Officer appointed according to Rakuten Group, Inc.'s internal Company System structure; and by reporting the status of compliance initiatives to the Group Risk Compliance Committee and the Board of Directors.

Moreover, Outside Directors and Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall also thoroughly supervise and audit the execution of duties by Directors and employees. To technically and objectively verify compliance with laws, regulations and the "Articles of Incorporation", lawyers shall also be appointed for those positions.

Additionally, compliance education about the knowledge and sense of ethics needed as a member of Rakuten Group is carried out for all executives and employees of Rakuten Group. Rakuten Group shall appropriately administer a system for internal reporting that prevents retribution against those who report and consult through establishing a point of contact for executives, current and former employees of Rakuten Group to consult and report about legal violations and other compliance issues. Rakuten Group will also collect information widely from outside the company.

(2) System for Managing and Protecting Information Related to the Execution of Duties by Directors

Any information, including written documents and digital records, regarding the execution of duties by Directors of Rakuten Group, Inc. shall be legally and properly preserved and managed in accordance with the Rakuten Group Regulations and other internal regulations. Additionally, Directors and Audit & Supervisory Board Members shall have full-time access to all information relevant to this matter.

(3) System for Risk Management

In accordance with the Group's rules and regulations on risk management, Rakuten Group, Inc., shall: be aware of and devise/execute measures to contain risks; establish a system (i.e., PDCA cycle) with which to monitor the results of such measures; treat risks faced by its organizations in the course of business.

The CFO, CISO, COO, and CCO shall monitor the status of risks and action plans in their respective fields (i.e., finance, information security, compliance)-identified in their respective risk assessments--and treat, as needed, critical risks and those which affect the entire Group to reduce their impact and prevent materialization. The status of such risk treatment activities shall be discussed at the Group Risk and Compliance Committee and the outcome reported to the Important Meetings. Critical risks and related measures shall be reported to management at the Rakuten Group, Inc. Board of Directors or other Important Meetings.

With regard to information and personal data management, a critical risk, the Group Information Security and Privacy Committee shall convene to report/make decisions on important measures and incidents which have occurred since the previous meeting. Furthermore, to control investment-related risks at Rakuten Group, Inc., approval by the Investment Committee must be obtained for every matter, and cases in which the investment in question exceeds established thresholds shall require approval by the Rakuten Group, Inc. Board of Directors. For the mitigation of investment-related risks at subsidiaries, certain investment projects shall be subject to discussion by the Rakuten Group, Inc.'s Investment Committee and the Rakuten Group, Inc. Board of Directors, or are reported to Rakuten Group, Inc., based on predetermined criteria depending on the nature, the scale of the project, or whether such subsidiaries are listed or unlisted, etc.

The Internal Audit Department shall independently audit the compliance status of Rakuten Group, Inc., and its group companies with laws and internal regulations and periodically report its findings to the Rakuten Group, Inc. Board of Directors.

(4) System Allowing Directors to Efficiently Carry Out their Duties

An appropriate and efficient decision making system to allow Directors of Rakuten Group to execute their duties shall be formulated based on the Rakuten Group Regulations, and other internal regulations. Moreover, transparency and speed in decision making shall be sought by promoting online internal procedures.

Prompt and flexible decision-making and execution of duties shall be promoted by having Executive Officers, who were appointed by the Board of Directors, perform duties under the control of Directors.

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on "Financial Instruments and Exchange Act" and other applicable domestic and foreign laws and regulations shall be conducted and effectiveness of these shall be evaluated accordingly.

(6) System for the Rakuten Group to Only Engage in Appropriate Business Practices

In order to realize unified Group management, Rakuten Group, Inc. stipulates Rakuten Group Regulations and other internal regulations dealing with company ideals, group governance, company management, risk management, compliance, etc. Regarding the execution of subsidiaries' significant duties, the Rakuten Group shall administer a system for approval or reporting to Rakuten Group, Inc based on the Rakuten Group Authority Table, Rakuten Group Guidelines and agreements with such subsidiaries, in consideration of whether such subsidiaries are listed or unlisted, etc. The Rakuten Group Regulations protect the independence of the subsidiaries while also creating the needed framework for business operations which is followed by the entire Rakuten Group.

In addition, the Internal Audit Department, which is an independent organization under the Representative Director and President, ensures the appropriateness of operations by having a strong relationship with the organizational unit-in-charge of internal audit of each subsidiary and by conducting internal audits on Rakuten Group as a whole.

(7) Requests from Audit & Supervisory Board Members for Employees' Assistance and Employees' Independence from Directors

To assist the duties of Audit & Supervisory Board Members, the Audit & Supervisory Board Members Office is established under the Audit & Supervisory Board, and the Audit & Supervisory Board Members may give orders to employees belonging to the Audit & Supervisory Board Members Office as the need arises. Additionally, when employees assist Audit & Supervisory Board Members, the effectiveness of the orders from Audit & Supervisory Board Members shall be ensured by employees of the Audit & Supervisory Board Members Office not receiving orders from Directors and by requiring approval from the Audit & Supervisory Board Members for such employees' transfer and performance assessments.

(8) System for Directors and Employees to Report to Audit & Supervisory Board Members and for Audit & Supervisory Board Members to Carry Out Effective Audits

Directors and employees of Rakuten Group shall give all legally required reports to Audit & Supervisory Board Members and provide additional necessary reports and information if the Audit & Supervisory Board Member requests it. Rakuten Group, Inc. will ensure the effectiveness of audits through prohibiting retribution for reporting against those who report to the Audit & Supervisory Board Members. Additionally, if Rakuten Group, Inc. receives a request for prepayment of expenses or repayment from Audit & Supervisory Board Members, it shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Audit & Supervisory Board Member's duty.

4) Overview of Liability Limitation Agreements

The Company has signed an agreement with each of its Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members under the provisions of Article 427, Paragraph 1 of the Companies Act. This agreement is summarized below:

Provided that duties have been carried out in good faith and without gross negligence, the total liability in situations as defined in Article 423, Paragraph 1 of the Companies Act will be limited to the sum of the amounts stipulated in the following items:

i. Two times the bigger of the sum of fees, bonuses and other payments received or asset benefits received in the year that includes the date on which the event that resulted in the liability occurred, and in the preceding year, or the value of asset benefits to be received (excluding benefits stipulated under item ii below).
ii. Two times the smaller of the sum of retirement bonuses or asset benefits that are in the nature of retirement bonuses, or that amount divided by the number of years during which the office of Director (excluding Executive Director) or Audit & Supervisory Board Member was held.
iii. The amounts stipulated below if Share Options, as defined in Article 238, Paragraph 3 of the Companies Act, were exercised or transferred after the person was appointed as a Director (excluding Executive Director) or an Audit & Supervisory Board Member.

1. If the Rights have been exercised
   An amount calculated by subtracting the sum of the issue price of the Share Options and the paid-in value per share on the exercise date from the market price per share on the exercise date and multiplying the result by the number of shares granted through the exercise of the Share Options.
2. If the Rights have been transferred
   An amount calculated by subtracting the issue price of the Share Options from the transfer price and multiplying the result by the number of Share Options.

5) Overview of Indemnity Agreements Entered into with Officers, etc.

The Company has entered into indemnity agreements provided for in Article 430-2, Paragraph 1 of the Companies Act with its Directors and Audit & Supervisory Board Members to indemnify them for the expense stipulated in Paragraph 1, Item 1 and the loss stipulated in Paragraph 1, Item 2 of the same article to the extent provided for by laws and regulations. However, in order to ensure that the appropriateness of the execution of duties by officers is not impaired by the said indemnity agreements, losses incurred due to malicious intent or gross negligence of officers are not subject to indemnification.

6) Overview of the Directors and Officers Liability Insurance Contract that Covers Officers, etc.

The Company has entered into a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act insuring all Directors, Audit & Supervisory Board Members, Executive Officers and Employees of the Company and its subsidiaries with an insurance company. The contract will cover legal damages and litigation expenses to be borne by the insured in the event that a claim for damages is made due to an act (or omission) committed by the insured in his or her capacity as officer, etc. of the Company. The Company bears the entire premium for the contract. However, in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, there are certain exemptions; for example, damages that the insured has caused as a result of an act performed with the awareness that it is a violation of laws and regulations will not be covered.

7) Other Provisions of the Articles of Incorporation

(a) Matters Requiring Resolutions of Shareholders' Meetings that Can Be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of the Company state that, unless otherwise stipulated in laws and regulations, the Board of Directors is authorized to pass resolutions on matters pertaining to the distribution of surpluses and other matters, as stipulated in the items of Article 459, Paragraph 1 of the Companies Act, without resolutions of shareholders' meetings. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

(b) Items Requiring Special Resolutions of Shareholders' Meetings and Class Shareholders Meetings

The Articles of Incorporation of the Company state that matters requiring resolutions of shareholders' meetings, as stipulated in Article 309, Paragraph 2 of the Companies Act, require resolutions supported by at least two-thirds of voting rights at shareholders' meetings attended by shareholders holding at least one-third of voting rights. Also, the Articles of Incorporation of the Company state that matters requiring resolutions of class shareholders meetings, as stipulated in Article 324, Paragraph 2 of the Companies Act, shall be adopted by two-thirds or more of the votes of the shareholders present at a class shareholders meeting, at which one-third or more of all shareholders holding voting rights are present. The purpose of this provision is to facilitate the administration of shareholders' meetings by easing the quorum requirements for special resolutions.

(c) Voting Rights of Bond-Type Class Shares

About voting rights of Bond-type class shares at shareholders' meetings of the common stocks' holders (hereinafter referred to as "Common Shareholders"), the Articles of Incorporation of the Company state that the shareholders holding Bond-type class shares (hereinafter referred to as "Bond-type class shareholders") may not exercise their voting rights at shareholders meetings of the Common Shareholders for any matters. In order to prevent, as much as possible, any harm to the rights of existing Common Shareholders, the Bond-type class shareholders do not have any voting rights at the shareholders' meeting of the Common Shareholders, although the Bond-type class shareholders have the right to receive dividends of surplus and distribution of residual assets in preference to common stocks.

Furthermore, Article 322, Paragraph 1 of the Companies Act states that in cases where the company carries out an act such as organizational restructuring or stock splits/consolidation, if it is likely to cause detriment to the class shareholders of any class of shares, in principal, such action shall not become effective unless a resolution is made at a class shareholders meeting constituted by the class shareholders of the shares of such class. Though, the Articles of Incorporation of the Company state that, unless otherwise provided by applicable laws and regulations, a resolution at a class shareholders meeting consisting of each of the Bond-type class shareholders will not be required to be passed for us to conduct any of the acts listed in each item of Article 322 Paragraph 1 of the Companies Act. However, if we conduct any acts listed below, and where it is likely to cause detriment to the Bond-type class shareholders, the Articles of Incorporation of the Company state that, in principal, the relevant act shall not become effective unless a resolution at a class shareholders meeting consisting of the Bond-type class shareholders is passed in addition to the resolution of our shareholder meeting of the Common Shareholders or board of directors meeting.

i. Mergers as a result of which the Company will become the disappearing company or a share exchange or share transfer by which we become a wholly-owned subsidiary (excluding share transfers solely conducted by us)
ii. Approval by our board of directors of a demand for cash-out made by our special controlling shareholders against other shareholders of the Company.

(2) Directors

1) List of Officers

13 male, 3 female (Percentage of female: 18.8%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director, Chairman, President & CEO	Hiroshi Mikitani	March 11, 1965	April 1988 May 1993 February 1996 February 1997 February 2001 March 2004 April 2006 February 2010 October 2011 August 2012 July 2016 July 2017 February 2020 March 2022 April 2022 Aug 2023	Joined the Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) Received MBA from Harvard Business School President & Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position) Founder & President & Representative Director of the Company Chairman, President, & Representative Director of the Company (current position) Chief Executive Officer of the Company (current position) Chairman & Representative Director of Crimson Football Club, Inc. (currently Rakuten Vissel Kobe, Inc.) (current position) Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position) Chairman of Tokyo Philharmonic Orchestra (current position) Chairman & Representative Director & team owner of Rakuten Baseball, Inc. (current position) Group President of Group Company Division of the Company (current position) Chairman & Representative Director of Rakuten Aspyrian Japan K.K. (currently Rakuten Medical K.K.) (current position) Director of AST & Science, LLC (current position) Representative Director & Chairman of Rakuten Mobile, Inc. (current position) Vice Chairman of the Board & Co-CEO of Rakuten Medical, Inc. (current position) Representative Director, Chairman & CEO of Rakuten Symphony, Inc. (current position)	March 2024 to March 2025	176,346

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director & Vice Chairman	Masayuki Hosaka	July 31, 1954	April 1980 December 2003 May 2005 April 2009 February 2013 January 2014 March 2014 April 2016 July 2016	Joined ORIX Credit Corporation General Manager of Personal Finance Department of the Company Executive Officer of the Company President & Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.) (current position) Managing Executive Officer of the Company Executive Vice President of the Company Representative Director of the Company (current position) Vice Chairman (current position) President of Card & Payments Company of the Company (currently FinTech Group Company) (current position)	March 2024 to March 2025	113
Representative Director & Group Executive Vice President	Kentaro Hyakuno	June 6, 1967	June 1990 February 2007 July 2009 March 2013 March 2016 April 2016 April 2017 March 2021 July 2021 March 2022 April 2022	Joined Toyota Motor Corporation Executive Officer of the Company Managing Executive Officer of the Company Director & Managing Executive Officer of the Company Retired as Director of the Company Managing Executive Officer & COO of the Company Group Executive Vice President & COO of the Company Director, Group Executive Vice President & COO of the Company Director of JP Rakuten Logistics, Inc. (current position) Representative Director, Group Executive Vice President & COO of the Company (current position) President of Communications & Energy Company of the Company (current position)	March 2024 to March 2025	311

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director & Group Executive Vice President	Kazunori Takeda	May 17, 1961	April 1986 May 1993 July 2006 November 2006 March 2007 March 2016 June 2016 July 2016 April 2018 July 2018 June 2019 March 2021 July 2021 April 2022 January 2023 March 2023	Joined Toyota Motor Corporation Received MBA from Harvard Business School Managing Executive Officer of the Company Managing Executive Officer & COO of the Company Director, Managing Executive Officer & COO of the Company Retired as Director of the Company Director of Toyooka Tourism Innovation (current position) President of Life & Leisure Company of the Company Group Executive Vice President of the Company President of Commerce Company of the Company Outside Director of Gurunavi, Inc. (current position) Director of SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.) (current position) Representative Director & Chairman of JP Rakuten Logistics, Inc. (current position) President of Ad & Marketing Company of the Company President of Commerce & Marketing Company of the Company (current position) Director & Group Executive Vice President of the Company (current position)	March 2024 to March 2025	10
Director & Group Executive Vice President	Kenji Hirose	August 8, 1962	April 1985 September 2005 January 2006 November 2006 March 2012 July 2016 April 2018 January 2019 February 2019 July 2021 March 2023	Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) Joined Rakuten Securities, Inc. General Manager of Financial Business Department of the Company Executive Officer of the Company Managing Executive Officer of the Company Managing Executive Officer & CCO of the Company Managing Executive Officer, CFO & CRO of the Company Group Executive Vice President, CFO & CRO of the Company Group Executive Vice President & CFO of the Company Audit & Supervisory Board Member of JP Rakuten Logistics, Inc. (current position) Director, Group Executive Vice President & CFO of the Company (current position)	March 2024 to March 2025	42

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Takaharu Ando	August 31, 1949	April 1972 January 1996 August 1999 August 2004 June 2009 May 2013 June 2016 June 2017 June 2018 May 2020 June 2022 March 2023	Joined National Police Agency Executive Secretary to the Prime Minister Director of Public Security Bureau of Metropolitan Police Department Director General of Commissioner General's Secretariat of National Police Agency Commissioner General of National Police Agency Outside Director of Nitori Holdings Co., Ltd. Outside Director of AMUSE INC. (current position) Outside Director of Zensho Holdings Co., Ltd. (current position) Outside Director of TOBU RAILWAY CO., LTD. (current position) Outside Director (Audit & Supervisory Committee Member) of Nitori Holdings Co., Ltd. Outside Director (Audit & Supervisory Committee Member) of Nisshin Seifun Group Inc. (current position) Outside Director of the Company (current position)	March 2024 to March 2025	—
Director	Sarah J. M. Whitley	August 6, 1958	September 1980 May 1986 March 2019 May 2019 May 2019 June 2019 December 2021 January 2022	Joined Baillie Gifford & Co. Partner of Baillie Gifford & Co. Outside Director of the Company (current position) Trustee of Foundation Scotland (current position) Chair of Edinburgh International Festival Endowment Fund (current position) Trustee of the Royal Scottish Academy Foundation (current position) Trustee of the Abbotsford Trust (current position) Chair of Scottish Episcopal Church Pension Fund (current position)	March 2024 to March 2025	—
Director	Tsedal Neeley	December 16, 1972	July 2007 July 2012 December 2015 July 2018 July 2019 June 2020 July 2020 July 2020 January 2021 March 2023	Assistant Professor of Harvard Business School Associate Professor of Harvard Business School Outside Director of The Partnership, Inc. (current position) Naylor Fitzhugh Professor of Business Administration of Harvard Business School (current position) Director of Harvard Business Publishing Outside Director of Brown Capital Management, LLC (current position) Outside Director of Brightcove, Inc. (current position) Senior Associate Dean for Faculty Development and Research of Harvard Business School (current position) Faculty Chair of the Christensen for Teaching and Learning of Harvard Business School (current position) Outside Director of the Company (current position)	March 2024 to March 2025	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Charles B. Baxter	April 19, 1965	October 1998 March 2001 March 2003 September 2005 March 2011 February 2012 January 2015 November 2021 March 2023	CEO of eTranslate, Inc. Director of the Company Retired as Director of the Company Manager of LinkShare Corporation (currently RAKUTEN MARKETING LLC) (current position) Director of the Company Chairman & Director of Rakuten USA, Inc. (current position) Chairman of Reyns Holdco, Inc. (current position) Director of Wineshipping.com LLC (current position) Outside Director of the Company (current position)	March 2024 to March 2025	18
Director	Shigeki Habuka	April 14, 1958	April 1981 July 2003 July 2005 January 2008 September 2009 September 2011 January 2014 June 2016 November 2017 April 2019 April 2022 March 2023	Joined the Ministry of Finance Director of the Budget Bureau of the Ministry of Finance Director of the Indirect Tax Policy Division, Tax Bureau of the Ministry of Finance Deputy Director-General of the Ministry of Defense Executive Secretary to the Prime Minister Deputy Director-General of the Budget Bureau of the Ministry of Finance Director General of the Cabinet Office Vice-Minister for Policy Coordination of the Cabinet Office Executive Officer of Corporate Strategy Department of Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation) Corporate Executive Officer (co-charge of the Public Policy and Relation Office and the PR and IR Office (PR)) of Mitsubishi Chemical Holdings Corporation Corporate Executive Officer and Senior Vice President (responsible for Public Relation) of Mitsubishi Chemical Holdings Corporation (current position, scheduled to retire in March 2024) Outside Director of the Company (current position)	March 2024 to March 2025	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Takashi Mitachi	January 21, 1957	April 1979 June 1992 October 1993 January 1999 January 2005 May 2005 March 2016 June 2016 March 2017 June 2017 June 2017 October 2017 March 2018 April 2020 June 2022	Joined Japan Airlines Co., Ltd. Received MBA from Harvard Business School Joined the Boston Consulting Group Vice President & Partner of the Boston Consulting Group Japan Co-chair of the Boston Consulting Group Managing Director & Senior Partner of the Boston Consulting Group Outside Director of the Company (current position) Outside Director of Lotte Holdings Co., Ltd. (current position) Outside Director of DMG MORI CO., LTD. (current position) Board Member of Ohara Museum of Art (current position) Outside Director of Tokio Marine Holdings, Inc. (current position) Senior Advisor of The Boston Consulting Group Chief Executive Director of Ronald McDonald House Charities Japan (current position) Distinguished Professor of Graduate School of Management of Kyoto University (current position) Outside Director of SUMITOMO CORPORATION (current position)	March 2024 to March 2025	—
Director	Jun Murai	March 29, 1955	August 1984 March 1987 April 1987 April 1990 April 1997 May 2005 October 2009 September 2011 March 2012 October 2017 June 2018 April 2020 October 2020 September 2021 October 2022 July 2023	Assistant at Information Processing Center of Tokyo Institute of Technology Received Ph. D in Engineering from Keio University Assistant at Large-scale Computer Center of the University of Tokyo (currently Information Technology Center, the University of Tokyo) Associate Professor of Faculty of Environment and Information Studies of Keio University Professor of Faculty of Environment and Information Studies of Keio University Vice-President of Keio Gijuku Educational Corporation Professor of Faculty of Environment and Information Studies of Keio University Outside Director of BroadBand Tower, Inc. (current position) Outside Director of the Company (current position) Dean of the Graduate School of Media and Governance of Keio University Outside Director of LAC Co., Ltd. (current position) Professor of Keio University (current position) Special Advisor to the Cabinet (current position) Advisor to the Digital Agency (current position) Director of World Wide Web Consortium, Inc. (current position) Advisor of The International House of Japan, Inc. (current position)	March 2024 to March 2025	9

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member (Full-time)	Yoshito Naganuma	June 29, 1965	April 1988 April 2002 April 2003 October 2004 November 2005 May 2013 July 2018 April 2019 April 2022 October 2022 January 2023 March 2023	Joined Nichido Fire & Marine Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Manager of Financial Planning Department of Nichido Fire & Marine Insurance Co., Ltd. and Manager of Operation Audit Group, Legal Risk Management Department of Millea Holdings, Inc. (currently Tokio Marine Holdings, Inc.) Manager of Accounting Section, Corporate Accounting Department (in charge of operation promotion) of Nichido Fire & Marine Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Deputy Manager of Sapporo Business Accounting Group, Business Accounting Service Department of Tokio Marine & Nichido Fire Insurance Co., Ltd. Joined bitwallet, Inc. (currently Rakuten Edy, Inc.) Executive Officer & General Manager of Administration Department of Rakuten Edy, Inc. Executive Officer & General Manager of Brand Policy Department of Rakuten Edy, Inc. Executive Officer & Office Manager of Internal Audit Office of Rakuten Edy, Inc. and General Manager of Corporate Planning Department of Rakuten Socio Business, Inc. General Manager of Planning Division and General Manager of Corporate Planning Department of Rakuten Socio Business, Inc. General Manager of Management Division, General Manager of Corporate Planning Department, and General Manager of Human Resources Department of Rakuten Socio Business, Inc. General Manager of Business Management Division and General Manager of Business Management Department of Rakuten Socio Business, Inc. Full-time Audit & Supervisory Board Member of the Company (current position)	March 2023 to March 2027	9

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member (Full-time)	Futoshi Nakamura	November 23, 1957	April 1981 July 1990 July 1994 January 2000 September 2005 July 2009 July 2010 June 2012 June 2018 March 2024	Joined The Japan Tobacco and Salt Public Corporation (currently JAPAN TOBACCO INC.) Vice President & CFO of JT America Inc. Deputy Director, Finance Department of JAPAN TOBACCO INC. Deputy Director of Corporate Planning Division of JAPAN TOBACCO INC. Vice President Internal Audit of JT International Inc. Director, General Manager, Accounting Department of JAPAN TOBACCO INC. Director, General Manager, Audit Department of JAPAN TOBACCO INC. Full-time Audit & Supervisory Board Member of JAPAN TOBACCO INC. Full-time Audit & Supervisory Board Member of J-Pharma Co., Ltd. Full-time Outside Audit & Supervisory Board Member of the Company (current position)	March 2024 to March 2028	—
Audit & Supervisory Board Member	Maki Kataoka	July 4, 1958	April 1982 May 1987 June 1989 August 1989 April 1994 March 2009 March 2014 August 2017 October 2018 June 2020 April 2022 March 2023	Joined Arthur Andersen Certified Public Accountants Office (currently KPMG AZSA LLC) Registered as a Certified Public Accountant Received MBA from Stanford Graduate School of Business Joined Sanwa Research Institute Corp. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.) Joined Tokyo Metropolitan Police Department Director of Tokyo Metropolitan Police Department Professor of National Police Academy Executive Director of Tokyo Metropolitan Police Department Public Relations Advisor of Regional Public Relations Administration Group, HQ General Affairs Department of Sony Corporation (currently Sony Group Corporation) Outside Corporate Auditor of SHIBAURA ELECTRONICS CO., LTD. (current position) Member of Public Interest Commission of Cabinet Office (current position) Outside Audit & Supervisory Board Member of the Company (current position)	March 2023 to March 2027	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member	Katsuyuki Yamaguchi	September 22, 1966	April 1991 May 1997 September 1997 January 1998 May 1998 February 1999 July 1999 August 2000 March 2001 July 2007 September 2018	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) Graduated from Columbia Law School (LL.M.) Served Debevoise & Plimpton LLP in New York Admitted as Attorney-at-law in New York, USA Served Debevoise & Plimpton LLP in Paris Served Simeon & Associés in Paris Reinstated at Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) Attorney and Partner of Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) Outside Audit & Supervisory Board Member of the Company (current position) Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. (current position) Managing Partner of Nishimura & Asahi NY LLP (current position)	March 2024 to March 2028	70
Total						176,928

(Notes)

1. Seven Directors, Takaharu Ando, Sarah J. M. Whitley, Tsedal Neeley, Charles B. Baxter, Shigeki Habuka, Takashi Mitachi, and Jun Murai are Outside Directors.
2. Three Audit & Supervisory Board Members, Futoshi Nakamura, Maki Kataoka, and Katsuyuki Yamaguchi are Outside Audit & Supervisory Board Members.

2) Outside Directors and Outside Audit & Supervisory Board Members

The Company's twelve-member Board of Directors currently includes seven Outside Directors, and three of four Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

Director Takaharu Ando had a business relationship including provision of services with the Company. The ratio of transactions between him and the Company in fiscal 2023 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also Outside Director of AMUSE INC., to which the Company pays music royalties. The ratio of such payments in fiscal 2023 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Director Tsedal Neeley is a professor at Harvard Business School, to which the Company pays training fees. The ratio of fees in fiscal 2023 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Director Takashi Mitachi is Distinguished Professor of Graduate School of Management of Kyoto University, to which the Company pays participation fees for events held by the university. The ratio of such payments in fiscal 2023 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Director Jun Murai is Professor of Keio University and the Company pays expenses incurred under contract research agreement to the university. The ratio of fees in fiscal 2023 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also Director of World Wide Web Consortium, Inc. and the Company pays annual membership fees to this company. The ratio of fees in fiscal 2023 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. In addition, he is Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal 2023 was both less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Audit & Supervisory Board Member Katsuyuki Yamaguchi is Managing Partner of Nishimura & Asahi NY LLP, and Nishimura & Asahi (Gaikokuho Kyodo Jigyo) has a business relationship with the Company in terms of service provision, etc. The ratio of transactions between Nishimura & Asahi (Gaikokuho Kyodo Jigyo) and the Company in fiscal 2023 was both less than 1% of the combined total amount of cost of sales and the selling, general, and administrative expenses of the Company for the year.

Mr. Charles B. Baxter and Mr. Jun Murai, Outside Directors, and Mr. Katsuyuki Yamaguchi, Outside Audit & Supervisory Board Member, respectively hold the Company's shares, and the numbers of shares held by them are as described in the respective columns of "Number of shares held" in "(2) Directors 1) List of Officers". There are no other personal, capital or business relationships or significant interests.

With the aim of ensuring a high level of transparency and strong management supervision, thereby increasing the corporate value, the Company, in selecting its Independent Directors and Independent Audit & Supervisory Board Members, determines persons who, in principle, do not fall under any of the following criteria to be independent, and seven Outside Directors, namely Mr. Takaharu Ando, Ms. Sarah J. M. Whitley, Ms. Tsedal Neeley, Mr. Charles B. Baxter, Mr. Shigeki Habuka, Mr. Takashi Mitachi, Mr. Jun Murai, and three Outside Audit & Supervisory Board Members, namely Mr. Futoshi Nakamura, Ms. Maki Kataoka, and Mr. Katsuyuki Yamaguchi are appointed to the position of Independent Director/Audit & Supervisory Board Member specified by the regulations of the Tokyo Stock Exchange. When nominating candidates for Outside Director, the Company considers whether the candidates fall under any of the following criteria.

a. A party whose major client is the Company or an executive thereof (*1) or a major client (*2) of the Company or an executive thereof
b. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as Directors or Audit & Supervisory Board Members (if the party receiving the said property is an organization such as corporation or association, parties who belong to the said organization)
c. A party who substantially has 10% or more of the Company's total voting rights, or an executive thereof
d. A person or party who has recently fallen under any of a) through c) above (*3)
e. A close relative of a person who falls under the following criteria (excluding immaterial persons)
    1) A person who falls under any of a) through d) above
    2) An executive of a subsidiary of the Company
    3) A non-executive Director of a subsidiary of the Company (limited to the case where Outside Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)
    4) A person who has recently fallen under 2) or 3) above, or recently been an executive of the Company (including a non-executive Director in the case where Outside Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)

*1: An executive as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, which includes employees in addition to Executive Directors.
*2: Refers to cases in which, using the transaction amount with the Company as the criterion, the sum of the Company's total purchase amount accounts for 1% or more of the combined total amount of cost of sales and the selling, general, and administrative expenses of the Company.
*3: Cases which are considered, in effect, equivalent to the present condition, such as where a party or person fell under any of a) through c) at the time the contents of the proposal of the General Shareholders' Meeting are determined for the election of such Independent Directors or Independent Audit & Supervisory Board Members as Outside Directors or Outside Audit & Supervisory Board Members.

There are seven Outside Directors. Mr. Takaharu Ando has extensive experience and wide-ranging insight gained from serving in various important positions in police organizations, including Commissioner General of National Police Agency. Ms. Sarah J. M. Whitley has many years of experience in observing the Company and other Japanese companies mainly as an investor. Ms. Tsedal Neeley has extensive experience and wide-ranging insight gained from serving as a professor at Harvard Business School and as an Outside Director of a U.S. listed company engaged in internet related businesses. Mr. Charles B. Baxter has expertise and extensive experience in the Internet industry and corporate management. Mr. Shigeki Habuka has wide-ranging experience gained from serving in various important positions in administrative agencies, including Vice-Minister for Policy Coordination of the Cabinet Office and his extensive insight on financial administration and government affairs. Mr. Takashi Mitachi has expert knowledge and experience as a management consultant. And Mr. Jun Murai has knowledge and experience as an academic expert in internet technology. All Outside Directors have been appointed in expectation of their ability to provide management with advice and opinions to enhance the Company's corporate value based on their experience and expert knowledge.

There are three Outside Audit & Supervisory Board Members. Mr. Futoshi Nakamura has expertise and his experience in finance and accounting as well as audit & supervisory board member in global companies. Ms. Maki Kataoka has expertise mainly as a certified public accountant, abundant experience having held important posts such as a Director of Tokyo Metropolitan Police Department, as well as specialized knowledge of finance, accounting, and internal controls. Mr. Katsuyuki Yamaguchi has expertise and extensive experience as an attorney on corporate legal affairs. They have been appointed in anticipation of their contribution to the Company's audit system.

Documents for meetings of the Board of Directors are forwarded in advance to the Outside Directors and Outside Audit & Supervisory Board Members, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted in "(3) Audits", the Outside Audit & Supervisory Board Members also actively exchange views and collaborate with the Internal Audit Department and the independent auditors.

(3) Audits

1) Audits by Audit & Supervisory Board Members

(a) Organization, Personnel and Procedures of Audits by Audit & Supervisory Board Members

Information about organization, personnel and procedures of audits by Audit & Supervisory Board Members, please refer to "(1) Overview of Corporate Governance 2) Corporate Governance (b) Corporate Organization (Audit & Supervisory Board Members and the Audit & Supervisory Board)".

(b) Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company held a total of nine meetings of the Audit & Supervisory Board during the current fiscal year, and the attendance of each Audit & Supervisory Board Member is as follows:

Title and position	Name	Attendance of the meetings of the Audit & Supervisory Board
Audit & Supervisory Board Member (Full-time)	Yoshito Naganuma	7 out of the 7 meetings
Outside Audit & Supervisory Board Member (Full-time)	Satoshi Fujita	9 out of the 9 meetings
Outside Audit & Supervisory Board Member	Maki Kataoka	7 out of the 7 meetings
Outside Audit & Supervisory Board Member	Katsuyuki Yamaguchi	9 out of the 9 meetings

(Note)
Differences in the total number of times are due to the difference in the timing of appointment.

As specific matters for deliberation, the Audit & Supervisory Board appropriately discusses matters to be resolved in accordance with laws, regulations, and the Articles of Incorporation, including the election of full-time Audit & Supervisory Board Members and the Chairman of the Audit & Supervisory Board, auditing policies and audit plans, consent for the remuneration of the independent auditor, consent for the proposal for the election of Audit & Supervisory Board Members, the determination of the reappointment of the independent auditor, and preparation of the audit report of the Board of Corporate Auditors. The Audit & Supervisory Board also reports, as appropriate, on matters relating to the Company's financial results, the status of responses by the Company and the independent auditor regarding Key Audit Matters, internal controls, the status of business execution by Directors, the status of audits, and on matters relating to non-assurance engagements of the independent auditor, etc., and exchanges opinions on these matters.

Audit & Supervisory Board Members attend meetings of the Board of Directors, audit the proceeding and the content of resolutions, and express opinions, as necessary. In addition, Audit & Supervisory Board Members, primarily full-time Audit & Supervisory Board Members, conduct audits on the execution of duties of Directors by attending important meetings including Management Meetings, receiving reports from Directors, etc., observing and inspecting important approval documents, and gathering information through divisions and the Rakuten Group, etc. Audit & Supervisory Board Members also receive reports on the implementation status and results of audits from Audit & Supervisory Board Members of the Rakuten Group and make efforts to enhance the effectiveness of audits of the entire Group. Part-time Audit & Supervisory Board Members receive reports on the status and results of audits from full-time Audit & Supervisory Board Members, exchange opinions on the appropriateness and the adequacy of such audits, and make efforts to enhance the effectiveness of audits.

2) Internal Audits

(a) Organization, Personnel and Procedures

Internal audits are conducted by the 49-member (including General Manager) Internal Audit Department, which is an independent unit reporting directly to the Representative Director and President. Head office divisions, business units and the Rakuten Group are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the CEO and the Audit & Supervisory Board Members, and particularly important audit results are reported to the Board of Directors.

(b) Mutual Cooperation between Internal Audits, Audits by Audit & Supervisory Board Members and Audits by Independent Auditors, and the Relationship with Internal Control Divisions

The Internal Audit Department shares the results, etc. of the internal audits at regular meetings with Audit & Supervisory Board Members (Full-time), regularly shares audit results with the Board of Corporate Auditors, and conducts information sharing with independent auditors including regular exchange of opinions and the results of the internal audits. A Three-Party Audit Meeting is held as needed, and an exchange of opinions among the three parties is conducted. In addition, the Internal Audit Department is also working to enhance the effectiveness of internal audits throughout the Rakuten Group by working closely with the other auditors of the Rakuten Group. Furthermore, the Internal Audit Department evaluates the design and operating status of internal controls over financial reporting based on guidelines by the Financial Services Agency and internal regulations, and shares such information with internal control divisions, as appropriate. Internal control divisions make efforts to improve the internal control system based on such information, as necessary.

3) Audits by Independent Auditors

(a) Name of the Independent Auditor

Ernst & Young ShinNihon LLC

The Company has entered into an auditing agreement with Ernst & Young ShinNihon LLC, which conducts financial audits in accordance with the Japanese Companies Act and the Financial Instruments and Exchange Act.

(b) Continuous Audit Period

26 years

(c) Certified public accountants

In the current fiscal year, audits were conducted by the following certified public accountants.

Designated and Engagement Partner	Takeshi Saida
Designated and Engagement Partner	Isamu Ando

Designated and Engagement Partner Mitsutaka Kumagai

(d) Numbers of Assistants

In the current fiscal year, audits were assisted by the following assistants.
28 certified public accountants and 67 others

(e) Selection Policy, Reasons and Evaluation of Audit Firms

The Audit & Supervisory Board has established standards for properly selecting and evaluating independent auditors. Based on these standards, the Audit & Supervisory Board conducts a comprehensive review every fiscal year, taking into account matters such as the quality control system, independence, cooperation with business execution departments, audit implementation systems and audit fees of the auditing firm.

In the case where the independent auditor is believed to be applicable to any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall consider the dismissal thereof and carry out such dismissal if such action is found adequate subject to the unanimous consent of all Audit & Supervisory Board Members. Also, the Audit & Supervisory Board shall decide the details of any proposal on dismissal or non-reappointment of the independent auditor to be presented to Shareholders' Meeting, if such action is deemed necessary for example, in cases where the independent auditor is found to have difficulty fulfilling their duties adequately.

In addition, the appropriateness and validity of the independent auditor are evaluated from the perspective of their quality control situation, the independence of their audit team, the appropriateness of the system to execute their duties, and their response to risk of fraud.

4) Audit Fees, etc.

(a) Audit Fees Paid to Certified Public Accountants, etc.

Item	2022		2023	
	Millions of Yen		Millions of Yen	
	Fees paid for audit certification services	Fees paid for non-audit services	Fees paid for audit certification services	Fees paid for non-audit services
Company submitting financial reports	226	46	247	123
Subsidiaries	600	20	634	82
Total	826	66	881	205

The details of the non-audit services for the Company mainly consisted of the preparation of a comfort letter related to the issuance of corporate bonds in the previous fiscal year and current fiscal year. The details of the non-audit services for the subsidiaries mainly consisted of guarantee services pertaining to the legal compliance in the segregated management of customer assets and preparation of a comfort letter related to issuance of corporate bonds in the previous fiscal year and preparation of a comfort letter related to issuance of corporate bonds in the current fiscal year.

(b) Remuneration Paid to the Same Network (Ernst & Young Group) as Certified Public Accountants, etc., excluding the abovementioned (a)

Item	2022		2023	
	Millions of Yen		Millions of Yen	
	Fees paid for audit certification services	Fees paid for non-audit services	Fees paid for audit certification services	Fees paid for non-audit services
Company submitting financial reports	—	10	—	4
Subsidiaries	279	265	338	396
Total	279	275	338	400

The details of the non-audit services for the Company mainly consisted of support services for governance-related project management for the previous fiscal year and tool utilization support for the current fiscal year. The details of the non-audit services for the subsidiaries mainly consisted of digital transformation promotion advisory services for the previous fiscal year and advisory services related to the updating of core systems for the current fiscal year.

(c) Fees based on Other Important Audit Certification Services

Not applicable.

(d) Policy on Setting of Audit Fees

The policy regarding audit fees is appropriately determined with the consent of the Audit & Supervisory Board in accordance with laws and regulations, based on relevant factors, including the size of the Company, the characteristics of its business activities, and the number of days required for audits.

(e) Reasons the Audit & Supervisory Board Agreed to the Remuneration of Independent Auditors

The Audit & Supervisory Board has agreed to the amount of remuneration, etc. for the independent auditor as a result of verifying and evaluating the details of the auditing plan for the current fiscal year, including number of days required for audits and placement of personnel, as well as the audit results of the previous year, which were explained by the independent auditor, and scrutinizing the appropriateness of the audit performance of the independent auditor, as well as the basis for calculating the estimate used as a premise for the remuneration.

(4) Remuneration for Directors and Audit & Supervisory Board Members

1) Total Amounts of Fees, etc., for Each Category of Officers of the Company Submitting Financial Reports, Total Amount of Each Type of Remuneration Paid, and Number of Recipients

Category of officer	Total amount of fees, etc. (Millions of Yen)	Total amount of each type of remuneration (Millions of Yen)			Number of recipients
		Basic fees	Bonuses	Share options	
Directors	980	448	167	365	14
(Of which, Outside Directors)	(114)	(79)	(—)	(35)	(9)
Audit & Supervisory Board Members	61	61	—	—	5
(Of which, Outside Audit & Supervisory Board Members)	(43)	(43)	(—)	(—)	(3)
Total	1,042	509	167	365	19

(Notes)

1. The total amount of compensation for Directors shall not exceed the maximum amount (¥1,900 million per year, including ¥200 million for Outside Directors) resolved at the 26th Annual General Shareholders' Meeting held on March 30, 2023. The number of Directors at the conclusion of this Annual General Shareholders' Meeting was twelve, including seven Outside Directors.
2. The total amount of compensation for Audit & Supervisory Board Members shall not exceed the maximum amount (¥120 million per year) resolved at the 10th Annual General Shareholders' Meeting held on March 29, 2007. The number of Audit & Supervisory Board Members at the conclusion of this Annual General Shareholders' Meeting was four.
3. The Company resolved at the 23rd Annual General Shareholders' Meeting held on March 27, 2020, to grant share acquisition rights as share options exercisable while in service (maximum 10,000 units per fiscal year) and share acquisition rights as retirement compensation share options (maximum 10,000 units per fiscal year) as respectively detailed below to Directors (excluding Outside Directors), separately from the compensation described in Notes 1. The number of Directors (excluding Outside Directors) at the conclusion of this Annual General Shareholders' Meeting was three. The Company has granted 0 units of share acquisition rights as share options exercisable while in service and 5,074 units of share acquisition rights as retirement compensation share options to Directors (excluding Outside Directors) in the fiscal year. The details of each share acquisition right are as follows.

I. Share acquisition rights as share options exercisable while in service

(1) Persons to whom share options will be allotted

Directors of the Company

(2) Class and number of shares to be issued upon exercise of share acquisition rights

The class of shares to be issued upon the exercise of share acquisition rights will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 1,000,000.
However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such share acquisition rights will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share acquisition right arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment = Number of shares
before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3) Total number of share acquisition rights to be issued

Share acquisition rights to be issued in each fiscal year will not exceed 10,000 units.
One hundred shares will be issued for each share acquisition right; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the share acquisition rights will be adjusted accordingly.

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

(5) Value of the assets to be contributed upon exercise of share acquisition rights

The price for one share acquisition right will be one yen.

(6) Exercise period of share acquisition rights

The exercise period will be from the date on which one year has passed from the issuance of the share acquisition rights (hereinafter "Date of Issuance") to the date on which ten years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercising the share acquisition rights

1) Those who received an allotment of the issue of share acquisition rights (hereinafter "Holders of share acquisition rights") will remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances or in the event where the Holders of share acquisition rights have made applications for the exercise of share acquisition rights in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).

2) Share acquisition rights may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Share acquisition rights may not be offered for pledge or disposed of in any other way.

4) Share acquisition rights may be exercised by the Holder of share acquisition rights, in whole or in part, according to the following categories.
i) The entire allotment of share acquisition rights may not be exercised prior to the date on which one year has passed from the Date of Issuance.
ii) 15% of the allotment of share acquisition rights may be exercised from the date on which one year has passed from the Date of Issuance to the date prior to the date on which two years have passed from the Date of Issuance (if a fraction less than one share acquisition right arises in the number of exercisable share acquisition rights, such fraction will be discarded).
iii) 35% of the allotment of share acquisition rights (if a portion of the allotment of share acquisition rights had been exercised by the date prior to the date on which two years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the Date of Issuance to the date prior to the date on which three years have passed from the Date of Issuance (if a fraction less than one share acquisition right arises in the number of exercisable share acquisition rights, such fraction will be discarded).
iv) 65% of the allotment of share acquisition rights (if a portion of the allotment of share acquisition rights had been exercised by the date prior to the date on which three years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the Date of Issuance to the date prior to the date on which four years have passed from the Date of Issuance (if a fraction less than one share acquisition right arises in the number of exercisable share acquisition rights, such fraction will be discarded).
v) The entire allotment of share acquisition rights may be exercised from the date on which four years have passed from the Date of Issuance to the date on which ten years have passed from the Date of Issuance.

5) The Holders of share acquisition rights have duties to pay all taxes and contributions (including but not limited to, income tax, social security contributions, pensions, and employment insurance premiums, whether imposed in Japan or not) specified by laws and regulations in relation to share acquisition rights and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of share acquisition rights by the methods listed below.
i) Receipt by cash
ii) Appropriation of shares owned by the Holders of share acquisition rights
iii) Deduction from salaries, bonuses, etc. of the Holders of share acquisition rights
iv) Other methods specified by the Company

(8) Restriction on the acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer will require approval via a resolution of the Board of Directors of the Company.

(9) Other details of share acquisition rights

Other details of share acquisition rights will be determined by the meeting of the Board of Directors to determine the conditions of the offer of share acquisition rights.

II. Share acquisition rights as retirement compensation share options
(1) Persons to whom share acquisition rights will be allotted

Directors of the Company who serve concurrently as Executive Officers of the Company.

(2) Class and number of shares to be issued upon exercise of share acquisition rights

The class of shares to be issued upon the exercise of share acquisition rights will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 1,000,000.
However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such share acquisition rights will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share acquisition right arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment = Number of shares
before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3) Total number of share acquisition rights to be issued

Share acquisition rights to be issued in each fiscal year will not exceed 10,000 units.
One hundred shares will be issued for each share acquisition right; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the share acquisition rights will be adjusted accordingly.

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

(5) Value of the assets to be contributed upon exercise of share acquisition rights

The price for one share acquisition right will be one yen.

(6) Exercise period of share acquisition rights

The exercise period will be from the date on which share acquisition rights are issued (hereinafter "Date of Issuance") until the date on which 40 years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercise of share acquisition rights

1) Those who received an allotment of the issue of share acquisition rights (hereinafter "Holders of share acquisition rights"), shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and its subsidiaries and affiliates.

2) Share acquisition rights may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.

3) Share acquisition rights may not be offered for pledge or disposed of in any other way.

4) The Holders of share acquisition rights have duties to pay all taxes and contributions (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, whether imposed in Japan or not) specified by laws and regulations in relation to share acquisition rights and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of share acquisition rights by the methods listed below.
i) Receipt by cash
ii) Appropriation of shares owned by the Holders of share acquisition rights
iii) Deduction from salaries, bonuses, etc. of the Holders of share acquisition rights
iv) Other methods specified by the Company

(8) Restriction on the acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer will require approval via a resolution of the Board of Directors of the Company.

(9) Other details of share acquisition rights

Other details of share acquisition rights will be decided at the meeting of the Board of Directors of the Company to determine the conditions of the offer of share acquisition rights.

4. The Company resolved at the 25th Annual General Shareholders' Meeting held on March 30, 2022, to grant share acquisition rights as share options exercisable while in service (maximum 1,000 units per fiscal year) and detailed below to Outside Directors, separately from the compensation described in Notes 1. The number of Outside Directors at the conclusion of this Annual General Shareholders' Meeting was five. The Company has granted 400 units of share acquisition rights as share options exercisable while in service to Outside Directors in the fiscal year. The details of each share acquisition right are as follows.

   Share acquisition rights as share options exercisable while in service
   (1) Persons to whom share acquisition rights will be allotted

Outside Directors of the Company

(2) Class and number of shares to be issued upon exercise of share acquisition rights

The class of shares to be issued upon the exercise of share acquisition rights will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 100,000.
However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such share acquisition rights will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share acquisition right arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment = Number of shares
before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3) Total number of share acquisition rights to be issued

Share acquisition rights to be issued in each fiscal year will not exceed 1,000 units.
One hundred shares will be issued for each share acquisition right; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the share acquisition rights will be adjusted accordingly.

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

(5) Value of the assets to be contributed upon exercise of share acquisition rights

The price for one share acquisition right will be one yen.

(6) Exercise period of share acquisition rights

The exercise period will be from the date on which one year has passed from the issuance of the share acquisition rights (hereinafter "Date of Issuance") to the date on which ten years have passed. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercising the share acquisition rights

1) Those who received an allotment of the issue of share acquisition rights (hereinafter "Holders of share acquisition rights") will remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances or in the event where the Holders of share acquisition rights have made applications for the exercise of share acquisition rights in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).
2) Share acquisition rights may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share acquisition rights may not be offered for pledge or disposed of in any other way.
4) Share acquisition rights may be exercised by the Holder of share acquisition rights, in whole or in part, according to the following categories.
i) The entire allotment of share acquisition rights may not be exercised prior to the date on which one year has passed from the Date of Issuance.
ii) 15% of the allotment of share acquisition rights may be exercised from the date on which one year has passed from the Date of Issuance to the date prior to the date on which two years have passed from the Date of Issuance (if a fraction less than one share acquisition right arises in the number of exercisable share acquisition rights, such fraction will be discarded).
iii) 35% of the allotment of share acquisition rights (if a portion of the allotment of share acquisition rights had been

exercised by the date prior to the date on which two years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the Date of Issuance to the date prior to the date on which three years have passed from the Date of Issuance (if a fraction less than one share acquisition right arises in the number of exercisable share acquisition rights, such fraction will be discarded).
iv) 65% of the allotment of share acquisition rights (if a portion of the allotment of share acquisition rights had been exercised by the date prior to the date on which three years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the Date of Issuance to the date prior to the date on which four years have passed from the Date of Issuance (if a fraction less than one share acquisition right arises in the number of exercisable share acquisition rights, such fraction will be discarded).
v) The entire allotment of share acquisition rights may be exercised from the date on which four years have passed from the Date of Issuance to the date on which ten years have passed from the Date of Issuance.
5) The Holders of share acquisition rights have duties to pay all taxes and contributions (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, whether imposed in Japan or not) specified by laws and regulations in relation to share acquisition rights and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of share acquisition rights by the methods listed below.
i) Receipt by cash
ii) Appropriation of shares owned by the Holders of share acquisition rights
iii) Deduction from salaries, bonuses, etc. of the Holders of share acquisition rights
iv) Other methods specified by the Company

(8) Grounds and terms of acquisition of share acquisition rights

1) If the General Shareholders' Meeting approves an absorption-type merger in which the Company is the absorbed company, an absorption-type company split agreement or incorporation-type company split plan in which the Company is the split company, or a share exchange agreement or share transfer plan under which the Company would become a wholly owned subsidiary, the Company may obtain share acquisition rights without contribution on the date separately specified by the Company's Board of Directors.
2) If the terms stipulated in (7) a) cease to apply to Holders of share acquisition rights before they exercise said options, the Company may obtain the share acquisition rights without contribution on the date separately specified by the Company's Board of Directors.

(9) Restriction on the acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer will require approval via a resolution of the Board of Directors of the Company.

(10) Other details of share acquisition rights

Other details of share acquisition rights will be determined by the meeting of the Board of Directors to determine the conditions of the offer of share acquisition rights.

5. With regard to share options, the amount recorded as expenses during the fiscal year for share acquisition rights granted as share options is provided. The amount includes expenses for the share acquisition rights granted in fiscal years before the fiscal year under review in accordance with the resolution made at the following Board of Directors' meetings, in addition to those for the share acquisition rights granted during the fiscal year under review.
- The Board of Directors' meeting held on April 14, 2022 (Recipients: Directors (excluding Outside Directors) and Outside Directors)
- The Board of Directors' meeting held on April 13, 2023 (Recipients: Directors (excluding Outside Directors) and Outside Directors)

6. Decisions on specific details of compensation of individual Directors for the fiscal year under review have been delegated to Representative Director, Chairman, President & CEO Mr. Hiroshi Mikitani, and he has decided on the compensation within the limit of compensation resolved at the general shareholders' meeting, in accordance with the compensation policy described in 3) below. The policy and the decision-making process of compensation of the Company's Directors are explained to Independent Outside Directors at the meetings of the Board of Directors and appropriate advice has been obtained. The decision-making authority was delegated to Mr. Hiroshi Mikitani because he has been familiar with the Company's business since its establishment, and the individual is considered to be in the most appropriate position to see the Company's business performance as a whole from a higher perspective and evaluate the businesses each Director is in charge of.

2) Consolidated Total Amount of Fees, etc., for Directors and Audit & Supervisory Board Members of the Company Submitting Financial Reports

Name and category of officer	Total amount of fees, etc. (Millions of Yen)	Category of company	Total amount of each type of remuneration (Millions of Yen)		
			Basic fees	Bonuses	Share options
Hiroshi Mikitani (Representative Director, Chairman, President & CEO)	190	The filing company	10	0	179
Masayuki Hosaka (Representative Director and Vice Chairman)	201	The filing company	115	50	36
Kentaro Hyakuno (Representative Director & Group Executive Vice President)	201	The filing company	115	50	36
Kazunori Takeda (Director & Group Executive Vice President)	172	The filing company	86	50	36

3) Policies on Determining the Amount of Directors' Compensation, etc., and the Calculation Method

(a) Basic Policies

The compensation for the Company's Directors is determined based on the following basic policies.

For executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources. The portion of share acquisition rights is designed to be high to promote sustainable growth of the Company by improving medium- to long-term corporate value and achieving management goals. For non-executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources who will support management with global expertise.

(b) Compensation Structure

(For Executive Directors)

a. Basic compensation (fixed, monthly payment)
b. Performance-linked compensation (performance-linked bonuses as short-term incentive compensation, annual payment)
c. Non-cash based compensation (stock-based compensation share option as medium- to long-term incentive compensation, annual payment)

The ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on the position and role of each Executive Director.

(For Non-executive Directors)

a. Basic compensation (fixed, monthly payment)
b. Non-cash based compensation (stock-based compensation share option as medium- to long-term incentive compensation, annual payment)

The ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on the role of each Director.

(c) Indicators and Method of Calculation of Performance-linked Compensation and Non-cash Based Compensation

(For Executive Directors)

[Indicators]

To increase awareness of the development and expansion of the Rakuten Ecosystem, multiple KPIs such as consolidated operating income (loss) of each fiscal year have been selected for performance-linked compensation and non-cash based compensation. They are linked to growth and profitability.

[Method of calculation]

Individual evaluations are determined based on the achievement of targets for the indicator set by the managing organization of each Executive Director. The indicator includes carbon neutrality commitment, etc. The amount paid is determined based on individual evaluations and overall company performance.

(For Non-executive Directors)

Performance-linked compensation is not applicable. There are no indicators for non-cash based compensation. The Company has decided that a percentage of the total amount of compensation for each Non-executive Director shall be non-cash compensation determined based on the role of each Non-executive Director.

(d) Compensation Determination Process

The Company's Board of Directors resolves the compensation policy for Directors after providing explanations to Independent Outside Directors and obtaining their appropriate advice. Other decision-making processes are also explained to the Independent Outside Directors at the Board of Directors as necessary, and appropriate advice is obtained.

The amount of individual compensation for Directors is determined by Hiroshi Mikitani, the Representative Director, Chairman, President & CEO, who is delegated this authority by the Board of Directors within the compensation limit determined at the general shareholders' meeting and in accordance with the compensation policy. He evaluates the business each Director is in charge of while considering the Company's overall performance and obtaining advice from Outside Directors as necessary to determine the amount of individual compensation. Thus, the Board of Directors believes that the content of individual compensation, etc. is in line with the compensation policy.

(5) Status of Securities Held by the Company

1) Criteria and Approach for Classification of Investment Securities

With regard to the classification of investment securities, the Company classifies them as "shares held purely for investment purposes" if the sole purpose is to make profit from changes in the value of the shares or dividends on shares, and classifies them as "shares held for other reasons than pure investment purpose" if the purpose is anything else. In addition, among "shares held for other reasons than pure investment purpose", the Company considers strategically held shares as shares that hinder the improvement of capital efficiency through continued long-term holding without rational reasons based on trading practices. Accordingly, the Company has a policy of not holding such shares in principle.

2) Shares Held for Other Reasons than Pure Investment Purpose

a. Method for verifying the holding policies and rationality of holding, and the details of verification by the Board of Directors regarding the suitability of holding individual shares.

With regard to shares held for other reasons than pure investment purposes, the Company comprehensively examines the benefits, capital costs and risks associated with holding them from a medium- to long-term perspective, and holds the shares if it has been determined that it will contribute to the enhancement of the Company's shareholder value. In accordance with this policy, the Investment Committee, which is comprised of members including Outside Directors, deliberates in advance whether or not to proceed with each project, then reports the results of the deliberations to the Board of Directors. In the event that ROI is determined to be maximized by sales, etc. or for shares for which the significance of holding is not necessarily sufficient, the Company will review and replace the portfolio by selling the shares as appropriate.

b. Number of share names and balance sheet amount

	Number of share names	Total balance sheet amount (Millions of Yen)
Unlisted shares	10	474
Shares other than unlisted shares	1	295

(Note)
Amounts are stated in accordance with JGAAP.

(Share names for which the number of shares has increased in the current fiscal year)

	Number of share names	Total acquisition cost for the increase in the number of shares (Millions of Yen)	Reasons for the increase in the number of shares
Unlisted shares	1	302	To enhance business relationship
Shares other than unlisted shares	-	-	-

(Share names for which the number of shares has decreased in the current fiscal year)

Not applicable.

c. Information on the number of shares, amount recorded in balance sheet, etc. for each share name of special investment securities and deemed held shares

Special Investment Securities

Share name	Current fiscal year Number of shares (shares) Amount recorded in balance sheet (Millions of Yen)	Previous fiscal year Number of shares (shares) Amount recorded in balance sheet (Millions of Yen)	Purpose of holding, overview of the business alliance, etc., quantitative effect of holding and reasons for the increase in the number of shares	Ownership of the Company's shares
KANTSU Co. Ltd	498,000 295	498,000 202	(Purpose of holding) To enhance business relationship	No

(Note)
Amounts are stated in accordance with JGAAP.

Deemed Held Shares
Not applicable.

3) Shares Held for Pure Investment Purpose

Classification	Current fiscal year		Previous fiscal year	
	Number of share names	Total balance sheet amount (Millions of Yen)	Number of share names	Total balance sheet amount (Millions of Yen)
Unlisted shares	-	-	-	-
Shares other than unlisted shares	1	66,376	2	45,559

Classification	Current fiscal year		
	Total dividend income (Millions of Yen)	Total amount of gains (losses) on sale (Millions of Yen)	Total valuation gains (losses) (Millions of Yen)
Unlisted shares	-	-	-
Shares other than unlisted shares	-	85	21,011

(Note)
Amounts are stated in accordance with JGAAP.

4) Investment Securities for which the Purpose of Holding has been Changed from Pure Investment Purposes to Other Reasons during the Current Fiscal Year

Not applicable.

5) Investment Securities for which the Purpose of Holding has been Changed from Other Reasons to Pure Investment Purposes during the Current Fiscal Year

Not applicable.

V. Financial Information

1. Basis of Preparation of Consolidated Financial Statements

(1) The Consolidated Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as the "IFRS"), as issued by the International Accounting Standards Board, as the Company satisfies the requirements of a "specified company" prescribed in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Rules on Consolidated Financial Statements") as provided in Article 93.

(2) The non-Consolidated Financial Statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Rules on Financial Statements").

In addition, the Company is treated as a special financial statement-submitting company and prepares non-Consolidated Financial Statements based on the provision of Article 127 of the Rules on Financial Statements.

2. Specific Efforts to Ensure the Appropriateness of the Consolidated Financial Statements

The Company has undertaken specific measures to ensure the appropriateness of its Consolidated Financial Statements, the details of which are as follows.

In order to establish a structure for adequately understanding the accounting standards in detail and appropriately responding to changes in them, the Company has become a member of the Financial Accounting Standards Foundation and has been expanding its understanding of accounting standards as well as responding to new standards.

3. Establishment of a Structure to Enable the Proper Preparation of Consolidated Financial Statements in Accordance with IFRS

The Company continually works towards the establishment of a structure that enables it to properly prepare its Consolidated Financial Statements under IFRS, the details of which are as follows.

In terms of IFRS application, the Company keeps updated on the latest standards by obtaining press releases and statements of standards released by the International Accounting Standards Board, as necessary. Additionally, in order to properly prepare the Consolidated Financial Statements in accordance with IFRS, the Company has prepared Group Accounting Policies in accordance with IFRS, and has conducted its accounting accordingly.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

(Millions of Yen)

	Note	As of December 31, 2022	As of December 31, 2023
Assets			
Cash and cash equivalents	5	4,694,360	5,127,674
Accounts receivable - trade	6, 15	364,186	377,992
Financial assets for securities business	7, 15	3,430,776	4,128,245
Loans for credit card business	8, 15	2,776,044	3,019,261
Investment securities for banking business	9, 15	916,651	1,208,527
Loans for banking business	10, 15	3,507,559	3,886,888
Investment securities for insurance business	11, 12, 15	269,867	259,139
Derivative assets	12	181,106	233,110
Investment securities	13	161,071	182,207
Other financial assets	14, 15	1,190,531	1,239,004
Investments in associates and joint ventures	16	77,541	42,100
Property, plant and equipment	17	1,262,115	1,267,837
Intangible assets	18	954,698	1,024,201
Deferred tax assets	32	290,013	214,777
Other assets		325,763	414,614
Total assets		20,402,281	22,625,576
Liabilities			
Accounts payable - trade	20	450,562	419,880
Deposits for banking business	21	8,419,097	9,732,828
Financial liabilities for securities business	22	3,494,467	4,236,517
Derivative liabilities	12	35,727	27,263
Bonds and borrowings	23	1,760,781	1,637,980
Borrowings for securities business	24	157,542	106,578
Bonds and borrowings for credit card business	25	812,738	603,869
Borrowings for banking business	26	2,181,689	2,446,746
Other financial liabilities	28	1,626,499	1,646,559
Income taxes payable		18,139	30,144
Provisions	29	242,909	263,886
Insurance contract liabilities	30	189,376	164,205
Employee retirement benefit liabilities	31	34,743	41,049
Deferred tax liabilities	32	4,129	3,602
Other liabilities		125,172	176,747
Total liabilities		19,553,570	21,537,853
Equity			
Equity attributable to owners of the Company			
Common stock	34	294,061	446,769
Capital surplus	34, 52	353,786	541,520
Other equity instruments	34	317,316	317,316
Retained earnings	34	(280,085)	(643,991)
Treasury stock	34	(0)	(0)
Other components of equity	34, 52	106,273	174,958
Total equity attributable to owners of the Company		791,351	836,572
Non-controlling interests		57,360	251,151
Total equity		848,711	1,087,723
Total liabilities and equity		20,402,281	22,625,576

2) Consolidated Statement of Income

(Millions of Yen)

	Note	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)	Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023)
Continuing operations			
Revenue	36, 37, 47	1,920,894	2,071,315
Operating expenses	38, 47	2,254,857	2,234,959
Other income	39, 47	8,372	10,272
Other expenses	39, 47	46,021	59,485
Operating loss		(371,612)	(212,857)
Financial income	40, 47	115,432	73,417
Financial expenses	40, 47	156,884	64,570
Share of losses of investments in associates and joint ventures	16	(2,548)	(13,731)
Loss before income tax		(415,612)	(217,741)
Income tax expenses (benefit)	32	(35,368)	111,794
Net loss		(380,244)	(329,535)
Net loss attributable to:			
Owners of the Company		(377,217)	(339,473)
Non-controlling interests		(3,027)	9,938
Net loss		(380,244)	(329,535)

(Yen)

Losses per share attributable to owners of the Company:			
Basic	42	(237.73)	(177.27)
Diluted	42	(237.89)	(177.29)

3) Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)	Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023)
Net loss		(380,244)	(329,535)
Other comprehensive income			
Items that will not be reclassified to net income			
Changes in equity instruments measured at fair value through other comprehensive income	41	(6,004)	1,192
Remeasurement of defined benefit plans	41	1,745	185
Other comprehensive income of investments in associates and joint ventures	41	82	(31)
Total items that will not be reclassified to net income		(4,177)	1,346
Items that may be reclassified to net income			
Foreign currency translation adjustments	41	87,141	60,695
Changes in debt instruments measured at fair value through other comprehensive income	41	(16,971)	5,203
Cash flow hedges	41	(2,788)	1,661
Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	41	(121)	(3,696)
Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	41	39	197
Other comprehensive income of investments in associates and joint ventures	41	4,836	1,929
Total items that may be reclassified to net income		72,136	65,989
Total other comprehensive income, net of tax		67,959	67,335
Comprehensive income		(312,285)	(262,200)
Comprehensive income attributable to:			
Owners of the Company		(309,683)	(273,755)
Non-controlling interests		(2,602)	11,555
Comprehensive income		(312,285)	(262,200)

4) Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Equity attributable to Owners of the Company								
		Common Stock	Capital Surplus	Other Equity Instruments	Retained Earnings	Treasury Stock	Other components of equity	Total Equity attributable to Owners of the Company	Non-controlling Interests	Total Equity
As of January 1, 2022		289,674	311,970	317,316	142,671	(0)	32,088	1,093,719	23,571	1,117,290
Cumulative impact from changes in accounting policies		―	―	―	(21,790)	―	5,721	(16,069)	―	(16,069)
Adjusted balance reflecting changes in accounting policies		289,674	311,970	317,316	120,881	(0)	37,809	1,077,650	23,571	1,101,221
Comprehensive income										
Net loss		―	―	―	(377,217)	―	―	(377,217)	(3,027)	(380,244)
Other comprehensive income, net of tax		―	―	―	―	―	67,534	67,534	425	67,959
Total comprehensive income		―	―	―	(377,217)	―	67,534	(309,683)	(2,602)	(312,285)
Transactions with owners etc.										
Issuance of shares	34	―	―	―	―	―	―	―	―	―
Cash dividends paid	35	―	―	―	(7,118)	―	―	(7,118)	―	(7,118)
Distributions to owners of other equity instruments	34	―	―	―	(15,127)	―	―	(15,127)	―	(15,127)
Reclassified from other components of equity to retained earnings	34, 46	―	―	―	(1,148)	―	1,148	―	―	―
Acquisition of treasury stock	34	―	―	―	―	(0)	―	(0)	―	(0)
Exercise of share acquisition rights		4,387	(4,387)	―	―	―	―	0	―	0
Share based compensation expenses	45	―	13,173	―	186	―	―	13,359	―	13,359
Equity transactions with non-controlling interests	52	―	33,030	―	―	―	―	33,030	36,568	69,598
Others		―	(0)	―	(542)	―	(218)	(760)	(177)	(937)
Total transactions with owners etc.		4,387	41,816	―	(23,749)	(0)	930	23,384	36,391	59,775
As of December 31, 2022		294,061	353,786	317,316	(280,085)	(0)	106,273	791,351	57,360	848,711

(Millions of Yen)

	Note	Equity attributable to Owners of the Company								
		Common Stock	Capital Surplus	Other Equity Instruments	Retained Earnings	Treasury Stock	Other components of equity	Total Equity attributable to Owners of the Company	Non-controlling Interests	Total Equity
As of January 1, 2023		294,061	353,786	317,316	(280,085)	(0)	106,273	791,351	57,360	848,711
Comprehensive income										
Net loss		―	―	―	(339,473)	―	―	(339,473)	9,938	(329,535)
Other comprehensive income, net of tax		―	―	―	―	―	65,718	65,718	1,617	67,335
Total comprehensive income		―	―	―	(339,473)	―	65,718	(273,755)	11,555	(262,200)
Transactions with owners etc.										
Issuance of shares	34	148,005	146,780	―	―	―	―	294,785	―	294,785
Cash dividends paid	35	―	―	―	(7,157)	―	―	(7,157)	―	(7,157)
Distributions to owners of other equity instruments	34	―	―	―	(16,058)	―	―	(16,058)	―	(16,058)
Reclassified from other components of equity to retained earnings	34, 46	―	―	―	(1,488)	―	1,488	―	―	―
Acquisition of treasury stock	34	―	―	―	―	(0)	―	(0)	―	(0)
Exercise of share acquisition rights		4,703	(4,703)	―	―	―	―	0	―	0
Share based compensation expenses	45	―	13,900	―	274	―	―	14,174	―	14,174
Equity transactions with non-controlling interests	52	―	31,757	―	―	―	1,479	33,236	183,369	216,605
Others		―	―	―	(4)	―	―	(4)	(1,133)	(1,137)
Total transactions with owners etc.		152,708	187,734	―	(24,433)	(0)	2,967	318,976	182,236	501,212
As of December 31, 2023		446,769	541,520	317,316	(643,991)	(0)	174,958	836,572	251,151	1,087,723

5) Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)	Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023)
Cash flows from operating activities			
Loss before income tax		(415,612)	(217,741)
Depreciation and amortization	38	259,907	299,771
Impairment loss	17, 18	10,948	30,631
Other loss (income)	39, 40	160,306	44,415
Decrease (Increase) in operating receivables		(32,249)	(1,481)
Decrease (Increase) in loans for credit card business		(387,316)	(242,487)
Increase (Decrease) in deposits for banking business		1,571,129	1,307,958
Net decrease (increase) in call loans for banking business		(6,805)	(2,492)
Decrease (Increase) in loans for banking business		(978,855)	(403,585)
Net decrease (increase) in receivables under securities borrowing transactions		(390,380)	(21,517)
Increase (Decrease) in operating payables		50,763	(42,391)
Decrease (Increase) in financial assets for securities business		(342,142)	(697,240)
Increase (Decrease) in financial liabilities for securities business		460,857	742,158
Increase and decrease in derivative assets and liabilities		(118,191)	(39,330)
Others		(79,955)	(465)
Income tax paid		(24,473)	(32,012)
Net cash flows from operating activities		(262,068)	724,192
Cash flows from investing activities			
Payments in time deposits		(12,093)	(16,802)
Proceeds from time deposits		10,421	17,768
Purchases of property, plant and equipment		(298,666)	(193,829)
Purchases of intangible assets		(136,552)	(157,328)
Acquisitions of subsidiaries	55	(25,221)	(44)
Acquisitions of investments in associates and joint ventures		(5,784)	(199)
Proceeds from sales of investments in associates and joint ventures		—	22,000
Purchases of investment securities for banking business		(1,393,732)	(835,982)
Proceeds from sales and redemption of investment securities for banking business		915,955	555,744
Purchases of investment securities for insurance business		(43,271)	(78,898)
Proceeds from sales and redemption of investment securities for insurance business		53,154	78,502
Purchases of investment securities		(10,800)	(11,892)
Proceeds from sales and redemption of investment securities		11,861	15,203
Other payments		(22,846)	(9,754)
Other proceeds		9,285	18,095
Net cash flows from investing activities		(948,289)	(597,416)

(Millions of Yen)

	Note	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)	Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	23	122,392	(120,511)
Net increase (decrease) in commercial papers	23	60,000	(143,500)
Proceeds from long-term borrowings	23	141,269	33,934
Repayments of long-term borrowings	23	(104,411)	(128,555)
Proceeds from issuance of bonds	23	215,023	305,046
Redemption of bonds	23	(40,000)	(78,000)
Net increase (decrease) in short-term borrowings for securities business	24	(50,000)	(51,000)
Net increase (decrease) in short-term borrowings for credit card business	25	3,312	(16,152)
Net increase (decrease) in commercial papers for credit card business	25	29,900	(175,200)
Proceeds from long-term borrowings for credit card business	25	183,777	147,037
Repayments of long-term borrowings for credit card business	25	(168,186)	(165,577)
Proceeds from issuance of bonds for credit card business	25	49,718	—
Redemptions of bonds for credit card business	25	(20,000)	—
Net increase (decrease) in short-term borrowings for banking business	26	(480,110)	8,381
Proceeds from long-term borrowings for banking business	26	1,823,800	1,223,400
Repayments of long-term borrowings for banking business	26	(268,200)	(967,200)
Proceeds from issuance of shares	34	0	294,244
Distributions to owners of other equity instruments	34	(14,251)	(14,239)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	52	80,000	219,396
Capital contribution from non-controlling interests	52	3,361	13,325
Repayments of lease liabilities	19, 27	(57,774)	(65,226)
Interest paid		(23,334)	(36,889)
Cash dividends paid	35	(7,118)	(7,157)
Others		7,518	16,399
Net cash flows from financing activities		1,486,686	291,956
Effect of change in exchange rates on cash and cash equivalents		7,730	14,582
Net increase (decrease) in cash and cash equivalents		284,059	433,314
Cash and cash equivalents at the beginning of the year	5	4,410,301	4,694,360
Cash and cash equivalents at the end of the year	5	4,694,360	5,127,674

[Notes to the Consolidated Financial Statements]

1. General Information

(1) Reporting Entity

Rakuten Group, Inc. (hereinafter referred to as the "Company") is a company resident in Japan. As a global innovation company engaged in the three main activities of Internet Services, FinTech and Mobile, the Company and its subsidiaries (hereinafter referred to as the "The Rakuten Group") are organized into three reportable segments: "Internet Services", "FinTech", and "Mobile."

For the reportable segments, separate financial information on the operational units of the Rakuten Group is available, and such financial information is subject to periodic review for the Board of Directors to decide on the distribution of management resources and evaluate performance.

The "Internet Services" segment comprises businesses providing various e-commerce sites including internet shopping mall "Rakuten Ichiba", online cash-back sites, travel booking sites, portal sites, and digital content sites, along with provision of messaging services, sales of advertising, etc. on these sites, and management of professional sports teams, etc.

The "FinTech" segment engages in businesses providing services related to credit cards, banking and securities over the Internet, crypto asset (virtual currency) spot transaction, life insurance, general insurance, and electronic money, etc.

The "Mobile" segment comprises business operations engaged in the provision of communication services and technologies and operation of electricity supply services, etc.

(2) Basis of Presentation

The Group Companies' Consolidated Financial Statements are prepared in accordance with the IFRS issued by the International Accounting Standards Board. As it meets the requirements set out under Article 1-2 of the Rules on Terminology, Forms and Compilation Methods of Consolidated Financial Statements, under which the Company qualifies for treatment as a "Specified Company under the Designated International Accounting Standards", the provision of Article 93 of the said rules is applied.

These Consolidated Financial Statements were approved by the Meeting of the Board of Directors on March 28, 2024.

(3) Significant Changes in the Scope of Consolidation and the Scope of Equity Method Application

Seiyu Holdings Co., Ltd. has been excluded from the scope of equity method due to the sale of all its shares during the three months ended June 30, 2023.

(4) Functional Currency and Presentation Currency

Items included in the financial statements of each subsidiary and associate are measured using the currency of the primary economic environment in which they conduct their business operations ("functional currencies"). The Consolidated Financial Statements are presented in Japanese yen, the functional currency of the Company and the presentation currency of the Group. The amounts in the Consolidated Financial Statements are presented in millions of yen rounded to the nearest million.

(5) Basis of Measurement

The Consolidated Financial Statements have been prepared on an historical cost basis, except for those financial instruments, etc. that have been based on fair value.

(6) Use of Estimates and Judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management of the Group Companies to exercise judgment in the process of applying the accounting policies of the Group Companies. The areas involving a higher degree of judgment or complexity, areas where assumptions and estimates are significant to the Consolidated Financial Statements, or information in respect of uncertainties of assumptions and estimates which have a significant risk of causing material adjustment in the next year are disclosed in "Note 3. Significant Accounting Estimates and Judgments" and other notes.

(7) Early Adoption of Standards and Interpretations

Not applicable.

(8) New Standards and Interpretations Not Yet Applied

As of December 31, 2023, the Group Companies have not applied the following standards, interpretations and amendments to standards or interpretations issued before the approval date of the Consolidated Financial Statements but which are not yet effective. We are currently considering the significant impact of this application.

IFRS		Mandatory adoption (effective date)	Adoption by the Group Companies (reporting period ended)	Description
IAS 1	Presentation of Financial Statements	January 1, 2024	January 1, 2024	Clarifies the method in which an entity classifies debt and other financial liabilities as current or non-current
IAS 1	Presentation of Financial Statements	January 1, 2024	January 1, 2024	Improves information that an entity discloses regarding non-current liabilities with future covenants

2. Material Accounting Policies

The Rakuten Group consistently applies the accounting policies to the periods presented in the Consolidated Financial Statements.

(1) Basis of Consolidation

1) Subsidiaries

A subsidiary is an entity (including structured entities) that is controlled by the Rakuten Group. The Rakuten Group control an entity when they are exposed, or have rights, to variable returns from involvement with the entity and have the ability to affect those returns through power over that entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Rakuten Group controls another entity or not.

Changes in the ownership interest in a subsidiary are accounted for as equity transactions if the Rakuten Group retains control over that subsidiary. Any difference between the adjustment to the non-controlling interests and fair value of the consideration transferred or received is recognized directly in equity attributable to owners of the Company.

Intercompany balances and transactions are eliminated in consolidation. Unrealized gains or losses included in assets resulting from transactions within the Rakuten Group are also eliminated.

2) Associates

Associates are entities over which the Rakuten Group has significant influence but do not have control over the financial and operating policies of such entities. Significant influence is presumed to exist when the Rakuten Group holds 20% to 50% of the voting power of another entity. The factors considered in determining whether or not the Rakuten Group has significant influence include representation on the board of directors. The existence of these factors can lead to the determination that the Rakuten Group has significant influence, even though the investment of the Rakuten Group is less than 20% of the voting power.

Investments in associates are accounted for using the equity method. The Rakuten Group' share of the operating results of associates is adjusted to conform with the accounting policies of the Rakuten Group, and is reported in the Consolidated Statement of Income as "Share of income (losses) of investments in associates and joint ventures". The Rakuten Group' share of investees' gains or losses resulting from intercompany transactions is eliminated on consolidation. Under the equity method of accounting, the investment of the Rakuten Group in associates is initially recorded at cost, and subsequently increased (or decreased) to reflect both the Rakuten Group' share of the post-acquisition net income or loss and other movements included directly in equity or other comprehensive income of the associates.

Goodwill arising on the acquisition of associates is included in the carrying value of the investment, and the Rakuten Group carry out any impairment testing on the entire interest in an associate. The Rakuten Group assess whether there is any objective evidence that the investments in associates are impaired at each reporting date. If there is any objective evidence of impairment, an impairment test is performed by comparing the investment's recoverable amount, which is the higher of its value in use or fair value less costs of disposal, to its carrying amount. An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. The impairment loss is reversed to the extent that the carrying amount of the investment equals the recoverable amount.

(2) Business Combinations

The Rakuten Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is fair value of the assets transferred, the liabilities incurred by the Rakuten Group to the former owners of the acquiree and the equity interests issued by the Rakuten Group. The consideration transferred includes fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs incurred by the Rakuten Group, such as agent commissions, legal fees, due diligence costs, other professional fees and other consulting costs, are recognized as expenses in the period in which they are incurred.

Further, the Rakuten Group recognizes any non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred, the fair value of non-controlling interest, and the fair value of any pre-existing interest in the acquiree at the acquisition date over fair value of the net identifiable assets acquired and liabilities assumed, measured, in principle, at fair value. If the aggregate of the consideration transferred, fair value of non-controlling interest in the acquiree, and fair value of pre-existing interest in the acquiree at the acquisition date is lower than the aggregate fair values of the net assets of the subsidiary acquired, the difference is recognized in the Consolidated Statement of Income as a gain from bargain purchase.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Rakuten Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized as of that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

Goodwill relating to acquisitions prior to the date of transition to IFRS is reported in accordance with accounting principles generally accepted in Japan (JGAAP), the accounting framework under which the Group prepared its consolidated financial statements prior to its adoption of IFRS.

(3) Foreign Currencies

1) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currencies of individual foreign subsidiaries using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currencies using the spot exchange rate at the end of each reporting period. Non-monetary assets and liabilities based on fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when fair value was determined.

Exchange differences arising from settlement and translation of foreign currency denominated monetary assets and liabilities at the period end closing rate are recognized in the Consolidated Statement of Income. However, when profits or losses related to non-monetary items are recognized in comprehensive income, any exchange differences are also recognized in other comprehensive income.

2) Foreign Operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rates for the period.

These differences are presented as "Foreign currency translation adjustments" in other components of equity. On disposal of the entire interest in a foreign operation, and on the partial disposal of an interest which results in the loss of control or significant influence, the cumulative amount of the exchange differences is reclassified to income as part of gains or losses on disposal.

(4) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. However, short-term highly liquid investments in the banking business are excluded.

(5) Financial Instruments

1) Non-derivative Financial Assets

The Rakuten Group recognizes trade and other receivables at the time they arise. All financial assets other than trade and other receivables are recognized at the contract dates when the Rakuten Group becomes a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of non-derivative financial assets.

Financial Assets Measured at Amortized Cost

Financial assets that meet the following conditions are classified as financial assets that are subsequently measured at amortized cost:
- The asset is held within the Rakuten Group' business model with the objective of holding assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially based on fair value plus directly attributable transaction costs. After initial recognition, the carrying amount of the financial assets measured at amortized cost is subsequently measured based on the effective interest method.

Debt instruments Measured at Fair Value Through Other Comprehensive Income ("FVTOCI")

Financial assets that meet both of the following conditions are classified as debt instruments that are subsequently measured at FVTOCI.
- The financial instruments are held for the purpose of both the collection of contractual cash flows and eventual sale of cash flows, under the business model of the Rakuten Group.
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVTOCI are initially based on fair value plus directly attributable transaction costs. After initial recognition, subsequent changes are recognized as other comprehensive income. At the time of derecognition, the accumulated amount recognized as other comprehensive income is reclassified to net income.

Financial Instruments Measured at Fair Value Through Profit or Loss ("FVTPL")

Financial assets other than equity instruments that do not meet the conditions for measurement at amortized cost and designation as FVTOCI are based on fair value with gains or losses on remeasurement recognized in the Consolidated Statement of Income. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on remeasurement recognized in the Consolidated Statement of Income unless the Rakuten Group makes an irrevocable election to designate the equity investments as at FVTOCI on initial recognition.

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in the Consolidated Statement of Income when they are incurred.

Equity Instruments Measured at FVTOCI

On initial recognition, the Rakuten Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. The election is made only for equity investments other than those held for trading.

Equity instruments measured at FVTOCI are initially measured/recognized at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value at each reporting date, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Changes in equity instruments measured at fair value through other comprehensive income" in other components of equity.

However, dividends on equity instruments measured at FVTOCI are recognized in the Consolidated Statement of Income as "Revenue" or "Financial income".

Impairment of Financial Assets Measured at Amortized Cost and Debt Instruments Measured at FVTOCI

With respect to financial assets measured at amortized cost, and debt instruments based on fair value through other comprehensive income, the Rakuten Group calculates the amount of allowance for doubtful accounts based on the estimated credit loss arising from possible defaults during the 12 months following the end of the fiscal year, in cases where the credit risk associated with the financial instruments has not significantly increased in the period between initial recognition and the fiscal year-end. In such cases specifically, the amount of allowance for doubtful accounts associated with financial instruments is collectively calculated by forecasting the estimated credit loss for the next 12 months, based on available rational data for predictive analysis, such as the historical loan loss ratio. On the other hand, if the credit risk associated with the financial instruments has significantly increased in the period between initial recognition and the fiscal year-end, allowance for doubtful accounts is calculated based on the estimated credit loss arising from all possible defaults over the estimated remaining life of the financial instruments (estimated credit loss over the entire period). In such cases specifically, the amount of allowance for doubtful accounts associated with financial instruments is individually calculated by forecasting the estimated credit loss associated with the collection of said financial instruments for the entire period, based on available rational data for predictive analysis, such as historical loan losses, future collectible amounts.

Notwithstanding the above, with respect to operating receivables and contractual assets that do not contain critical financial elements, such as accounts receivable – trade (hereinafter "operating receivables, etc."), the amount of allowance for doubtful accounts is invariably calculated based on the estimated credit loss over the entire period. As a general rule, estimated credit loss is collectively measured after considering the available rational data for predictive analysis, such as historical loan loss ratios, that are based on operating receivables, etc. grouped by client attribute types.

For financial assets with overdue periods above a certain threshold, those considered to pose significant concern for recoverability due to factors such as serious financial distress at the obligor shall be deemed to be credit-impaired.

The Rakuten Group directly writes off credit-impaired financial assets when there are no reasonable expectations of recovering future contractual cash flows on the financial asset.

Even after a financial asset is written off, the Rakuten Group continues to conduct recovery activities toward fulfillment of the contract and if the financial asset is recovered, the amount recovered is recognized in net income.

Derecognition of Financial Assets

The Rakuten Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Rakuten Group transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any rights to transferred financial assets qualifying for derecognition created or retained by the Rakuten Group are accounted for separately.

2) Non-derivative Financial Liabilities

Debt securities issued by the Rakuten Group are initially recognized on the issue date. All other financial liabilities are recognized when the Rakuten Group become a party to the contractual provisions of the instruments.

The Rakuten Group derecognizes financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

The Rakuten Group classifies financial liabilities as accounts payable — trade, deposits for banking business, financial liabilities for securities business, bonds and borrowings, borrowings for security business, bonds and borrowings for credit card business, borrowings for banking business and other financial liabilities as non-derivative financial liabilities, initially measure them at fair value, and subsequently measure them at amortized cost using the effective interest method.

3) Derivatives

Derivatives Qualifying for Hedge Accounting

The Rakuten Group enters into derivative transactions to manage the risk of fair value fluctuations, interest rate risk and foreign currency risk. The primary derivatives used by the Rakuten Group are interest rate swaps, forward contracts, options, foreign exchange forward contracts, and currency swaps.

At the initial designation of the hedging relationship, the Rakuten Group documents the hedging instrument and the hedged item and the relationship between them, along with the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged, the evaluation of the effectiveness of the hedging instrument in offsetting the hedged risk, and the measurement of ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Rakuten Group assesses whether the Rakuten Group can forecast if the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

Derivatives are initially recognized at fair value with transaction costs recognized in the Consolidated Statements of Income as incurred. Subsequently derivatives are based on fair value, and gains and losses arising from changes in fair value are accounted for as follows:

- Fair Value Hedges

The changes in fair value of the hedging instrument resulting from subsequent measurements are recognized in the Consolidated Statement of Income. The gains or losses on the hedged items attributable to the hedged risks are recognized in the Consolidated Statement of Income, and the carrying amounts of the hedged items are adjusted. However, when the hedged item is an equity instrument whose change in fair value is recognized in other comprehensive income, the changes in fair value of the hedging instrument resulting from subsequent measurements are also recognized in other comprehensive income. Hedge accounting is discontinued prospectively when fair value hedge no longer qualifies for hedge accounting, or when the hedging instrument expires, or is sold, terminated, or exercised.

- Cash Flow Hedges

When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities and might affect net income, the portion of the gain and loss on the derivative that is determined to be an effective hedge is presented as "Cash flow hedges" in Other Components of Equity. The balances of cash flow hedges are reclassified to income from other comprehensive income in the periods when the cash flows of hedged items affect income, in the same line items of the Consolidated Statement of Comprehensive Income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

Hedge accounting is discontinued prospectively when the cash flow hedge no longer qualifies for hedge accounting, or when the hedging instrument expires, or is sold, terminated or exercised, and the amount recognized as Other Comprehensive Income is reclassified to income from other components of equity.

Derivatives Not Qualifying for Hedge Accounting

The Rakuten Group holds some derivatives for hedging purposes that do not qualify for hedge accounting. Derivatives may also be held for trading as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in the Consolidated Statement of Income.

Embedded Derivatives

There are some hybrid contracts, which contain both a derivative and a non-derivative component, within the financial instruments and other contracts. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. Where the host contract is a financial liability, if the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract itself is not classified as FVTPL as a financial liability, the embedded derivative is separated from the host contract and accounted for as a derivative. The financial liability component of the host contract is then accounted for in accordance with the Rakuten Group' accounting policy for non-derivative financial liabilities.

4) Presentation of Financial Instruments

Financial assets and liabilities are offset, and that net amount is presented in the Consolidated Statement of Financial Position, only when the Rakuten Group holds a currently enforceable legal right to set off the recognized amounts, and the Rakuten Group has the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

5) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the guarantor to make specified payments to reimburse the guarantee for losses incurred due to a debtor failing to make payments when due in accordance with the original or modified terms of a debt instrument.

Such financial guarantee contracts are measured initially at fair value on the date of the contract. Subsequent to initial recognition, the Rakuten Group measures financial guarantees, other than those based on fair value, at the higher of the amount of any loss allowance and the amount initially recognized less the cumulative amount of income.

(6) Property, Plant and Equipment

Property, plant and equipment are subsequently carried on the historical cost basis measured using the cost model and are recorded at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to the acquisition of and dismantling and removal of the asset, as well as any estimated costs of restoring the site on which they are located. When the asset requires a substantial period of time to be ready for its intended use or sales, borrowing cost directly attributed to the acquisition, construction and manufacturing of such asset is capitalized and included in the cost of the asset.

Depreciation of property, plant and equipment other than land and construction in progress is mainly computed using the straight-line method based on the estimated useful life of each component.

The estimated useful lives of significant assets for the previous fiscal year and the current fiscal year are as follows:

- Buildings and accompanying facilities 2–50 years
- Tools, furniture and fixtures 2–20 years
- Machinery facilities 2-50 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and the effect is recognized prospectively as changes of accounting estimates if revised.

(7) Intangible Assets

1) Goodwill

Initial Recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Please refer to (2) Business Combinations for the measurement of goodwill on initial recognition.

Subsequent Measurement

Goodwill is based on cost less accumulated impairment losses.

2) Capitalized Software Costs

The Rakuten Group incurs certain costs to purchase or develop software primarily for internal use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when they are occurred. Expenditures arising from development activities are capitalized as software, if, and only if, they are reliably measurable, they are technically feasible, it is highly probable that they will generate future economic benefits, and the Rakuten Group intends and has adequate resources to complete their development and to use or sell such assets.

Capitalized software is based on cost less accumulated amortization and any accumulated impairment losses.

3) Intangible Assets Acquired in Business Combinations

Intangible assets that are acquired in business combinations, such as trademarks and other similar items, are recognized separately from goodwill, and are initially recognized at fair value at the acquisition date.

Subsequently such intangible assets are based on cost less any accumulated amortization and accumulated impairment losses.

4) Amortization

Amortization is calculated based on the acquisition cost of an asset less its residual value. Intangible assets with definite useful lives are depreciated using the straight-line method.

Estimated useful lives of significant intangible assets with definite useful lives for the current and prior fiscal year are as follows:

- Software mainly 5 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and if there are any changes, the effect of a change is recognized prospectively as a change in accounting estimates.

(8) Lease Transactions (as Lessee)

At the commencement date, the Rakuten Group measures lease liabilities at the present value of the lease payments that are not paid at that date. Right-of-use assets are measured initially as the total amount of the lease liabilities measured initially, initial direct costs, lease prepayments, etc. After initial recognition, right-of-use assets are depreciated, primarily using the straight-line method over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Rakuten Group will obtain ownership by the end of the lease term. Lease payments are allocated into interest cost and the portion of the balance of the lease liabilities to be repaid, to ensure that the interest rate remains consistent in relation to the balance of the lease liabilities.

(9) Real estate for investment

The Rakuten Group measures real estate for investment under other assets using the cost model, and they are stated at cost less any accumulated depreciation and accumulated impairment losses. Real estate for investment are mainly depreciated using the straight-line method based on the estimated useful lives ranging from 3 to 60 years.

(10) Impairment of Non-financial Assets

The Rakuten Group assesses at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred tax assets, may be impaired. If any such an indication exists, the Rakuten Group estimates the recoverable amount of the asset. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit, or group of cash-generating units (CGU) is the higher of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A CGU is the smallest identifiable group of assets, which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.

In principle, each entity is considered to be a CGU. Goodwill is allocated to a CGU or a group of CGUs based on the unit by which the goodwill is monitored for internal management purposes.

Since corporate assets do not generate independent cash flows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU or group of CGUs to which the corporate assets belong.

Impairment losses are recognized in the Consolidated Statement of Income when the carrying amount of an asset, a CGU or a group of CGUs exceeds its recoverable amount. Such impairment losses are recognized first reducing the carrying amount of any allocated goodwill and then are allocated to the other assets of the CGU on a pro-rata basis based on the carrying amount of such assets.

Impairment losses recognized in respect of goodwill are not reversed. Assets other than goodwill are reviewed at the end of each reporting period to assess whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized is reversed if an indication of the reversal of impairment losses exists and there is a change in the estimates used to determine the asset's recoverable amount. The reversal of an impairment loss does not exceed the carrying amount, net of depreciation and amortization, which would have been determined if any impairment loss had never been recognized for the asset in prior years.

(11) Provisions

Provisions are recognized when the Rakuten Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are based on present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(12) Insurance Contracts

The Rakuten Group adopted IFRS 17 "Insurance Contracts" (hereinafter "IFRS 17") at the beginning of the fiscal year.

IFRS 17 was applied at the beginning of the previous fiscal year, being the date of transition to the standard, and restatement is presented at the beginning of the previous fiscal year. Therefore, comparative information is based on IFRS 17. For details, please refer to [Changes in Accounting Policies].

(13) Equity

Proceeds from the issuance of equity instruments by the Company are included in "Common stock" and "Capital surplus". Direct issuance costs (net of tax) are deducted from "Capital surplus".

(14) Share-based Payments

The Rakuten Group has share option plans as incentive plans for directors, executive officers, and employees. The fair value of share options at the grant date is recognized as an employee expense over the vesting period from the grant date as a corresponding increase in capital surplus. The fair value of the share options is measured using the Black-Scholes model or other models, taking into account the terms of the options granted. The Rakuten Group regularly reviews the assumptions and revises estimates of the number of options that are expected to vest, as necessary.

(15) Revenue

The Rakuten Group recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 "Financial Instruments" (hereinafter "IFRS 9"), lease income recognized in accordance with IFRS 16 "Leases" and insurance revenues recognized in accordance with IFRS 17, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Rakuten Group expects to be entitled in exchange for those goods or services based on the following five-step approach:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract are recognized as an asset (hereinafter, "Assets arising from contract costs") if those costs are expected to be recoverable. The incremental costs of obtaining contracts are those costs that the Rakuten Group incurs to obtain a contract with a customer that they would not have incurred if the contract had not been obtained. Assets arising from contract costs are amortized using the straight-line method over a period from 4 to 10 years depending on the estimated contract periods.

(16) Financial Income and Expenses

Financial income mainly comprises interest income, dividend income and changes in fair value of financial assets measured at FVTPL. Interest income is accrued using the effective interest method. Dividend income is recognized on the date when the right of the Rakuten Group to receive the dividend is established.

Financial expenses mainly comprise interest expenses. Interest expenses are accrued using the effective interest method.

Financial income and expenses incurred from the finance business of the subsidiaries are included in "Revenue" and "Operating expenses".

(17) Government Grants

Government grants are recognized when there is reasonable assurance that the grants will be received and the conditions attached to the issuance of the grants are satisfied. Government grants related to income is recognized in net income throughout the period in which the expenses reimbursed by the grants are recognized. Government grants related to assets are recognized as deferred income and are systematically amortized over the useful life of the related assets. Government grants recognized in net income are deducted from the related expenses.

(18) Employee Benefits

1) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the related service is rendered. Accrued bonuses are recognized as liabilities, when the Rakuten Group has present legal or constructive obligations and when reliable estimates of the obligations can be made.

2) Retirement Benefits

The Rakuten Group mainly adopts the defined benefit system as their retirement benefit system.

Defined Benefit System

The net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less fair value of plan asset (adjusted, as necessary, for any effect of limiting a net defined benefit asset to the asset ceiling), and recognized as employee retirement benefit liabilities or assets in the Consolidated Statement of Financial Position. The projected unit credit method is used to calculate the defined benefit obligation and its present value is determined by applying a discount rate to the expected future payments required to settle the obligation. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds with maturities which match the estimated maturity of the benefit payments.

Service costs and net interest on the net defined benefit liability (asset) are recognized in net income. Actuarial gains and losses and return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) are recognized as remeasurements in the period in which they were incurred under other comprehensive income. Additionally, past service cost is recognized in net income at the earlier of when the plan amendment or curtailment occurs; and when related restructuring costs or termination benefits are recognized.

(19) Current and Deferred Income Tax

The income tax expense comprises current and deferred taxes. These are recognized in the Consolidated Statement of Income, except for income taxes which arise from business combinations, or which are recognized either in other comprehensive income or directly in equity.

Current taxes are calculated as the expected tax payable or receivable on taxable income, using the tax rates enacted or substantially enacted by the end of the reporting period.

The Rakuten Group recognizes deferred tax assets and liabilities for temporary differences arising between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases, net operating loss carryforwards that can be offset against future taxable income, and tax credits that are deductible against future taxes.

Deferred tax assets and liabilities are based on the tax rate that is expected to apply in the period when the related deferred tax asset is realized or the deferred tax liability is settled, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets are recognized for unutilized tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable income will be available against which such temporary differences can be utilized.

Deferred tax assets and liabilities are recognized for temporary differences associated with investments in subsidiaries, associates, and joint ventures. However, if the Rakuten Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognized. Deferred tax assets are recognized only to the extent that it is probable that there will be sufficient taxable income against which the benefit of temporary differences can be utilized, and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

The Company and some of its subsidiaries have adopted the Japanese Group Relief System and Consolidated Taxation System.

(20) Earnings Per Share

Basic earnings (losses) per share is calculated by dividing net income (loss) (attributable to equity owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock held. Diluted earnings (losses) per share are calculated, for the dilutive effects of all potential common stock by dividing net income (loss) (attributable to the owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock. Potential common stock of the Rakuten Group relates to the share option plan.

(21) Operating Segments

Operating segments correspond to business activities, from which the Rakuten Group earns revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Rakuten Group in order to determine the allocation of resources to the segment and assess its performance.

[Changes in accounting policy]

The Rakuten Group has adopted the following accounting standard from the year ended December 31, 2023.

IFRS		Description
IFRS 17	Insurance contracts	Revision of accounting for insurance contracts
IAS 12	Income Taxes	International Tax Reform - Pillar Two Model Rules

The Rakuten Group adopted IFRS 17 and restatement is presented at the beginning of the previous fiscal year, being the date of transition.

Insurance Contracts

The accounting policy for insurance contracts is as follows:

1) Classification and aggregation of insurance contracts

Contracts under which the Rakuten Group accepts significant insurance risk are classified as insurance contracts. Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing into three groups based on the profitability of contracts:

- a group of contracts that are onerous on initial recognition.
- a group of contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- a group containing the remaining contracts in the portfolio.

2) Recognition and measurement of insurance contracts

Insurance contracts issued by the Rakuten Group are recognized from the earliest of:

- the beginning of its coverage period (i.e., the period during which the Rakuten Group provides services in respect of any premiums within the boundary of the contract).
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that a contract is onerous.

i) The initial recognition of insurance contracts not accounted for under the Premium Allocation Approach (hereinafter "PAA")

For insurance contracts not accounted for under the PAA, the general measurement model is applied, which consists of the following items.

(a) Fulfilment cash flows

The fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk. The fulfilment cash flows of a group of insurance contracts do not reflect the Rakuten Group's non-performance risk. The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

(b) Contractual service margin (hereinafter the "CSM")

The CSM of a group of insurance contracts represents the unearned profit that the Rakuten Group will recognize as it provides services under those contracts.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

ii) Subsequent measurement of insurance contracts not accounted for under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The liability for remaining coverage consists of the following items.

(a) Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(b) CSM

The CSM is calculated as of the reporting date by adding or subtracting the following items to or from the opening balance for the reporting period.

a) The CSM of any new contracts that are added to the group in the year.

b) Interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition.

c) Changes in fulfilment cash flows that relate to future services.

1. Experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition.
2. Changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein.
3. Any difference with the investment component expected to become payable in the year, and the actual amount that becomes payable in the year.
4. Changes in the risk adjustment for non-financial risk that relate to future services.

However, the CSM is not adjusted in the following cases:

- Any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and creates a loss component.
- Any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in profit or loss.

d) the amount recognized as insurance revenue to reflect the services provided in the year.

When preparing subsequent interim and annual financial statements, the Rakuten Group has determined that accounting estimates related to IFRS 17 made in past interim financial statements should be treated as experience adjustments or as changes in expected fulfilment cash flows related to future services.

3) Contract boundary

Cash flows are within the boundary of insurance contracts if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Rakuten Group has a substantive obligation to provide the policyholder with insurance coverage or other services.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Rakuten Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting, and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs incurred in fulfilling insurance contracts include claims processing, maintenance and administration costs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognized in profit or loss as they are incurred.

4) PAA

In addition to the contracts with coverage of less than one year, the PAA can be used for measurement of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the general measurement model.

The carrying amount of the liability for remaining coverage at initial recognition is measured as premiums received less other related amounts. The Rakuten Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

Even if each contract in the group of contracts has a coverage period of one year or less, the Rakuten Group has chosen to expense insurance acquisition cash flows when they are incurred.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Rakuten Group recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Rakuten Group recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

5) Presentation

i) Insurance revenue

(a) insurance contract not accounted for under the PAA

The Rakuten Group recognizes insurance revenue as it satisfies its performance obligations – as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Rakuten Group expects to receive consideration, and comprises the following items. In addition, the Rakuten Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time.

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year.
- Experience adjustments for premium receipts regarding the insurance group for current or past services.

(b) insurance contract accounted for under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Rakuten Group allocates the expected premium receipts to each period mostly based on the passage of time.

ii) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses.
- Amortization of insurance acquisition cash flows: this is equal to the amount of insurance revenue recognized in the year that relates to recovering insurance acquisition cash flows.
- Adjustments to liabilities for incurred claims.
- Losses on onerous contracts and reversals of such losses.

iii) Loss component

The Rakuten Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The post-event fluctuations in fulfilment cash flows are allocated in a regular manner between the loss component and the liability related to the remaining coverage excluding the loss component. The fluctuations allocated to the loss component are presented in profit or loss as a negative insurance service expense and are excluded from insurance revenue.

iv) Insurance finance income or expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Rakuten Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. This systematic allocation results in a total amount recognized in other comprehensive income over the duration of the group of contracts totaling zero. The cumulative amount recognized in other comprehensive income at any point in time is the difference between the carrying amount of the group of insurance contracts and the amount at which the group is measured when the systematic allocation is applied.

6) Transitional measures

The Rakuten Group adopts the full retrospective approach for insurance contract groups issued in the non-life insurance business, accordingly, such contracts are identified, recognized and measured as if IFRS 17 had always been applied.

With respects to insurance contract groups issued in the life insurance business, the Rakuten Group adopts the full retrospective approach for new contracts in the period between January 1, 2021 and December 31, 2021. For the period up to December 31, 2020, the Rakuten Group adopts the modified retrospective approach whereby contract groups as of the date of transition (January 1, 2022) were identified, recognized and measured. For new contracts that arose in the period up to December 31, 2020, adoption of the full retrospective approach was judged impractical, as the required information was not collected (or not collected to an adequate degree of data granularity), along with system migration, data retention requirements and other reasons, which make it impossible to perform a significant accounting estimate without hindsight.

The objective of the modified retrospective approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Rakuten Group applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

The Rakuten Group has applied the following modifications to certain contract groups.

- For groups of contracts issued, initiated or acquired in a period up to December 31, 2020, the future cash flows at the date of initial recognition were estimated as the future cash flows at the date of transition adjusted by the amounts that were known to have occurred before the transition date.

- For some groups of contracts, the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at the transition date for the expected release of risk before the transition date. The expected release of risk was determined with reference to the release of risk for similar contracts that the Rakuten Group issued on the transition date.

- The amount of the CSM recognized in profit or loss before the transition date was determined by comparing the coverage unit on initial recognition and the remaining coverage units at the transition date.

The Rakuten Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and earnings per share. The effects of adopting IFRS 17 on the Consolidated Financial Statements at January 1, 2022 are presented in the Consolidated Statement of Changes in Equity.

Income Taxes

The Rakuten Group has applied the "International Tax Reform - Pillar Two Model Rules" (Amendment to IAS 12 "Income Taxes") from the fiscal year ended December 31, 2023. This amendment clarified that IAS 12 applies to corporate income tax arising from tax laws enacted or substantively enacted to implement the OECD Model Rules on Pillar Two Global Minimum Tax (Global Minimum Taxation). However, it provides a temporary exception for companies to not recognize and disclose deferred tax assets and liabilities arising from the Global Minimum Taxation rules. The Group has applied this exception provided in IAS 12 and has not recognized and disclosed deferred tax assets and liabilities arising from the Global Minimum Taxation rules.

The Global Minimum Taxation Rules have been enacted in certain jurisdictions where the Rakuten Group operates. This law will be applied to the fiscal year beginning January 1, 2024 onwards. The Rakuten Group, being within the scope of the laws that have been enacted or substantially enacted for the Global Minimum Taxation Rules, has assessed the potential impact on corporate income tax under the Global Minimum Taxation rules.

This assessment is based on the most recent tax filings and country-by-country reporting of the Rakuten Group's constituent companies. In this assessment, the pillar two effective tax rate of most jurisdictions where the Rakuten Group operates exceeds 15%, and a resulting judgment for jurisdictions below 15% based on tax rates and expected taxable income, anticipates no significant impacts on corporate income tax.

[Changes in Presentation Method]

(Consolidated Statement of Comprehensive Income)

During the fiscal year ended December 31, 2023, the Rakuten Group changed its presentation methods for the Consolidated Statement of Comprehensive Income with a view to enhancing the clarity of presentation.

Details of the changes in presentation methods and the impact on the Consolidated Statement of Comprehensive Income as a result of the reclassification of the Consolidated Financial Statements to reflect such changes are as follows:

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

<table>
<tr><th></th><th>Items before the changes</th><th>Amount</th><th>Items after the changes</th><th>Amount</th></tr>
<tr><td rowspan="4">Items that will not be reclassified to net income</td><td>Gains and losses on equity instruments measured at fair value through other comprehensive income</td><td>(8,560)</td><td rowspan="2">Changes in equity instruments measured at fair value through other comprehensive income</td><td rowspan="2">(6,004)</td></tr>
<tr><td>Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income</td><td>2,556</td></tr>
<tr><td>Remeasurement of defined benefit plans</td><td>2,503</td><td rowspan="2">Remeasurement of defined benefit plans</td><td rowspan="2">1,745</td></tr>
<tr><td>Income tax effect of remeasurement of defined benefit plans</td><td>(758)</td></tr>
<tr><td rowspan="10">Items that may be reclassified to net income</td><td>Foreign currency translation adjustments</td><td>90,709</td><td rowspan="2">Foreign currency translation adjustments</td><td rowspan="2">87,141</td></tr>
<tr><td>Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses</td><td>(3,568)</td></tr>
<tr><td>Gains and losses on debt instruments measured at fair value through other comprehensive income</td><td>(23,740)</td><td rowspan="4">Changes in debt instruments measured at fair value through other comprehensive income</td><td rowspan="4">(16,971)</td></tr>
<tr><td>Allowance for doubtful debts on debt instruments measured at fair value through other comprehensive income</td><td>15</td></tr>
<tr><td>Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income</td><td>(6)</td></tr>
<tr><td>Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income</td><td>6,760</td></tr>
<tr><td>Gains on cash flow hedges recognized in other comprehensive income</td><td>5,039</td><td rowspan="4">Cash flow hedges</td><td rowspan="4">(2,788)</td></tr>
<tr><td>Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income</td><td>(1,652)</td></tr>
<tr><td>Losses on cash flow hedges reclassified from other comprehensive income to net income</td><td>(8,762)</td></tr>
<tr><td>Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income</td><td>2,587</td></tr>
</table>

(Condensed Quarterly Consolidated Statement of Changes in Equity)

During the fiscal year ended December 31, 2023, the Rakuten Group changed presentation methods for the Consolidated Statement of Changes in Equity with a view to enhancing the clarity of presentation.

Itemized presentation of components of "Other components of equity" is omitted and the total is presented instead as "Other components of equity".

"Total contributions by and distributions to owners" and "Total changes in ownership interests in subsidiaries" presented as components of "Total transactions with owners etc." are omitted.

"Issuance of shares with the exercise of share options" and "Disposal of treasury stock with the exercise of share options" have been consolidated into "Exercise of share acquisition rights".

"Issuance of share acquisition rights" and "Forfeiture of share acquisition rights" have been consolidated into "Share based compensation expenses".

"Issuance of shares", "Changes in ownership interests in subsidiaries" and "Acquisition and disposal of non-controlling interests" presented as components of "Changes in ownership interests in subsidiaries" have been consolidated into "Equity transactions with non-controlling interests".

"Others" presented as components of "Contributions by and distributions to owners" and "Changes in ownership interests in subsidiaries" respectively, have been consolidated into "Others" as component of "Transactions with owners etc.".

In order to reflect this change in presentation methods, the Consolidated Financial Statements for the fiscal year ended December 31, 2022 have been reclassified. Impacts of this change to the Consolidated Statement of Changes in Equity for the fiscal year ended December 31, 2022 are as follows:

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

<table>
<tr><th>Items before the changes</th><th>Amount</th><th>Items after the changes</th><th>Amount</th></tr>
<tr><td>Increase in common stock due to "Issuance of shares with the exercise of share options"</td><td>4,387</td><td>Increase in common stock due to "Exercise of share acquisition rights"</td><td>4,387</td></tr>
<tr><td>Decrease in capital surplus due to "Issuance of shares with the exercise of share options"</td><td>(4,387)</td><td>Decrease in capital surplus due to "Exercise of share acquisition rights"</td><td>(4,387)</td></tr>
<tr><td>Increase in capital surplus due to "Issuance of share acquisition rights"</td><td>13,359</td><td rowspan="2">Increase in capital surplus due to "Share based compensation expenses"</td><td rowspan="2">13,173</td></tr>
<tr><td>Decrease in capital surplus due to "Forfeiture of share acquisition rights"</td><td>(186)</td></tr>
<tr><td>Increase in retained earnings due to "Forfeiture of share acquisition rights"</td><td>186</td><td>Increase in retained earnings due to "Share based compensation expenses"</td><td>186</td></tr>
<tr><td>Increase in capital surplus due to "Changes in ownership interests in subsidiaries"</td><td>33,634</td><td rowspan="2">Increase in capital surplus due to "Equity transactions with non-controlling interests"</td><td rowspan="2">33,030</td></tr>
<tr><td>Decrease in capital surplus due to "Acquisition and disposal of non-controlling interests"</td><td>(604)</td></tr>
<tr><td>Increase in non-controlling interests due to "Issuance of shares"</td><td>3,361</td><td rowspan="3">Increase in non-controlling interests due to "Equity transactions with non-controlling interests"</td><td rowspan="3">36,568</td></tr>
<tr><td>Increase in non-controlling interests due to "Changes in ownership interests in subsidiaries"</td><td>31,813</td></tr>
<tr><td>Increase in non-controlling interests due to "Acquisition and disposal of non-controlling interests"</td><td>1,394</td></tr>
<tr><td>Decrease in retained earnings due to "Others" under "Contributions by and distributions to owners"</td><td>(239)</td><td rowspan="2">Decrease in retained earnings due to "Others" under "Transactions with owners etc."</td><td rowspan="2">(542)</td></tr>
<tr><td>Decrease in retained earnings due to "Others" under "Changes in ownership interests in subsidiaries"</td><td>(302)</td></tr>
<tr><td>Decrease in other components of equity due to "Others" under "Changes in ownership interests in subsidiaries"</td><td>(218)</td><td>Decrease in other components of equity due to "Others" under "Transactions with owners etc."</td><td>(218)</td></tr>
<tr><td>Decrease in non-controlling interests due to "Others" under "Changes in ownership interests in subsidiaries"</td><td>(177)</td><td>Decrease in non-controlling interests due to "Others" under "Transactions with owners etc."</td><td>(177)</td></tr>
</table>

(Consolidated Statement of Cash Flows)

"Capital contribution from non-controlling interests" and "Interest paid" included in "Others" under "Cash flows from financing activities" for the fiscal year ended December 31, 2022 are separately presented for the fiscal year ended December 31, 2023 due to an increase in financial materiality. In order to reflect this change in presentation methods, the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified.

As a result, ¥(12,457) million presented in "Others" under "Cash flows from financing activities" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified into "Capital contribution from non-controlling interests" of ¥3,361 million, "Interest paid" of ¥(23,334) million, and "Others" of ¥7,518 million. In addition, due to the application of IFRS 17, "Interest paid" decreased by ¥2 million.

3. Significant Accounting Estimates and Judgments

(1) Significant Accounting Estimates and Assumptions

In preparing the consolidated financial statements under IFRS, the Rakuten Group uses judgments, accounting estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on the best judgment of management, made by gathering past experience and available information and in consideration of various factors that are considered reasonable as of the closing date. However, the figures based on these estimates and assumptions by their nature may differ from actual results.

Estimates and underlying assumptions are subject to continuous review. The effect of these revised estimates is recognized in the period in which the estimates are revised as well as future periods.

i. Impairment of Non-Financial Assets

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2023

Please refer to Note 17. Property, Plant and Equipment and Note 18. Intangible Assets.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

Please refer to Note 2. Material Accounting Policies (10) Impairment of Non-financial Assets.

b) Key assumptions used for calculating the amounts

Please refer to Note 17. Property, Plant and Equipment and Note 18. Intangible Assets.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2024

The results of the calculation of the recoverable amount may vary significantly depending on changes in the circumstances that served as the basis for the judgments and assumptions.

ii. Recoverability of Deferred Tax Assets

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2023

Please refer to Note 32. Income Tax Expense.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

Please refer to Note 2. Material Accounting Policies (19) Current and Deferred Income Tax.

b) Key assumptions used for calculating the amounts

Please refer to Note 32. Income Tax Expense.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2024

Changes in the circumstance that served as the basis for the judgments and assumptions or amendment to tax laws etc. may have a significant impact on the amounts of deferred tax assets and deferred tax liabilities.

iii. Methods of Determining Fair Value of Financial Instruments Measured at Fair Value Including Derivative Instruments

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2023

Please refer to Note 48. Fair Value of Financial Instruments.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

Financial assets and financial liabilities including derivatives, held by the Rakuten Group are evaluated at fair value as follows:

- Quoted prices in active markets for identical assets or liabilities;

- Fair value calculated using observable inputs other than quoted prices for the assets or liability, either directly or indirectly; and
- Fair value calculated using valuation techniques incorporating unobservable inputs.

b) Key assumptions used for calculating the amounts

Fair values estimated using valuation techniques that include unobservable inputs are based on judgments and assumptions made by the Rakuten Groups' management, including the selection of appropriate base rates, assumptions and calculation models to be applied.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2024

Changes in the circumstances etc. that served as the basis for the judgments and assumptions may have a significant impact on the calculation of fair value of financial instruments.

iv. Impairment of Financial Assets Measured at Amortized Cost and Debt Instrument Measured at Fair Value through Other Comprehensive Income

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2023

Please refer to Note 15. Allowance for Doubtful Accounts and Note 50. Financial Risk Management.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

The Rakuten Group recognizes estimated credit losses in respect of financial assets measured at amortized cost and debt instruments based on fair value through other comprehensive income, at present value of the difference between future contractual cash flows recoverable, and future contractual cash flows expected to be received.

b) Key assumptions used for calculating the amounts

Estimation of future cash flows considers factors including the possibility of default, historical trend concerning the amount of credit loss, and reasonably expected future events.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2024

The amount of impairment losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income may vary significantly depending on changes in the circumstances that served as the basis for the judgments and assumptions.

(2) Significant Judgment in Applying the Accounting Policies of the Rakuten Group

In the process of applying the accounting policies, management of the Rakuten Group has made certain decisions which significantly impact the amounts recognized in the Consolidated Financial Statements.

The Rakuten Group, mainly in the banking business and the credit card business, transacts with structured entities, which are designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entities. Management of the Rakuten Group decides whether the Rakuten Group is controlling the entities or not. All related facts and circumstances on the involvement with the structured entity are considered in deciding whether control over such an entity exists.

4. Segment Information

(1) General Information

As a global innovation company engaged in the three main activities of Internet Services, FinTech, and Mobile, the Rakuten Group is organized into three reportable segments: "Internet Services", "FinTech", and "Mobile".

For the reportable segments, separate financial information on the operational units of the Rakuten Group is available, and such financial information is subject to periodic review for the Board of Directors to decide on the distribution of management resources and evaluate performance.

The "Internet Services" segment comprises businesses providing various e-commerce sites including internet shopping mall "Rakuten Ichiba", online cash-back sites, travel booking sites, portal sites, and digital content sites, along with provision of messaging services, sales of advertising, etc. on these sites, and management of professional sports teams, etc.

The "FinTech" segment engages in businesses providing services related to credit cards, banking and securities over the Internet, crypto asset (virtual currency) spot transaction, life insurance, general insurance, and electronic money, etc.

The "Mobile" segment comprises business operations engaged in the provision of communication services and technologies and operation of electricity supply services, etc.

Effective from the three months ended March 31, 2023, subsidiaries and businesses belonging to the media & entertainment department were transferred from the Mobile segment to the Internet Services segment for the purpose of expanding the Rakuten Ecosystem and enhancing synergy effects, among other reasons. In accordance with this change, segment revenue and segment profit (loss) in the Internet Services segment and the Mobile segment for the fiscal year ended December 31, 2022 have been restated.

As described in Note 2. Material Accounting Policies, the Rakuten Group has adopted IFRS 17 from the beginning of the three months ended March 31, 2023, and reflected the cumulative effect of this accounting standard change on the date of transition of January 1, 2022. As a result, figures in the FinTech segment for the fiscal year ended December 31, 2022 have been restated.

(2) Measurement of Segment Revenue and Segment Profit (Loss) by Operating Segments

The operating segment information is prepared in accordance with IFRS, and operating segment revenue and segment profit (loss) is that before intercompany eliminations without consideration of consolidation adjustments, except for certain subsidiaries. Non-GAAP operating income, the internal measures management uses in making decisions, is calculated by adjusting the nonrecurring items and other adjustment items prescribed by the Rakuten Group from the operating income recorded in accordance with IFRS.

Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of their business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and their future outlook. Nonrecurring items refer to one-off items that the Rakuten Group believes should be excluded in preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as share based compensation expenses and amortization of acquisition-related intangible assets.

The Rakuten Group does not allocate assets and liabilities to the operating segment reviewed by the chief operating decision maker.

Fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	1,103,807	651,944	350,734	2,106,485
Segment profit (loss)	64,630	89,840	(479,257)	(324,787)
Other items				
Depreciation and amortization	36,058	52,780	135,706	224,544

Fiscal year ended December 31, 2023 (January 1 to December 31, 2023)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	1,212,314	725,165	364,556	2,302,035
Segment profit (loss)	76,831	122,915	(337,524)	(137,778)
Other items				
Depreciation and amortization	40,508	57,141	163,467	261,116

(Note)

Effective from the three months ended March 31, 2023, subsidiaries and businesses belonging to the media & entertainment department were transferred from the Mobile segment to the Internet Services segment. In accordance with this change, segment revenue increased by ¥17,935 million and segment profit decreased by ¥13,573 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the year ended December 31, 2022.

The reconciliation of segment revenue to consolidated revenue is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Segment revenue	2,106,485	2,302,035
Intercompany transactions, etc.	(185,591)	(230,720)
Consolidated revenue	1,920,894	2,071,315

The reconciliation of segment profit or loss to loss before income tax is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Segment loss	(324,787)	(137,778)
Intercompany transactions, etc.	(10,405)	(15,263)
Non-GAAP operating loss	(335,192)	(153,041)
Amortization of intangible assets	(8,657)	(13,564)
Share based compensation expenses	(12,587)	(14,318)
One-off items (Note)	(15,176)	(31,934)
Operating loss	(371,612)	(212,857)
Financial income and expenses	(41,452)	8,847
Share of losses of investments in associates and joint ventures	(2,548)	(13,731)
Loss before income tax	(415,612)	(217,741)

(Note)
One-off items listed for the fiscal year ended December 31, 2022 include expenses associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use, and estimated costs with regard to the fraudulent acts committed in collusion by former employees of a subsidiary and suppliers (moreover, the latter is included in other expenses of the Consolidated Statement of Income). One-off items listed for the fiscal year ended December 31, 2023 include an impairment loss on noncurrent assets of ¥15,922 million, associated with changes in the operation method of the online grocery delivery business, costs etc. of ¥13,598 million, temporarily incurred due to the cancellation of base station construction etc., associated with changes to capital expenditure plans resulting from a review of roaming agreements in the mobile business, gains and losses resulting from the sale of all shares in Seiyu Holdings Co., Ltd. and fees paid to external experts and others such as legal fees related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers which came to light in the previous fiscal year.

(3) Products and Services Information

Revenue from external customers by major products and services of the Rakuten Group is as follows:

(Millions of Yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Rakuten Ichiba and Rakuten Travel	441,619	491,426
Rakuten Card	194,363	206,309
Rakuten Securities	83,291	103,949
Rakuten Bank	91,327	97,866
Rakuten Mobile	188,514	219,513
Others	921,780	952,252
Revenue from external customers	1,920,894	2,071,315

(4) Geographic Information

For the fiscal year ended December 31, 2022

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	1,617,918	212,280	39,639	49,162	1,895	1,920,894
Property, plant and equipment and intangible assets	1,650,119	382,436	119,324	62,159	2,775	2,216,813

For the fiscal year ended December 31, 2023

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	1,756,243	213,031	49,052	51,270	1,719	2,071,315
Property, plant and equipment and intangible assets	1,687,127	394,144	129,058	79,076	2,633	2,292,038

(5) Major Customers

For the fiscal year ended December 31, 2022

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the fiscal year ended December 31, 2023

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

5. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Cash and deposits	4,694,360	5,127,674
Cash and cash equivalents	4,694,360	5,127,674

(Note)

Funds (cash and cash equivalents) stated in the Group Companies' Consolidated Statement of Cash Flows include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. Short-term highly liquid investments in the banking business are excluded.

6. Accounts Receivable - Trade

The breakdown of accounts receivable - trade is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Accounts receivable - trade measured at amortized cost		
Notes and accounts receivable - trade	372,806	387,305
Gross amount of accounts receivable - trade measured at amortized cost	372,806	387,305
Allowance for doubtful accounts	(8,620)	(9,313)
Net amount of accounts receivable - trade measured at amortized cost	364,186	377,992
Total accounts receivable - trade	364,186	377,992

(Note)

The accounts receivable - trade is mainly generated from sales related to the Internet Services business. The accounts receivable - trade classified as "measured at amortized cost" are limited to those accounts receivable - trade held as part of the Group Companies' business model with, the objective of collecting contractual cash flows and a date of receipt of principal as specified in the contract conditions

7. Financial Assets for Securities Business

The breakdown of financial assets for securities business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial assets measured at amortized cost		
Cash segregated as deposits	2,003,545	2,213,642
Accounts receivable relating to investment securities transactions	548,101	890,532
Margin transactions assets	701,632	832,833
Short-term guarantee deposits	136,787	136,067
Others	41,057	55,993
Gross amount of financial assets measured at amortized cost	3,431,122	4,129,067
Allowance for doubtful accounts	(1,756)	(1,646)
Net amount of financial assets measured at amortized cost	3,429,366	4,127,421
Financial assets measured at FVTPL	1,410	824
Total financial assets for securities business	3,430,776	4,128,245

(Note)

Investment securities held for trading purposes are included in financial assets measured at FVTPL.

Derivative assets held for trading purposes are included in "Derivative assets," while operating investment securities are included in "Investment securities".

8. Loans for Credit Card Business

The breakdown of loans for credit card business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Gross amount of loans for credit card business	2,858,766	3,095,570
Allowance for doubtful accounts	(82,722)	(76,309)
Net amount of loans for credit card business	2,776,044	3,019,261

(Notes)
Loans for credit card business mainly comprise accounts receivable arising from the use of credit cards by customers based on installment contracts and similar.
Loans for credit card business are measured at amortized cost because they are classified as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to solely repayments of principal including interest on the principal balance outstanding.

9. Investment Securities for Banking Business

The breakdown of investment securities for banking business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial assets measured at amortized cost		
Domestic bonds	522,512	690,835
Foreign bonds	—	2,768
Others	49,261	24,123
Gross amount of financial assets measured at amortized cost	571,773	717,726
Allowance for doubtful accounts	—	(2)
Net amount of financial assets measured at amortized cost	571,773	717,724
Financial assets measured at FVTPL		
Trust beneficiary rights	907	813
Others	33	2,887
Total financial assets measured at FVTPL	940	3,700
Debt instruments measured at FVTOCI		
Trust beneficiary rights	165,968	243,785
Domestic bonds	143,200	151,863
Foreign bonds	34,769	91,454
Total debt instruments measured at FVTOCI (Note)	343,937	487,102
Equity instruments measured at FVTOCI	1	1
Total investment securities for banking business	916,651	1,208,527

(Note)
The allowance for doubtful accounts on debt instruments measured at fair value through comprehensive income amounted to ¥42 million for the year ended December 31, 2022 and ¥54 million for the year ended December 31, 2023, and are included in other comprehensive income respectively.

Within investment securities for banking business, investment securities held with the objective of collecting contractual cash flows limited to solely payments of principal and interest on the principal balance outstanding on a specified date in accordance with the contractual terms, are classified as financial assets measured at amortized cost. Additionally, investment securities held for the objective of both collecting contractual cash flows and selling financial assets and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are classified as debt instruments measured at fair value through other comprehensive income. All other investment securities are classified as financial assets measured at fair value through net income. However, investments in equity instruments, for which an irrevocable election had been made to present subsequent changes in fair value in other comprehensive income, are classified as equity instruments measured at fair value through other comprehensive income.

10. Loans for Banking Business

The breakdown of loans for banking business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Gross amount of loans for banking business	3,516,297	3,893,908
Allowance for doubtful accounts	(8,738)	(7,020)
Net amount of loans for banking business	3,507,559	3,886,888

(Note)
Loans for banking business mainly comprise loan receivables from individual customers.
Loans for banking business are measured at amortized cost because they are defined as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to repayments of principal including interest on the principal balance outstanding.

11. Investment Securities for Insurance Business

The breakdown of investment securities for insurance business is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Financial assets measured at FVTPL		
Domestic bonds	1,194	1,197
Beneficiary investment trust securities		
Unlisted	861	1,845
Others	2,396	2,097
Total financial assets measured at FVTPL	4,451	5,139
Debt instruments measured at FVTOCI		
Trust beneficiary rights	4,089	3,534
Domestic bonds	57,245	47,751
Foreign bonds	38,807	39,219
Total debt instruments measured at FVTOCI (Note)	100,141	90,504
Equity instruments measured at FVTOCI		
Domestic bonds	10,584	10,422
Foreign bonds	20,556	25,902
Stock		
Listed	23,970	23,460
Unlisted	3,720	3,610
Beneficiary investment trust securities		
Listed	106,445	100,102
Other	0	0
Total equity instruments measured at FVTOCI	165,275	163,496
Total investment securities for insurance business	269,867	259,139

(Note)
The allowance for doubtful accounts on debt instruments measured at fair value through comprehensive income amounted to ¥44 million for the year ended December 31, 2022 and ¥99 million for the year ended December 31, 2023, and are included in other comprehensive income respectively.

Within investment securities for insurance business, investment securities held with the objective of both collecting contractual cash flows and sale, and limited to solely payments of principal and interest on the principal balance outstanding on a specified date in accordance with the contractual terms, are classified as debt instruments measured at FVTOCI, while all other investment securities are classified as financial assets measured at FVTPL. However, investments in equity instruments where an (irrevocable) election has been made to recognize fair value fluctuations through other comprehensive income are designated as equity instruments measured at FVTOCI.

12. Derivative Assets and Derivative Liabilities, Hedge Accounting

The fair values and notional principal amounts of derivatives qualifying for hedge accounting and derivatives not qualifying for hedge accounting are as follows:

Derivatives Qualifying for Hedge Accounting

(Millions of Yen)

	Fiscal Year ended December 31, 2022					Average rate
	Notional principal amount by due date			Fair value		
	One year or less	Over one year	Total	Assets	Liabilities	
Fair value hedges						
Value fluctuation risk						
Foreign exchange forward contracts	—	—	—	—	—	
Over-the-counter forward contracts	106,464	—	106,464	2,701	—	
Cash flow hedges						
Exchange rate risk						
Foreign exchange forward contracts	11,941	11	11,952	112	609	1 USD = ¥130.62 1 USD = 1.32 CAD 1 EUR = 1.35 CAD
Currency swap contracts	—	160,454	160,454	14,539	3,378	1 USD = ¥120.64
Interest rate risk						
Interest rate swap contracts	—	139,810	139,810	—	62	Floating interest rate 0.497% Fixed interest rate 0.910%
Total	118,405	300,275	418,680	17,352	4,049	

(Millions of Yen)

	Fiscal Year ended December 31, 2023					Average rate
	Notional principal amount by due date			Fair value		
	One year or less	Over one year	Total	Assets	Liabilities	
Fair value hedges						
Value fluctuation risk						
Foreign exchange forward contracts	4,382	—	4,382	139	—	1 U.S. dollar = ¥146.06
Over-the-counter forward contracts	100,244	—	100,244	449	—	
Cash flow hedges						
Exchange rate risk						
Foreign exchange forward contracts	18,972	54	19,026	144	134	1 USD = ¥130.68 1 USD = 1.30 CAD 1 EUR = 1.47 CAD
Currency swap contracts	215,785	59,159	274,944	29,734	1,872	1 USD = ¥126.70
Interest rate risk						
Interest rate swap contracts	7,533	112,319	119,852	—	395	Floating interest rate 0.626% Fixed interest rate 1.052%
Total	346,916	171,532	518,448	30,466	2,401	

Derivatives Not Qualifying for Hedge Accounting

(Millions of Yen)

	Fiscal Year ended December 31, 2022			Fiscal Year ended December 31, 2023		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency contracts						
Foreign exchange forward contracts	197,673	6,452	3,987	188,982	4,169	1,020
Foreign exchange margin contracts	5,072,049	38,638	10,350	5,155,361	43,576	9,050
Currency swap contracts	320,960	19,142	6,519	333,280	55,878	2,397
Total of foreign currency contracts	5,590,682	64,232	20,856	5,677,623	103,623	12,467
Interest rate contracts						
Interest rate swap contracts	200,610	10,938	10,820	266,358	12,562	12,392
Total of interest rate contracts	200,610	10,938	10,820	266,358	12,562	12,392
Share price contracts						
Option contracts (Note)	183,829	88,555	—	197,631	84,634	—
Total of share price contracts	183,829	88,555	—	197,631	84,634	—
Others						
Others	719	29	2	3,957	1,825	3
Total of others	719	29	2	3,957	1,825	3
Total	5,975,840	163,754	31,678	6,145,569	202,644	24,862

(Note)
In prior fiscal years, the Company entered into a cap-and-floor-model collar transaction for the prepaid variable share forward transactions on shares of Lyft, Inc., and recorded a notional principal amount and fair value of ¥196,229 million (¥182,427 million for the fiscal year ended December 31, 2022) and ¥84,552 million (¥88,189 million for the fiscal year ended December 31, 2022), respectively, for option contracts under share price contracts as derivative assets (assets for the fiscal year ended December 31, 2022). Derivatives arising from the Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc. are segregated as embedded derivatives. For details of the transaction, please refer to Note 28. Other Financial Liabilities.

The application of hedge accounting is as follows:

(1) Fair Value Hedges

Risk of fluctuation of fair value of listed investment securities

The Rakuten Group engages in fair value hedging through forward contracts in order to avoid the risk of fluctuation in fair values of their holding of listed investment securities that have initially chosen to recognize the fluctuation in fair values as other comprehensive income. The fluctuation in fair values related to forward contracts is also recognized as other comprehensive income. Thus, the fluctuation of fair value of listed investment securities as the hedged items can be offset by the fluctuation in fair values of the forward contracts as the hedging instrument. Please refer to Derivatives Qualifying for Hedge Accounting for the fair values of forward contracts as the hedging instrument.

As transactions for listed investment securities as the hedged item and those for forward contracts as the hedging instrument are conducted for each type of security at the same amount, the hedge ratio is 1:1. Existing hedging relationships are expected to be terminated by the year ending December 31, 2024.

Hedged items are as follows:

As of December 31, 2022

(Millions of Yen)

Hedged item	Presentation on the Consolidated Statement of Financial Position	Carrying amount	Change in fair value of the hedged item during the year	Cumulative adjustments of fair value hedge of the hedged item included in the hedge item's carrying amount
Listed investment securities	Investment securities for insurance business	106,464	(1,926)	(2,701)

As of December 31, 2023

(Millions of Yen)

Hedged item	Presentation on the Consolidated Statement of Financial Position	Carrying amount	Change in fair value of the hedged item during the year	Cumulative adjustments of fair value hedge of the hedged item included in the hedge item's carrying amount
Listed investment securities	Investment securities for insurance business	100,244	2,252	(449)

Exchange rate risk

The Rakuten Group engages in fair value hedging through foreign exchange forward contracts with financial institutions in order to hedge the risks associated with fluctuations in foreign exchange rates. This enables the Group to offset changes in the fair value of forward foreign exchange contracts as hedging instruments, against changes in the fair value of foreign exchange contracts as hedged items. For hedging instruments which are the fair value of forward foreign exchange contracts, please refer to derivatives qualifying for hedge accounting.

For hedged items that are foreign currency securities and forward foreign exchange contracts, the hedging ratio is 1:1 due to the transactions being conducted at the same amount. These hedging relationships are expected to be terminated by the year ending December 31, 2024.

Hedged items are as follows:

As of December 31, 2022

Not applicable.

As of December 31, 2023

(Millions of Yen)

Hedged item	Presentation on the Consolidated Statement of Financial Position	Carrying amount	Change in fair value of the hedged item during the year	Cumulative adjustments of fair value hedge of the hedged item included in the hedge item's carrying amount
Foreign currency securities	Investment securities for insurance business	4,210	68	68

(2) Cash Flow Hedges

Interest rate fluctuation risk

In order to offset the risk of fluctuations on future cash flows relating to the interest payment for floating-rate borrowings, the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions and apply cash flow hedges. As a result of these hedges, it becomes possible to fix the fluctuations of cash flows relating to the interest payment for floating-rate borrowings. Please refer to Derivative Assets and Derivative Liabilities for the fair values of the interest rate swaps as hedging instruments.

As transactions for floating-rate borrowings as the hedged item and those for interest rate swaps as the hedging instrument are conducted for the same amount, the hedge ratio is 1:1. Existing hedging relationships are expected to be terminated by the year ending December 31, 2028.

The schedule of changes in the amounts recognized in other comprehensive income is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
January 1	(653)	(41)
Changes for the period	203	(626)
Reclassification to net income (Note)	409	395
December 31	(41)	(272)

(Note)
The amounts reclassified to net income are included in "Operating expenses" in the Consolidated Statement of Income.

Exchange rate risk

In order to offset the cash flow fluctuation risk due to fluctuations of foreign exchange, the Group Companies have entered into forward exchange contracts with financial institutions as cash flow hedges. As a result of these hedges, it will become possible to fix the fluctuations in cash flows from fluctuations in foreign exchange. When designating hedging instruments, the currency basis spread of currency swaps is excluded as hedging costs. Please refer to Derivatives Qualifying for Hedge Accounting for the fair values of the forward exchange contracts and currency swaps as hedging instruments are stated.

As transactions for foreign currency denominated monetary claims or liabilities as the hedged item and those for forward exchange contracts and currency swaps as the hedging instrument are conducted for the same amount, the hedge ratio is 1:1. Existing hedging relationships are expected to continue to the year ending December 31, 2026.

The schedule of changes in the amounts recognized in other comprehensive income is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
January 1	395	(3,005)
Changes for the period	3,184	12,174
Reclassification to net income (Note)	(6,584)	(10,282)
December 31	(3,005)	(1,113)

(Note)
The amounts reclassified to net income are included in "Revenue", "Operating expenses", "Other expenses" and "Financial expenses" in the Consolidated Statement of Income.

13. Investment Securities

The breakdown of investment securities is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial assets measured at amortized cost		
Trust beneficiary rights	800	800
Foreign bonds	0	2
Others	6	5
Total financial assets measured at amortized cost	806	807
Financial assets measured at FVTPL		
Shares		
Listed	50,202	66,896
Unlisted	82,065	80,894
Stock investment trust beneficiary securities		
Unlisted	21,918	24,965
Total financial assets measured at FVTPL	154,185	172,755
Equity instruments measured at FVTOCI		
Shares		
Listed	3,981	5,239
Unlisted	2,095	3,402
Others	4	4
Total equity instruments measured at FVTOCI	6,080	8,645
Total investment securities	161,071	182,207

14. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial assets measured at amortized cost		
Accounts receivable - other	199,876	157,944
Call loans for banking business	12,224	15,683
Security deposits	194,058	231,640
Receivables under securities borrowing transactions	539,001	562,076
Others	196,035	234,199
Gross amount of financial assets measured at amortized cost	1,141,194	1,201,542
Allowance for doubtful accounts	(5,198)	(5,169)
Net amount of financial assets measured at amortized cost	1,135,996	1,196,373
Financial assets measured at FVTPL	8,194	401
Financial assets measured at FVTOCI	16	17
Insurance contract assets	19,860	18,018
Reinsurance contract assets	26,465	24,195
Total other financial assets	1,190,531	1,239,004

15. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts by type of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income are as follows:

For the fiscal year ended December 31, 2022

(Millions of Yen)

	Accounts receivable - trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Investment securities for insurance business	Other financial assets	Total
January 1, 2022	8,865	1,807	87,046	31	10,260	39	4,582	112,630
Increase for the period (provision)	1,552	43	38,939	21	2,784	5	187	43,531
Increase for the period (others)	398	—	—	—	—	—	507	905
Decrease for the period (intended use)	(2,125)	(94)	(39,046)	—	(1,276)	—	(46)	(42,587)
Decrease for the period (reversal)	(70)	—	(4,210)	(10)	(3,029)	—	(32)	(7,351)
Decrease for the period (others)	—	—	(7)	(0)	(1)	—	—	(8)
December 31, 2022	8,620	1,756	82,722	42	8,738	44	5,198	107,120

(Note)
The above table includes the allowance for doubtful accounts on debt instruments measured at fair value through other comprehensive income. Such allowance is recognized in net income and deducted from losses in other comprehensive income.

For the fiscal year ended December 31, 2023

(Millions of Yen)

	Accounts receivable - trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Investment securities for insurance business	Other financial assets	Total
January 1, 2023	8,620	1,756	82,722	42	8,738	44	5,198	107,120
Increase for the period (provision)	1,828	47	33,991	24	2,974	55	143	39,062
Increase for the period (others)	882	—	6	1	—	—	1	890
Decrease for the period (intended use)	(1,876)	(147)	(33,443)	—	(961)	—	(23)	(36,450)
Decrease for the period (reversal)	(141)	(10)	(6,967)	(11)	(3,686)	—	(139)	(10,954)
Decrease for the period (others)	—	—	—	—	(45)	—	(11)	(56)
December 31, 2023	9,313	1,646	76,309	56	7,020	99	5,169	99,612

(Note)
The above table includes the allowance for doubtful accounts on debt instruments measured at fair value through other comprehensive income. Such allowance is recognized in net income and deducted from losses in other comprehensive income.

16. Investments in Associates and Joint Ventures

(1) Investments in Associates

The Group Companies account for investments in associates and joint ventures using equity method with some exceptions.

Furthermore, an impairment loss of ¥6,498 million was recorded during the three months ended June 30, 2023 for the investment in Rakuten Medical, Inc., which is accounted for using the equity method. The impairment loss is presented in "Share of losses of investments in associates and joint ventures" in the Consolidated Statement of Income.

1) Summarized consolidated financial information on significant associates

For the fiscal year ended December 31, 2022

Seiyu Holdings Co., Ltd.

a) General information

Seiyu Holdings Co., Ltd. (location: Kita-ku, Tokyo, Japan (as of December 31, 2022)) is the holding company of Seiyu Co., Ltd. and others.

b) Summarized consolidated financial information

Summarized consolidated financial information on Seiyu Holdings Co., Ltd. which had been accounted for using equity method since March 1, 2021 is as follows:

(Millions of Yen)

	As of December 31, 2022
Current assets	152,408
Non-current assets	443,406
Current liabilities	159,553
Non-current liabilities	320,446
Equity	115,815
Ownership percentage	19.9%
Share of voting rights	20.0%
Ownership interests held by Group Companies	23,009
Consolidation adjustments	881
Book value of investments	23,890

(Millions of Yen)

	Fiscal Year ended December 31, 2022
Revenue	720,971
Net income	26,206
Other comprehensive income	360
Comprehensive income	26,566

(Millions of Yen)

	Fiscal Year ended December 31, 2022
Net income attributable to owners of the Company	5,672
Other comprehensive income attributable to owners of the Company	71
Comprehensive income attributable to owners of the Company	5,743

(Note)
In the fiscal year ended December 31, 2022, there was no dividend income received from Seiyu Holdings Co., Ltd.

For the fiscal year ended December 31, 2023

Seiyu Holdings Co., Ltd. has been excluded from the scope of equity method due to the sale of all its shares during the three months ended June 30, 2023. Therefore, there are no investments in associates, which are individually significant.

2) Investments in insignificant associates

The carrying amounts of investments in associates, which are all individually insignificant, are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Total carrying amount	50,153	38,627

Financial information on associates, which are all individually insignificant, is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Net loss	(8,285)	(13,966)
Other comprehensive income	4,847	1,898
Comprehensive income	(3,438)	(12,068)

(2) Investments in Joint Ventures

For certain investments in companies, the Group Companies have entered into contracts which require unanimous consent among the counterparties for decisions that significantly affect the returns from the investment. As the Group Companies exercise joint control with such counterparties and have rights to the investee's net assets, such companies are determined to be joint ventures and are accounted for using the equity method.

The total carrying amounts of investments in individually insignificant joint ventures are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Total carrying amount	3,498	3,473

Financial information on individually insignificant joint ventures is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Net income	65	235
Comprehensive income	65	235

17. Property, Plant and Equipment

(1) Schedule of Changes in Property, Plant and Equipment

(Millions of Yen)

	Buildings and accompanying facilities	Tools, furniture and fixtures	Machinery facilities	Construction in progress	Right-of-use assets	Others	Total
January 1, 2022							
Cost	64,310	116,606	347,842	176,888	429,344	47,555	1,182,545
Accumulated depreciation and accumulated impairment losses	(18,396)	(52,653)	(44,318)	—	(84,909)	(6,907)	(207,183)
Carrying amount	45,914	63,953	303,524	176,888	344,435	40,648	975,362
Increases	20,159	39,406	222,473	(5,347)	152,429	28,261	457,381
Acquisition through business combinations	—	72	—	38	—	—	110
Disposals and sales	(988)	(1,449)	(580)	(7,922)	(10,072)	(234)	(21,245)
Impairment losses	(169)	(118)	(1,033)	(1,881)	(624)	(190)	(4,015)
Depreciation	(6,133)	(16,968)	(55,795)	—	(60,301)	(3,522)	(142,719)
Foreign currency translation adjustments	2,449	546	—	31	636	605	4,267
Other changes	(41)	51	(6,212)	(2,144)	381	939	(7,026)
December 31, 2022							
Cost	85,581	151,358	563,946	159,666	569,104	75,659	1,605,314
Accumulated depreciation and accumulated impairment losses	(24,390)	(65,865)	(101,569)	(3)	(142,220)	(9,152)	(343,199)
Carrying amount	61,191	85,493	462,377	159,663	426,884	66,507	1,262,115
Increases	18,435	24,891	122,554	(5,702)	54,797	27,292	242,267
Acquisition through business combinations	51	44	—	—	233	4,098	4,426
Disposals and sales	(2,024)	(324)	(533)	(7,075)	(40,694)	(506)	(51,156)
Impairment losses	(1,170)	(219)	(3,651)	(2,319)	(14,552)	(236)	(22,147)
Depreciation	(7,020)	(18,215)	(72,062)	—	(65,811)	(4,690)	(167,798)
Foreign currency translation adjustments	1,457	578	—	132	1,570	382	4,119
Other changes	(225)	(488)	(115)	(1,389)	(2,478)	706	(3,989)
December 31, 2023							
Cost	102,370	169,866	681,911	143,370	566,692	107,899	1,772,108
Accumulated depreciation and accumulated impairment losses	(31,675)	(78,106)	(173,341)	(60)	(206,743)	(14,346)	(504,271)
Carrying amount	70,695	91,760	508,570	143,310	359,949	93,553	1,267,837

(Note)

With respect to construction in progress in the table above, 'Increases' includes the increase due to new acquisitions net of the decrease due to reclassification to others of property, plant and equipment. Depreciation is presented within "Operating expenses" and Impairment loss is presented within "Other expenses" in the Consolidated Statement of Income.

(2) Impairment of Property, Plant and Equipment

The Group Companies assess at each reporting date whether there are any indications that property, plant and equipment may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount of individual assets. However, if estimation of the recoverable amount of individual assets is not possible, then estimation of the recoverable amount of the CGU to which the asset belongs is made. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In principle, each group company is considered to be a CGU. Idle assets for which no future use is anticipated are considered individually as CGUs.

For the year ended December 31, 2022

In the Internet Services segment, the FinTech segment and the Mobile segment, impairment losses have been recorded on property, plant and equipment of ¥538 million, ¥4 million, and ¥3,473 million, respectively.

For the year ended December 31, 2023

In the Internet Services segment and the Mobile segment, impairment losses have been recorded on property, plant and equipment of ¥15,579 million and ¥6,568 million, respectively.

In the Internet Service segment, impairment losses of ¥15,542 million were recognized, following the change in operations for the online grocery delivery service business, indications of impairment were recognized, and an impairment test showed that the expected recoverable amount is likely to be lower than its book value. The recoverable amount was estimated at ¥75,924 million, including intangible assets, based on the value in use of related CGU. The CGU mainly consists of assets belonging to the online grocery delivery service business. The cash inflows were discounted by 1.92% ~ 8.21% (before tax) in estimation of the value in use of related CGU.

18. Intangible Assets

(1) Schedule of Changes in Intangible Assets

(Millions of Yen)

	Goodwill	Software	Others	Total
January 1, 2022				
Cost	549,351	532,656	195,203	1,277,210
Accumulated amortization and accumulated impairment losses	(71,581)	(288,404)	(79,072)	(439,057)
Carrying amount	477,770	244,252	116,131	838,153
Increases	—	121,605	15,701	137,306
Acquisition through business combinations	31,178	—	4,345	35,523
Disposals and sales	(729)	(2,929)	(199)	(3,857)
Impairment losses	—	(6,224)	(650)	(6,874)
Amortization	—	(81,690)	(16,065)	(97,755)
Foreign currency translation adjustments	49,962	3,746	5,119	58,827
Other changes	822	(2,118)	(5,329)	(6,625)
December 31, 2022				
Cost	638,440	634,126	217,908	1,490,474
Accumulated amortization and accumulated impairment losses	(79,437)	(357,484)	(98,855)	(535,776)
Carrying amount	559,003	276,642	119,053	954,698
Increases	3,296	130,768	21,117	155,181
Acquisition through business combinations	843	—	112	955
Disposals and sales	(3,612)	(1,677)	(82)	(5,371)
Impairment losses	—	(3,216)	(5,276)	(8,492)
Amortization	—	(93,436)	(16,590)	(110,026)
Foreign currency translation adjustments	34,978	3,011	3,235	41,224
Other changes	(36)	(4,416)	484	(3,968)
December 31, 2023				
Cost	680,563	753,471	248,057	1,682,091
Accumulated amortization and accumulated impairment losses	(86,091)	(445,795)	(126,004)	(657,890)
Carrying amount	594,472	307,676	122,053	1,024,201

(Note)
Software under intangible assets mainly comprises internally generated software.
Amortization of intangible assets is presented in "Operating expenses" and impairment losses are presented in "Other expenses" in the Consolidated Statement of Income.

Research and development expenses recognized as expenses for the years ended December 31, 2022 and 2023 were ¥14,156 million and ¥14,312 million, respectively.

(2) Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

The balance of goodwill and intangible assets with indefinite useful lives of each CGU or group of CGUs is as follows:

(Millions of Yen)

Operating segment	CGU or a group of CGUs	As of December 31, 2022		As of December 31, 2023	
		Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Internet Services	Internet Services segment	316,685	1,100	341,379	1,183
FinTech	Rakuten Bank, Ltd.	32,886	0	32,886	0
	Others	21,839	37	22,011	37
	Subtotal	54,725	37	54,897	37
Mobile	Mobile segment	187,593	52,758	198,196	63,599
Total		559,003	53,895	594,472	64,819

(Note)

Intangible assets with indefinite useful lives mainly refer to fees to set up specified base stations.

The fees to set up specified base stations are an amount incurred by the Group Companies to receive the allocation of frequencies and is determined to be an intangible asset with an indefinite useful life, as its effect will continue as long as the base stations are maintained and operated.

Impairment losses of goodwill and intangible assets with indefinite useful lives are as follows:

For the fiscal year ended December 31, 2022

Not applicable.

For the fiscal year ended December 31, 2023

Not applicable.

The Group Companies perform impairment testing of goodwill at least annually, regardless of whether there is any indication of impairment. Intangible assets with indefinite useful lives are not amortized; instead they are tested for impairment annually. The Group Companies individually determine the timing of the impairment test for goodwill and intangible assets with indefinite useful lives taking into consideration the timing of the formulation of the relevant business plan. Indications of impairment are also assessed every quarter; and if any such indication exists, impairment testing is performed.

When conducting an impairment test, the Group Companies, as a general rule, consider each company to be a CGU. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to CGUs or groups of CGUs expected to benefit from synergies associated with business combinations.

As a result, in the Internet Services segment and the Mobile segment, goodwill is subject to monitoring for internal management purposes, considering the expectations for the segment to benefit from intercompany synergies. Accordingly, impairment testing is conducted for the group of CGUs at the operating segment level. Meanwhile, in the FinTech segment, impairment testing is conducted, as a general rule, with each company as a CGU, in light of the unique business environment of each company.

The recoverable amount of a CGU or a group of CGUs with allocated goodwill is the higher of a value in use and fair value less costs of disposal. On December 31, 2023, the recoverable amounts of all CGUs or groups of CGUs to which goodwill was allocated were determined with reference to their calculated values in use.

Value in use is calculated based on the business plans approved by management of each CGU or group of CGUs, using pre-tax, estimated future cash flows for primarily three to five years. These business plans have been drawn up based primarily on gross merchandise sales in the Internet Services segment, the number of accounts and the number of registered members in the FinTech segment, and average revenue per user (ARPU), the number of new users, and churn rate in the Mobile segment. For periods beyond those covered by the business plans, the terminal value is assessed.

Terminal value is calculated using the estimated growth rate of each CGU or group of CGUs. Also, the pre-tax discount rate used in the assessment of value in use is calculated for each CGU or group of CGUs.

The growth rates used in predicting cash flows for periods beyond those covered by the business plans of each CGU reflect the status of the country and the industry to which the CGU belongs and do not exceed the average long-term growth rate of the industry in which the CGU is active. Pre-tax discount rates used in calculating terminal value reflect the inherent risks of the relevant businesses of each CGU or group of CGUs. Discount rates are determined based on comparable companies of each CGU or group of CGUs, incorporating market interest rates, the size of the subsidiary comprising the CGU, and other factors.

Additionally, the business plan, which forms the basis for the measurement of the recoverable amount in the impairment tests of goodwill and intangible assets with indefinite useful lives, is compared with past performance and consideration is made as to whether the business plan is a reasonable basis for predicting future cash flows.

Significant assumptions used in the calculation of the recoverable amount as of December 31, 2022 and 2023 are as follows. The following estimates have been used in the analysis of each CGU or group of CGUs.

Operating segment	CGU or a group of CGUs	As of December 31, 2022		As of December 31, 2023	
		Growth rate	Discount rate	Growth rate	Discount rate
Internet Services	Internet Services segment	1.0%	5.4%	1.51%	5.4%
FinTech	Rakuten Bank, Ltd.	1.0%	3.3%	1.51%	3.3%
	Others	1.0%	2.7%-9.0%	1.51%	3.0%-10.3%
Mobile (Note)	Mobile segment	1.0%	12.9%	1.51%	11.6%

(Note)
Discount rate of the Mobile segment has taken into account the planned business expansion of Rakuten Symphony, which was recently established.

Sensitivity Analysis

The recoverable amounts of CGUs and groups of CGUs to which goodwill and intangible assets with indefinite useful lives have been allocated significantly exceed their carrying amounts, therefore the Group Companies judge that significant impairment is unlikely to occur for these CGUs and groups of CGUs, even if the major assumptions used in impairment testing were to change within a reasonably predictable range.

(3) Impairment of Intangible Assets (Except for Goodwill and Intangible Assets with Indefinite Useful Lives)

The Group Companies assess at each reporting date, whether there is an indication that intangible assets (except for goodwill and intangible assets with indefinite useful lives) may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount for the individual asset, but if estimation of the recoverable amount of individual assets is not possible, an estimation of the recoverable amount of the CGU to which the asset belongs is made. Idle assets for which future use is not anticipated are considered individually as CGUs.

For the fiscal year ended December 31, 2022

In the Internet Services segment, the FinTech segment and the Mobile segment, impairment losses of ¥1,256 million, ¥792 million, and ¥4,826 million relating to intangible assets (except for goodwill and intangible assets with indefinite useful lives) were recorded, respectively.

For the fiscal year ended December 31, 2023

In the Internet Services segment, the FinTech segment and the Mobile segment, impairment losses of ¥2,611 million, ¥394 million, and ¥5,487 million relating to intangible assets (except for goodwill and intangible assets with indefinite useful lives) were recorded, respectively.

19. Lease Accounting

The Group Companies, as the lessee, mainly leases offices, warehouses, data centers and telecommunications facilities. Information on leases, with the Group Companies as the lessee, is as follows:

(1) Amounts recognized in the Consolidated Statement of Financial Position

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Right-of-use assets		
Offices as the underlying assets	80,907	70,700
Warehouses as the underlying assets	56,176	55,464
Data centers as the underlying assets	14,314	9,822
Telecommunications facilities as the underlying assets	256,686	213,531
Other underlying assets	18,801	10,432
Total right-of-use assets (Note 1)	426,884	359,949
Lease liabilities (Note 2)	430,823	380,367

(Notes)
1. Offices, warehouses, data centers and telecommunications facilities are mainly buildings and accompanying facilities.
2. Lease liabilities are included in "Other financial liabilities" in the Consolidated Statement of Financial Position.

(2) Amounts recognized in the Consolidated Statement of Income

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Depreciation associated with right-of-use assets		
Offices as the underlying assets	18,759	20,537
Warehouses as the underlying assets	4,727	5,754
Data centers as the underlying assets	4,637	4,909
Telecommunications facilities as the underlying assets	28,799	30,806
Other underlying assets	3,924	3,805
Total depreciation associated with right-of-use assets (Note 1)	60,846	65,811
Interest expenses associated with lease liabilities (Note 2)	3,201	6,416

(Notes)
1. Depreciation associated with right-of-use assets is included in "Operating expenses" of the Consolidated Statement of Income.
2. Interest expenses associated with lease liabilities are included in "Financial expenses" of the Consolidated Statement of Income.

(3) Cash flows associated with leases

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Total cash outflows associated with leases	61,548	72,260

(4) Extension options and termination options

Certain lease contracts have extension options and/or termination options, which can be exercised by the Group Companies, and the Group Companies may exercise such options, as necessary. The Group Companies assess whether it is reasonably certain the extension option will be exercised or the termination option will not be exercised at the commencement date of the lease term. Given that the lease term is determined for each lease transaction on the assumption of a reasonably certain contractual period, the lease term includes leases that anticipate the extension option will be exercised and those that anticipate the termination option will not be exercised.

Major extension options and termination options are as follows:

- Office contracts: Automatic extension option (excluding fixed-term lease and rental contracts)
- Certain warehouse contracts: Cancellable after the elapse of ten years since the lease commencement date, by opting before the elapse of nine years

(5) Contracted leases that have not yet commenced

Not applicable as of December 31, 2022

The amount of future cash outflows to which the Group Companies are potentially exposed due to leases that have been contracted but have not yet commenced as of December 31, 2023 was ¥682 million.

20. Accounts Payable - Trade

The breakdown of accounts payable - trade is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Notes Payable and accounts payable - trade	450,562	419,880
Total accounts payable - trade	450,562	419,880

(Note)

The accounts payable - trade are classified as financial liabilities measured at amortized cost.

21. Deposits for Banking Business

The breakdown of deposits for banking business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial liabilities measured at amortized cost		
Demand deposits	7,748,834	8,811,693
Time deposits	670,263	921,135
Total financial liabilities measured at amortized cost	8,419,097	9,732,828
Total deposits for banking business	8,419,097	9,732,828

22. Financial Liabilities for Securities Business

The breakdown of Financial Liabilities for Securities Business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Accounts payable relating to securities transactions	545,030	890,740
Margin transactions liabilities	156,342	171,663
Deposits received	1,476,564	1,792,997
Borrowings secured by securities	726,762	733,884
Guarantee deposits received	588,725	646,261
Others	1,044	972
Total financial liabilities for securities business	3,494,467	4,236,517

(Note)

Financial liabilities for securities business are measured at amortized cost.

Derivative liabilities classified as held for trading are included in "Derivative liabilities".

23. Bonds and Borrowings

The schedule of bonds is as follows:

(Millions of Yen)

Name	Type	Interest rate	As of December 31, 2022	As of December 31, 2023
Rakuten Group, Inc.	The 5th unsecured bond Currency: JPY, Maturity: 7 years	0.25%	9,996	—
Rakuten Group, Inc.	The 8th unsecured bond Currency: JPY, Maturity: 7 years	0.32%	19,980	19,993
Rakuten Group, Inc.	The 9th unsecured bond Currency: JPY, Maturity: 10 years	0.42%	9,974	9,980
Rakuten Group, Inc.	The 11th unsecured bond Currency: JPY, Maturity: 5 years	0.25%	9,885	9,895
Rakuten Group, Inc.	The 12th unsecured bond Currency: JPY, Maturity: 7 years	0.35%	19,953	19,566
Rakuten Group, Inc.	The 13th unsecured bond Currency: JPY, Maturity: 10 years	0.45%	19,931	19,941
Rakuten Group, Inc.	The 14th unsecured bond Currency: JPY, Maturity: 15 years	0.90%	19,909	19,517
Rakuten Group, Inc.	The 15th unsecured bond Currency: JPY, Maturity: 3 years	0.50%	74,814	74,911
Rakuten Group, Inc.	The 16th unsecured bond Currency: JPY, Maturity: 5 years	0.60%	44,844	44,884
Rakuten Group, Inc.	The 17th unsecured bond Currency: JPY, Maturity: 7 years	0.80%	9,959	9,966
Rakuten Group, Inc.	The 18th unsecured bond Currency: JPY, Maturity: 10 years	1.05%	84,629	84,171
Rakuten Group, Inc.	The 19th unsecured bond Currency: JPY, Maturity: 12 years	1.30%	37,818	37,835
Rakuten Group, Inc.	The 20th unsecured bond Currency: JPY, Maturity: 15 years	1.50%	43,770	43,787
Rakuten Group, Inc.	The 21st unsecured bond Currency: JPY, Maturity: 3 years	0.72%	148,751	149,442
Rakuten Group, Inc.	The 22nd unsecured bond Currency: JPY, Maturity: 2 years	3.30%	—	248,890
Rakuten Group, Inc	The 1st subordinated bond Currency: JPY, Maturity: 35 years	2.35%	67,893	—
Rakuten Group, Inc	The 2nd subordinated bond Currency: JPY, Maturity: 37 years	2.61%	25,899	25,934
Rakuten Group, Inc	The 3rd subordinated bond Currency: JPY, Maturity: 40 years	3.00%	12,922	12,935
Rakuten Group, Inc	The 4th subordinated bond Currency: JPY, Maturity: 35 years	1.81%	49,753	49,840
Rakuten Group, Inc	The 5th subordinated bond Currency: JPY, Maturity: 37 years	2.48%	19,877	19,903
Rakuten Group, Inc	The 6th subordinated bond Currency: JPY, Maturity: 40 years	3.00%	49,618	49,667
Rakuten Group, Inc	The November 2024 maturity USD-denominated unsecured bond Currency: USD, Maturity: 5 years	3.546%	104,625	112,703
Rakuten Group, Inc	The November 2024 maturity USD-denominated unsecured bond Currency: USD, Maturity: 2 years	10.250%	62,466	55,783
Rakuten Group, Inc	The November 2024 maturity USD-denominated unsecured bond Currency: USD, Maturity: 1 year and 10 months	10.250%	—	62,327
	Total Bonds	—	947,266	1,181,870

(Note)
All bonds are measured at amortized cost.
The nominal interest rates applied for each bond in the fiscal year ended December 31, 2022 or 2023 are stated in the

"Interest rate" column, and they differ from the effective interest rates.
During the year ended December 31, 2023, the Company issued USD-denominated unsecured bond of USD 450 million (interest rate: 10.25%, redemption: November 30, 2024) and the 22nd unsecured bond of ¥250,000 million (interest rate: 3.30%, redemption: February 10, 2025).
During the year ended December 31, 2023, the Company's 5th unsecured bond of ¥10,000 million (interest rate: 0.25%, redemption: June 23, 2023) and the 1st subordinated bond of ¥68,000 million (interest rate: 2.35%, redemption: December 13, 2023) were redeemed.

The schedule of borrowings is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Short-term borrowings	123,193	2,997
Long-term borrowings		
Floating-rate borrowings	221,796	177,726
Fixed-rate borrowings	294,526	244,887
Commercial paper	174,000	30,500
Total borrowings	813,515	456,110

(Note)
All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	As of December 31, 2022		As of December 31, 2023	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	1.87%	—	3.00%
Long-term borrowings				
Floating-rate borrowings	8 years to 10 years	0.39%-0.51%	8 years to 10 years	0.41%-0.52%
Fixed-rate borrowings	5 years to 8 years	0.48%-2.75%	5 years to 9 years	0.75%-3.10%
Commercial paper	—	0.15%-0.47%	—	0.40%-1.00%

(Note)
Maturities of short-term borrowings and commercial paper are within one year, and thus the description is omitted.
The nominal interest rates applied for each borrowing are stated in the "Interest rate" column, and they differ from the effective interest rates.

24. Borrowings for Securities Business

The schedule of borrowings for securities business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Short-term borrowings	139,000	88,000
Long-term borrowings		
Floating-rate borrowings	18,542	18,578
Total borrowings	157,542	106,578

(Note)
All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	As of December 31, 2022		As of December 31, 2023	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0.14%-1.48%	—	0.21%-0.60%
Long-term borrowings				
Floating-rate borrowings	3 years	0.35%	3 years	0.37%

(Note)
Maturities of short-term borrowings are within one year, and thus the description is omitted.
The nominal interest rates applied for each borrowing are stated in the "Interest rate" column, and they differ from the effective interest rates.

25. Bonds and Borrowings for Credit Card Business

The schedule of bonds for credit card business is as follows:

(Millions of Yen)

Name	Type	Interest rate	As of December 31, 2022	As of December 31, 2023
Rakuten Card Co., Ltd.	The 2nd unsecured bond Currency: JPY, Maturity: 5 years	0.30%	19,864	19,882
Rakuten Card Co., Ltd.	The 3rd unsecured bond Currency: JPY, Maturity: 7 years	0.42%	9,972	9,979
Rakuten Card Co., Ltd.	The 4th unsecured bond Currency: JPY, Maturity: 5 years	0.49%	29,719	29,925
Rakuten Card Co., Ltd.	The 5th unsecured bond Currency: JPY, Maturity: 3 years	0.30%	29,920	29,961
Rakuten Card Co., Ltd.	The 6th unsecured bond Currency: JPY, Maturity: 5 years	0.62%	13,947	13,960
Rakuten Card Co., Ltd.	The 7th unsecured bond Currency: JPY, Maturity: 7 years	0.83%	4,977	4,980
Rakuten Card Co., Ltd.	The 8th unsecured bond Currency: JPY, Maturity: 10 years	1.07%	10,946	10,953
Rakuten Card Co., Ltd.	The 9th unsecured bond Currency: JPY, Maturity: 5 years	1.65%	49,692	49,767
	Total bonds	—	169,037	169,407

(Note)
All bonds are measured at amortized cost.
The nominal interest rates applied for each bond in the fiscal year ended December 31, 2022 or 2023 are stated in the "Interest rate" column, and they differ from the effective interest rates.

The schedule of borrowings for credit card business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Short-term borrowings	77,905	62,336
Long-term borrowings		
Floating-rate borrowings	107,590	135,839
Fixed-rate borrowings	228,306	181,587
Commercial paper	229,900	54,700
Total borrowings	643,701	434,462

(Note)
All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	As of December 31, 2022		As of December 31, 2023	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0.35%-1.98%	—	0.40%-2.40%
Long-term borrowings				
Floating-rate borrowings	3 years to 5 years	0.31%-2.25%	3 years to 5 years	0.32%-3.07%
Fixed-rate borrowings	3 years to 25 years	0.20%-1.23%	3 years to 25 years	0.20%-1.98%
Commercial paper	—	0.06%-0.60%	—	0.10%-0.83%

(Note)
Maturities of short-term borrowings and commercial paper are within one year, and thus the description is omitted.
The nominal interest rates applied for each borrowing are stated in the "Interest rate" column, and they differ from the effective interest rates. In addition, fixed-rate borrowings include the underlying hedged items of cash flow hedges where floating-rate borrowings is swapped for fixed rate debt, and the interest rates stated in the "Interest rate" column incorporate the effect of the cash flow hedges.

26. Borrowings for Banking Business

The schedule of borrowings for banking business is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Short-term borrowings	4,289	13,146
Long-term borrowings		
Fixed-rate borrowings	2,177,400	2,433,600
Total borrowings	2,181,689	2,446,746

(Note)
All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	As of December 31, 2022		As of December 31, 2023	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	1.26%	—	1.36%-1.38%
Long-term borrowings				
Fixed-rate borrowings	4 years	0%	4 years	0%

(Note)
Maturities of short-term borrowings are within one year, and thus the description is omitted.
The nominal interest rates applied for each borrowing are stated in the "Interest rate" column, and they differ from the effective interest rates.

27. Reconciliation of Changes in Liabilities relating to Cash Flows arising from Financing Activities

For the fiscal year ended December 31, 2022

(Millions of Yen)

	Liabilities						
	Bonds	Bonds for credit card business	Borrowings	Borrowings for securities business	Borrowings for credit card business	Borrowings for banking business	Lease liabilities
January 1, 2022	762,632	139,378	592,623	207,505	594,474	1,106,300	342,274
Changes in cash flows from financing and repayments							
Net increase (decrease) in short-term borrowings	—	—	122,392	(50,000)	3,312	(480,110)	—
Increase (decrease) in commercial papers	—	—	60,000	—	29,900	—	—
Proceeds from long-term borrowings	—	—	141,269	—	183,777	1,823,800	—
Repayments of long-term borrowings	—	—	(104,411)	—	(168,186)	(268,200)	—
Proceeds from issuance of bonds	217,412	49,718	—	—	—	—	—
Redemption of bonds	(40,000)	(20,000)	—	—	—	—	—
Repayments of lease liabilities	—	—	—	—	—	—	(57,774)
Payments of transaction costs relating to borrowings, etc.	(2,389)	—	—	—	—	—	—
Total changes from financing cash flows	175,023	29,718	219,250	(50,000)	48,803	1,075,490	(57,774)
Non-fund transactions							
Changes as a result of gaining or losing control of a subsidiary or another business	—	—	—	—	—	—	(1,583)
Changes due to increases in right-of-use assets	—	—	—	—	—	—	158,772
Impact of changes in foreign currency exchange rates	8,680	—	—	—	—	(101)	754
Interest expenses	1,265	152	1,642	37	424	—	—
Other changes	(334)	(211)	—	—	—	—	(11,620)
December 31, 2022	947,266	169,037	813,515	157,542	643,701	2,181,689	430,823

For the fiscal year ended December 31, 2023

(Millions of Yen)

	Liabilities						
	Bonds	Bonds for credit card business	Borrowings	Borrowings for securities business	Borrowings for credit card business	Borrowings for banking business	Lease liabilities
January 1, 2023	947,266	169,037	813,515	157,542	643,701	2,181,689	430,823
Changes in cash flows from financing and repayments							
Net increase (decrease) in short-term borrowings	—	—	(120,511)	(51,000)	(16,152)	8,381	—
Increase (decrease) in commercial papers	—	—	(143,500)	—	(175,200)	—	—
Proceeds from long-term borrowings	—	—	33,934	—	147,037	1,223,400	—
Repayments of long-term borrowings	—	—	(128,555)	—	(165,577)	(967,200)	—
Proceeds from issuance of bonds	307,924	—	—	—	—	—	—
Redemption of bonds	(78,000)	—	—	—	—	—	—
Repayments of lease liabilities	—	—	—	—	—	—	(65,226)
Payments of transaction costs relating to borrowings, etc.	(2,878)	—	—	—	—	—	—
Total changes from financing cash flows	227,046	—	(358,632)	(51,000)	(209,892)	264,581	(65,226)
Non-fund transactions							
Changes as a result of gaining or losing control of a subsidiary or another business	—	—	—	—	—	—	228
Changes due to increases in right-of-use assets	—	—	—	—	—	—	55,841
Impact of changes in foreign currency exchange rates	16,955	—	9	—	583	476	1,790
Interest expenses	4,865	180	1,218	36	70	—	—
Other changes	(14,262)	190	—	—	—	—	(43,089)
December 31, 2023	1,181,870	169,407	456,110	106,578	434,462	2,446,746	380,367

28. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

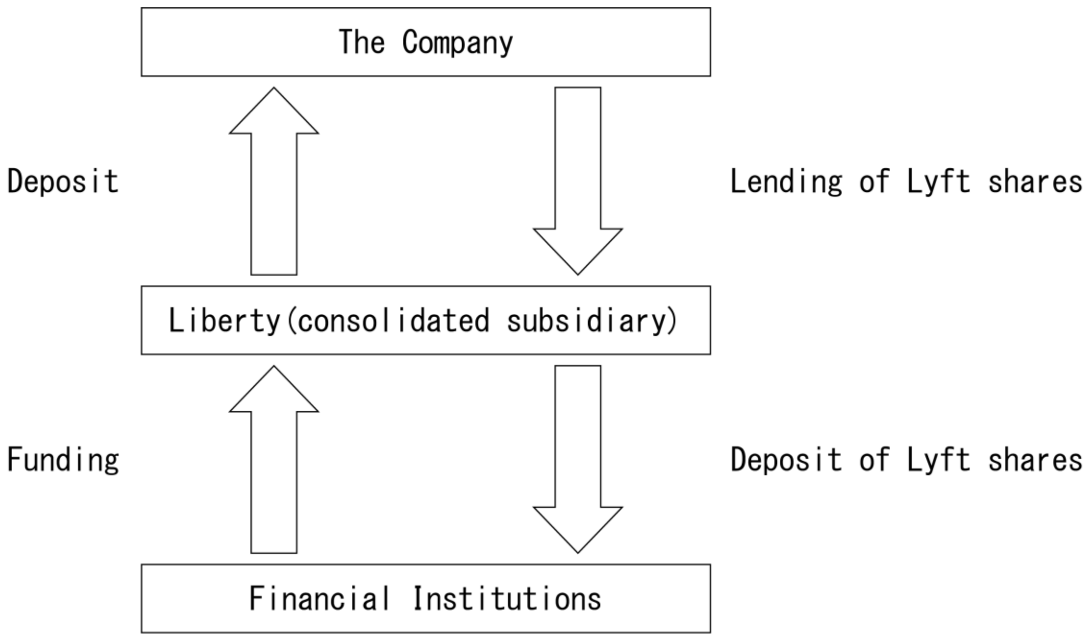
(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial liabilities measured at amortized cost		
Other payables	607,990	548,503
Accrued expenses	61,681	75,364
Deposits received	213,347	307,626
Margin deposits received	14,700	17,494
Guarantee deposits received (Note)	255,328	256,316
Lease liabilities	430,823	380,367
Others	32,425	53,429
Total financial liabilities measured at amortized cost	1,616,294	1,639,099
Financial liabilities measured at fair value through net income		
Other	1,687	468
Total financial liabilities measured at fair value through net income	1,687	468
Reinsurance contract liabilities	8,518	6,992
Total other financial liabilities	1,626,499	1,646,559

(Note) Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc.

During the third quarter ended September 30, 2020, the Company concluded a master contract with financial institutions through its subsidiary, Liberty Holdco Ltd., for a forward contract concerning all 31,395,679 of the shares of Lyft, Inc. held by the Company and in return, obtained 714 million U.S. dollars in this financing during the fourth quarter ended December 31, 2020. When the five-year contract matures, Liberty Holdco Ltd. can choose to settle the deal in either cash or shares of Lyft, Inc. The Company lent Liberty Holdco Ltd. the shares of Lyft, Inc. and accepted cash from Liberty Holdco Ltd. as a deposit receivable. In addition to the above financing, we have reduced risk associated with price fluctuations of our investments in the share of Lyft, Inc. by agreeing on a separate collar transaction that sets cap and floor.

As the share price of Lyft, Inc. has risen in the second quarter ended June 30, 2021 from the inception of the contract, the cap and floor of some notional principal amounts in the collar agreement have been revised and the terms of the contract have been changed to cover the risks of fluctuations in fair value of derivatives arising from the collar agreement.



As a result of the aforementioned series of transactions, during the year ended December 31, 2023, the liabilities associated with the financing using shares of Lyft, Inc. have been recognized as liabilities measured at amortized cost in the amount of ¥155,069 million (¥143,210 million for the year ended December 31, 2022) in other financial liabilities, and the derivatives associated with the collar agreement involving shares of Lyft, Inc. of ¥84,552 million in derivative assets (¥88,189 million in derivative assets for the year ended December 31, 2022).

Additionally, during the year ended December 31, 2023, the difference in fair value measurement of shares of Lyft, Inc. of ¥21,011 million in financial income (¥109,341 million in financial expenses for the year ended December 31, 2022), has been recognized, while in financial expenses, the difference in fair value measurement of the derivatives associated with the collar agreement involving shares of Lyft, Inc. of ¥3,636 million (¥99,949 million in financial income for the year ended December 31, 2022), the amortized cost incurred from the liabilities associated with financing using shares of Lyft, Inc. of ¥1,024 million (¥953 million for the year ended December 31, 2022), and foreign exchange losses of ¥10,835 million (¥17,141 million for the year ended December 31, 2022) have been recognized.

29. Provisions

(1) Schedule of Changes in Provisions

(Millions of Yen)

	Provision for customer points	Others	Total
January 1, 2022	184,413	13,850	198,263
Increases during the period (provisions made)	223,481	11,067	234,548
Increases during the period (others)	39	6,137	6,176
Decreases during the period (provisions used)	(184,244)	(7,310)	(191,554)
Decreases during the period (others)	(135)	(4,389)	(4,524)
December 31, 2022	223,554	19,355	242,909
Increases during the period (provisions made)	246,608	2,848	249,456
Increases during the period (others)	27	2,850	2,877
Decreases during the period (provisions used)	(223,616)	(5,717)	(229,333)
Decreases during the period (others)	(132)	(1,891)	(2,023)
December 31, 2023	246,441	17,445	263,886

(2) Provision for Customer Points

The Group Companies operate point programs, including the Rakuten Points program, for the purpose of promoting members' transactions within the Group Companies, whereby members are granted points for their purchase of goods at Rakuten Ichiba shops, use of services such as Rakuten Travel, use of Rakuten Card, various membership registrations within the Group Companies and customer referrals. Members are able to exchange accumulated points for products and services, obtain discounts, or transfer their points to point programs of other companies. Points have an expiry date and once they expire a member forfeits the right to use them.

In anticipation of the future use of such points by members, the Group Companies recorded a provision for customer points at an estimated amount based on historical experiences etc. These are estimates and there is an inherent uncertainty regarding the extent of usage of such points by members.

(3) Other Provisions

Other provisions include asset retirement obligations and provision for loss on interest repayments.

These provisions are attributable to transactions in the ordinary course of business and are not individually significant.

30. Insurance Contracts

(1) Carrying value of insurance contract assets and liabilities by insurance service

(Millions of Yen)

	As of December 31, 2022			As of December 31, 2023		
	Rakuten General Insurance	Rakuten Life Insurance	Carrying value	Rakuten General Insurance	Rakuten Life Insurance	Carrying value
Insurance contract liabilities	178,522	10,854	189,376	153,508	10,697	164,205
Insurance contract assets	—	19,860	19,860	—	18,018	18,018

(Note)
Insurance contract assets are recorded under "Other financial assets" in the consolidated statement of financial position.
Reinsurance contract assets and reinsurance contract liabilities are not shown due to their immateriality in value.

(2) Increase/decrease in outstanding insurance contracts

Analysis by remaining coverage and incurred claims shows the net changes in the carrying value of the insurance policies of Rakuten General Insurance and Rakuten Life Insurance included in the FinTech segment during the period due to cash flows and amounts recognized in the consolidated statements of income and comprehensive income. The Rakuten Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and other comprehensive income. Analysis by measurement component is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Analysis by remaining coverage and incurred claims

(Millions of Yen)

	Rakuten General Insurance				Rakuten Life Insurance			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
January 1, 2022 (Assets)	—	—	—	—	(24,047)	—	399	(23,648)
January 1, 2022 (Liabilities)	180,948	20,609	14,854	216,411	9,788	74	2,103	11,965
January 1, 2022 (Net Amount)	180,948	20,609	14,854	216,411	(14,259)	74	2,502	(11,683)
Insurance revenue								
Contracts under the modified retrospective transition approach	—	—	—	—	(23,453)	—	—	(23,453)
Other contracts	(33,611)	—	—	(33,611)	(7,496)	—	—	(7,496)
Insurance service expenses								
Incurred claims and other insurance service expenses	—	(6,979)	19,712	12,733	—	(1)	21,454	21,453
Amortization of insurance acquisition cash flows	8,052	—	—	8,052	7,660	—	—	7,660
Adjustments for incurred claims	—	—	9,877	9,877	—	—	—	—
Losses and reversals of losses on onerous contracts	—	5,411	—	5,411	—	(57)	—	(57)
Insurance service result	(25,559)	(1,568)	29,589	2,462	(23,289)	(58)	21,454	(1,893)
Net insurance finance income and expenses	(2,376)	6	(8)	(2,378)	2,848	0	—	2,848
Total changes in the statement of profit or loss and other comprehensive income	(27,935)	(1,562)	29,581	84	(20,441)	(58)	21,454	955
Investment components and premium refunds	(46,030)	—	46,030	—	(167)	—	167	—
Cash flows								
Premiums received	45,089	—	—	45,089	34,395	—	—	34,395
Claims paid	—	—	(74,885)	(74,885)	—	—	(20,740)	(20,740)
Insurance acquisition cash flows	(8,177)	—	—	(8,177)	(11,933)	—	—	(11,933)
Total cash flows	36,912	—	(74,885)	(37,973)	22,462	—	(20,740)	1,722
December 31, 2022 (Assets)	—	—	—	—	(21,481)	—	1,621	(19,860)
December 31, 2022 (Liabilities)	143,895	19,047	15,580	178,522	9,076	16	1,762	10,854
December 31, 2022 (Net Amount)	143,895	19,047	15,580	178,522	(12,405)	16	3,383	(9,006)

(Millions of Yen)

	Rakuten General Insurance				Rakuten Life Insurance			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
January 1, 2023 (Assets)	—	—	—	—	(21,481)	—	1,621	(19,860)
January 1, 2023 (Liabilities)	143,895	19,047	15,580	178,522	9,076	16	1,762	10,854
January 1, 2023 (Net Amount)	143,895	19,047	15,580	178,522	(12,405)	16	3,383	(9,006)
Insurance revenue								
Contracts under the modified retrospective transition approach	—	—	—	—	(21,921)	—	—	(21,921)
Other contracts	(33,049)	—	—	(33,049)	(11,766)	—	—	(11,766)
Insurance service expenses								
Incurred claims and other insurance service expenses	—	(5,617)	17,750	12,133	—	—	19,650	19,650
Amortization of insurance acquisition cash flows	8,090	—	—	8,090	6,554	—	—	6,554
Adjustments for incurred claims	—	—	9,352	9,352	—	—	—	—
Losses and reversals of losses on onerous contracts	—	1,499	—	1,499	—	(17)	—	(17)
Insurance service result	(24,959)	(4,118)	27,102	(1,975)	(27,133)	(17)	19,650	(7,500)
Net insurance finance income and expenses	937	13	22	972	4,527	1	2	4,530
Total changes in the statement of profit or loss and other comprehensive income	(24,022)	(4,105)	27,124	(1,003)	(22,606)	(16)	19,652	(2,970)
Investment components and premium refunds	(25,729)	—	25,729	—	(287)	—	287	—
Cash flows								
Premiums received	38,498	—	—	38,498	36,273	—	—	36,273
Claims paid	—	—	(54,337)	(54,337)	—	—	(19,604)	(19,604)
Insurance acquisition cash flows	(8,172)	—	—	(8,172)	(12,014)	—	—	(12,014)
Total cash flows	30,326	—	(54,337)	(24,011)	24,259	—	(19,604)	4,655
December 31, 2023 (Assets)	—	—	—	—	(19,424)	—	1,406	(18,018)
December 31, 2023 (Liabilities)	124,470	14,942	14,096	153,508	8,385	—	2,312	10,697
December 31, 2023 (Net Amount)	124,470	14,942	14,096	153,508	(11,039)	—	3,718	(7,321)

(Note)
The risk adjustment for non-financial risk for contracts measured under the PAA and estimated present value of future cash flows are presented in liabilities for incurred claims as they are immaterial in value.

Analysis by measurement component – Contracts not measured under the PAA

(Rakuten General Insurance)

(Millions of Yen)

	Fiscal Year ended December 31, 2022				Fiscal Year ended December 31, 2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening liabilities	214,810	654	453	215,917	177,445	651	307	178,403
Changes that relate to current services								
CSM recognized for services provided	―	―	(778)	(778)	―	―	(806)	(806)
Changes in risk adjustments	―	(279)	―	(279)	―	(440)	―	(440)
Experience adjustments	(11,128)	―	―	(11,128)	(11,253)	―	―	(11,253)
Changes that relate to future services								
Contracts initially recognized in the year	2,800	194	392	3,386	989	390	879	2,258
Changes in estimates that adjust the CSM	(241)	1	240	―	(114)	(1)	115	―
Changes in estimates that result in losses and reversals of losses on onerous contracts	1,968	56	―	2,024	(691)	(69)	―	(760)
Changes that relate to past services								
Adjustments for incurred claims	9,851	35	―	9,886	9,340	(6)	―	9,334
Insurance service result	3,250	7	(146)	3,111	(1,729)	(126)	188	(1,667)
Net insurance finance income and expenses	(2,368)	(10)	0	(2,378)	967	3	2	972
Total changes in the statement of profit or loss and other comprehensive income	882	(3)	(146)	733	(762)	(123)	190	(695)
Cash flows								
Premiums received	44,571	―	―	44,571	37,997	―	―	37,997
Claims paid	(74,720)	―	―	(74,720)	(54,218)	―	―	(54,218)
Insurance acquisition cash flows	(8,098)	―	―	(8,098)	(8,098)	―	―	(8,098)
Total cash flows	(38,247)	―	―	(38,247)	(24,319)	―	―	(24,319)
Closing liabilities	177,445	651	307	178,403	152,364	528	497	153,389

(Rakuten Life Insurance)

(Millions of Yen)

	Fiscal Year ended December 31, 2022					Fiscal Year ended December 31, 2023				
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under modified retrospective transition approach	Other contracts				Contracts under modified retrospective transition approach	Other contracts	
Opening assets	(76,616)	6,805	33,701	12,462	(23,648)	(77,632)	8,057	29,261	20,454	(19,860)
Opening liabilities	(15,700)	4,804	21,068	1,449	11,621	(18,428)	4,746	21,838	2,171	10,327
Net opening balance	(92,316)	11,609	54,769	13,911	(12,027)	(96,060)	12,803	51,099	22,625	(9,533)
Changes that relate to current services										
CSM recognized for services provided	–	–	(5,059)	(1,238)	(6,297)	–	–	(5,684)	(2,403)	(8,087)
Changes in risk adjustments	–	(606)	–	–	(606)	–	(777)	–	–	(777)
Experience adjustments	6,344	–	–	–	6,344	1,848	–	–	–	1,848
Changes that relate to future services										
Contracts initially recognized in the year	(13,309)	1,862	–	11,447	–	(11,929)	1,653	–	10,276	–
Changes in estimates that adjust the CSM	263	(40)	1,351	(1,574)	–	(24,362)	291	12,693	11,378	–
Changes in estimates that result in losses and reversals of losses on onerous contracts	(35)	(22)	–	–	(57)	(14)	(3)	–	–	(17)
Changes that relate to past services										
Adjustments for incurred claims	–	–	–	–	–	–	–	–	–	–
Insurance service result	(6,737)	1,194	(3,708)	8,635	(616)	(34,457)	1,164	7,009	19,251	(7,033)
Net insurance finance income and expenses	2,731	–	38	79	2,848	4,349	–	42	139	4,530
Total changes in the statement of profit or loss and other comprehensive income	(4,006)	1,194	(3,670)	8,714	2,232	(30,108)	1,164	7,051	19,390	(2,503)
Cash flows										
Premiums received	32,016	–	–	–	32,016	32,930	–	–	–	32,930
Claims paid	(19,885)	–	–	–	(19,885)	(17,421)	–	–	–	(17,421)
Insurance acquisition cash flows	(11,869)	–	–	–	(11,869)	(11,916)	–	–	–	(11,916)
Total cash flows	262	–	–	–	262	3,593	–	–	–	3,593
Closing assets	(77,632)	8,057	29,261	20,454	(19,860)	(101,028)	9,265	35,886	37,859	(18,018)
Closing liabilities	(18,428)	4,746	21,838	2,171	10,327	(21,547)	4,702	22,264	4,156	9,575
Net closing balance	(96,060)	12,803	51,099	22,625	(9,533)	(122,575)	13,967	58,150	42,015	(8,443)

(3) Investment income and Insurance Finance expenses

(Millions of Yen)

	Fiscal Year ended December 31, 2022			Fiscal Year ended December 31, 2023		
	Rakuten General Insurance	Rakuten Life Insurance	Total	Rakuten General Insurance	Rakuten Life Insurance	Total
Net investment income or expenses	(7,397)	(255)	(7,652)	7,018	573	7,591
Finance income and expenses from the insurance contracts issued						
Interest accreted	252	77	329	308	60	368
Effect of changes in interest rates and other financial assumptions	(2,630)	2,771	141	664	4,470	5,134
Net insurance finance income and expenses	(2,378)	2,848	470	972	4,530	5,502
Recognized in profit or loss	7,742	844	8,586	5,881	876	6,757
Net investment income or expenses	7,490	767	8,257	5,573	816	6,389
Net insurance finance income and expenses	252	77	329	308	60	368
Recognized in other comprehensive income	(17,517)	1,749	(15,768)	2,109	4,227	6,336
Net investment income or expenses	(14,887)	(1,022)	(15,909)	1,445	(243)	1,202
Net insurance finance income and expenses	(2,630)	2,771	141	664	4,470	5,134

(4) Effect of initial recognition of insurance contracts in the current year.

The following tables summarize the effect on the measurement components arising from the initial recognition of insurance contracts not measured under the PAA in the year.

(Millions of Yen)

	Rakuten General Insurance			Rakuten Life Insurance		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
31 December 2022						
Claims and other insurance service expenses	2,994	29,592	32,586	43,178	―	43,178
Insurance acquisition cash flows	195	5,684	5,879	13,394	―	13,394
Estimates of present value of cash outflows	3,189	35,276	38,465	56,572	―	56,572
Estimates of present value of cash inflows	(3,646)	(32,019)	(35,665)	(69,881)	―	(69,881)
Risk adjustment for non-financial risk	65	129	194	1,862	―	1,862
CSM	392	―	392	11,447	―	11,447
Losses recognized on initial recognition	―	3,386	3,386	―	―	―
31 December 2023						
Claims and other insurance service expenses	7,077	19,903	26,980	32,555	―	32,555
Insurance acquisition cash flows	2,144	4,652	6,796	10,988	―	10,988
Estimates of present value of cash outflows	9,221	24,555	33,776	43,543	―	43,543
Estimates of present value of cash inflows	(10,294)	(22,493)	(32,787)	(55,472)	―	(55,472)
Risk adjustment for non-financial risk	194	196	390	1,653	―	1,653
CSM	879	―	879	10,276	―	10,276
Losses recognized on initial recognition	―	2,258	2,258	―	―	―

(5) Contractual service margin

The following table sets out when the Rakuten Group expects to recognize the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

(Millions of Yen)

	1 year or less	1–2 years	2–3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
31 December 2022								
Rakuten General Insurance	296	10	1	0	0	0	—	307
Rakuten Life Insurance	6,474	5,962	5,500	5,080	4,695	18,466	27,547	73,724
Total	6,770	5,972	5,501	5,080	4,695	18,466	27,547	74,031
31 December 2023								
Rakuten General Insurance	490	2	1	1	1	1	1	497
Rakuten Life Insurance	7,623	7,172	6,754	6,356	5,967	24,608	41,685	100,165
Total	8,113	7,174	6,755	6,357	5,968	24,609	41,686	100,662

(6) General Insurance claims development

The table below illustrates how estimates of cumulative claims for the Rakuten General Insurance service have developed over time on a gross basis. The Rakuten Group estimates of total claims for each year of accident occurrence have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Claim developments that occurred more than five years prior to the end of the year of the adoption of IFRS17 are not disclosed.

(Millions of Yen)

	2019	2020	2021	2022	2023	Total
Gross amount before reinsurance deduction						
Estimates of undiscounted gross cumulative claims						
At of the end of the year of accident occurrence	10,205	9,289	7,712	8,491	6,850	42,547
One year later	11,806	10,578	9,368	9,010	—	40,762
Two years later	11,500	10,958	9,117	—	—	31,575
Three years later	11,279	10,347	—	—	—	21,626
Four years later	10,603	—	—	—	—	10,603
Cumulative gross claims paid	(10,579)	(8,941)	(6,906)	(6,395)	(3,555)	(36,376)
Gross liabilities – accident years from 2019 to 2023	24	1,406	2,211	2,615	3,295	9,551
Gross liabilities – accident years before 2018						853
Effect of discounting						(8)
Others						3,700
Gross liabilities for incurred claims included in the statement of financial position						14,096

(7) Significant judgements and estimates

i) Fulfilment cash flows

Fulfilment cash flows comprise

– estimates of future cash flows.

– an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows.

– a risk adjustment for non-financial risk.

The Rakuten Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

Estimates of future cash flows

In estimating future cash flows, the Rakuten Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Rakuten Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

(Rakuten General Insurance)

The elapsed period covers the estimation of the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making an estimated allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using the chain-ladder and Bornhuetter-Ferguson methods. These techniques assume that the Rakuten Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each insurance type etc. The assumptions used, including frequency of incidents etc., are derived from the historical claims development data on which the projections are based, although judgment is applied to assess the extent to which past trends might not apply in the future and new future trends are expected to emerge. The non-elapsed period covers accruals that reflect information from prior years, including recent actual results, while assumptions used in estimating future cash flow, such as loss ratios, are based on the contractual terms and characteristics of future cash flows.

The loss ratios used to estimate future cash flows in the previous and current fiscal years are as follows.

The maximum and minimum loss ratios for significant groups of insurance contracts for each fiscal year are shown.

	As of December 31, 2022	As of December 31, 2023
Loss ratio	32.9% - 68.7%	32.0% - 76.6%

(Rakuten Life Insurance)

Assumptions about insurance incident rates and policyholder behavior that are used in estimating future cash flows are developed by product type reflecting recent experience and the profiles of policyholders within a group of insurance contracts. Assumptions such as mortality rates are observed through regular surveys of internal and external data. The results of these surveys are used to set premium rates for new products and to measure existing insurance contracts.

To determine how to identify changes in discretionary cash flows for the contracts, the Rakuten Group generally regards its commitment based on the contract to be the return implicit in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

Assumptions about insurance incident rates used in estimating future cash flows in the previous and current fiscal years that are material in each of the fiscal years are as follows:

	As of December 31, 2022	As of December 31, 2023
Sickness hospitalization experience factor	61%	46%

When estimating future cash flows, the Rakuten Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Contract boundaries

The assessment of the contract boundary, that defines future cash flows included in the measurement of a group of contracts, requires judgement and consideration of the Rakuten Group substantive rights and obligations under the contract.

Insurance contracts issued by Rakuten General Insurance mainly have annual terms that are guaranteed as renewable each year. Certain insurance contracts issued by Rakuten Life Insurance are group credit life insurance contracts that are guaranteed as renewable. The Rakuten Group determines that the cash flows related to future renewals of these contracts are outside the contract boundary. This is because the premiums charged each year reflect the expected exposure to risk for that year, and upon renewal, premium prices can be revised to reflect the actual claims experience and the reassessed risk for the following year based on each portfolio's projections and the previous year's insurance income and expenses. Any renewal of the contract is treated as a new contract and is recognized separately from the initial contract, when the recognition criteria are met.

Discount rates

Rakuten General Insurance determines discount rates by using liquidity risk-free yield curves adjusted to reflect the differences between characteristics of the liquidity of financial instruments underlying rates observed in the market and the characteristics of the liquidity of the insurance contracts. Risk-free yield curves are determined by using government bond yields. The yield curves are determined by incorporating long-term real interest rate and inflation expectations. Regarding extrapolation for the periods in which market data is not available, ultimate forward rate is applied and for interpolation for the periods, the Smith-Wilson method is applied. To reflect the liquidity characteristics of the insurance contracts, Volatility Adjustment (hereinafter referred to as "VA") as published by the European Insurance and Occupational Pensions Authority (hereinafter referred to as the "EIOPA"), is taken into account as an illiquidity premium. Illiquidity premiums are determined by setting up reference portfolio from assets.

Rakuten Life Insurance applies swap rate published by EIOPA as its discount rate, with the VA published by EIOPA taken into account as an illiquidity premium.

The tables below set out the yield curves used to discount the cash flows of insurance contracts.

Term	As of December 31, 2022		As of December 31, 2023	
	Yield curve (%)			
	JPY		JPY	
	Rakuten General Insurance	Rakuten Life Insurance	Rakuten General Insurance	Rakuten Life Insurance
1year	0.03%	(0.08)%	(0.03)%	0.06%
5year	0.27%	0.18%	0.23%	0.44%
10year	0.56%	0.51%	0.66%	0.84%
15year	1.07%	0.99%	1.12%	1.14%
20year	1.37%	1.28%	1.49%	1.38%

Risk adjustments for non-financial risk

The risk adjustment for non-financial risk relates to risk arising from insurance contracts other than financial risk.

Financial risk is included in the estimates of the future cash flows or the discount rate used to adjust the cash flows. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks.

The Rakuten Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

The risk adjustments for non-financial risk are determined using the following techniques:

- General insurance contracts: a confidence level technique.
- Life insurance contracts: a confidence level technique.

When applying the confidence level method, Rakuten General Insurance and Rakuten Life Insurance calculate risk adjustments for non-financial risks based on the target confidence level. The target confidence levels of Rakuten General Insurance and Rakuten Life Insurance are 65% and 85%, respectively.

ii) Contractual service margin

Determination of coverage units

The CSM of a group of contracts is recognized in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The quantity of benefits is based on the quantity of earned premiums and the amount of claims etc. Coverage units are reviewed and updated on each reporting date.

iii) Determination of investment components

The Rakuten Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

Certain insurance contracts issued by Rakuten General Insurance and Rakuten Life Insurance have explicit surrender values. The investment component excluded from insurance revenue and insurance service expenses is generally determined as the surrender value specified in the contractual terms.

Surrender values in other contracts are determined as refund of premiums but not the investment components since they are characterized as refund of unearned premiums which excuse insurance companies from payment when the contract is matured.

(8) Risk management

For sound and appropriate insurance business operations, it is important to accurately comprehend and adequately manage increasingly diversified and complex risks. Therefore, a cross-organizational risk management framework was developed, and undertake the following overall risk management activities: appointing departments responsible for risk management; developing a risk management framework; comprehending, analyzing and assessing risk status; and instructing operational departments.

i) Credit Risk

Due to credit risks arising from the issuance of insurance contracts being mitigated in cases where policyholders are unable to meet insurance payment obligations, giving the Rakuten Group the ability to terminate insurance contracts, there is no material exposure to credit risk.

ii) Liquidity Risk

For liquidity risk management, we strive to collect and analyze information on fund transfers, such as new policies, cancellations, and maturities, and to manage cash flows appropriately. We also pay attention to systems for securing funds in the event of a major disaster and constantly monitor the trading environment to ensure the smooth liquidation of assets for fundraising purposes. In addition, we monitor the daily inflow and outflow of funds and secure a certain amount or more of high liquidity assets.

Maturity analysis

As of December 31, 2022

(Millions of Yen)

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Insurance contract liabilities (Note)	46,141	18,153	12,487	11,978	22,213	48,045

(Note)
The amount of payment on demand for insurance contracts is ¥147,693 million, and the corresponding carrying amount is ¥156,312 million.

As of December 31, 2023

(Millions of Yen)

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Insurance contract liabilities (Note)	34,327	13,086	10,938	19,943	16,059	36,464

(Note)
The amount of payment on demand for insurance contracts is ¥130,219 million, and the corresponding carrying amount is ¥134,307 million.

iii) Market risk

For the Rakuten Group's subsidiaries engaged in the insurance business, financial assets exposed to exchange rate risk, interest rate risk and price fluctuation risk are mainly the investment securities and insurance contract for the insurance business. To manage these risks with investment securities for insurance business, these subsidiaries engage in measurement and management of total risk exposure through stress testing, along with monitoring of the balance as well as unrealized gains/losses of the assets under management.

Such stress testing involves estimation of the risk exposure assuming market fluctuations beyond normal volatility.

Market risk management of insurance contracts is managed by establishing a risk tolerance in the solvency margin ratio based on economic value, which is measured on a regular basis.

Of the market risks, a significant impact on insurance contracts is interest rate risk, which is expected to increase future net income (loss) and equity if interest rates are expected to rise. The following table analyzes the increase (decrease) in net income (loss) and equity if reasonably possible changes in interest rates were to occur at the reporting date.

It also shows the net gain (loss) and increase (decrease) in equity resulting from investment securities held by the Rakuten Group in the insurance business.

The present value impact assuming that all risk variables other than the discount rate remain constant and that all indexed discount rates increase or decrease by 50 basis points (0.5%).

(Millions of Yen)

	As of December 31, 2022		As of December 31, 2023	
	Profit or loss	Equity	Profit or loss	Equity
0.5% increase				
Insurance contract	—	382	—	(906)
Investment securities in insurance business	—	(2,417)	—	(2,057)
0.5% decrease				
Insurance contract	—	(475)	—	905
Investment securities in insurance business	—	2,585	—	2,197

iv) Insurance Risk

The Rakuten Group is exposed to underwriting risk, consisting of insurance risk, policyholder behavior risk and expense risk, through its insurance contracts. Information on the Rakuten Group's risk exposure, risk measurement and management, and capital management objectives, policies and processes are as follows.

In the general insurance business, risks are understood by analyzing the financial situation of insurance contracts and making future financial forecasts, while taking into account the occurrence of insurance incidents, interest rate trends, and economic conditions. Also, underwriting insurance is strictly operated with underwriting standards set in accordance with the characteristics of the risk.

In the life insurance business, risks are analyzed and monitored by regularly checking factors such as the occurrence rate of insurance incidents and cancellation rates, along with risk analyses conducted for the development of new products, which consider the balance with profitability. The Rakuten Group manages underwriting risk by ensuring sufficient diversification from the perspectives of type and quantity, and arranging reinsurance.

The Rakuten Group manages its underwriting risk by ensuring adequate diversification in terms of type and volume and through reinsurance arrangements. The Rakuten Group's portfolio of insurance policies is geographically diversified and does not have excessively concentrated insurance risks.

In the general insurance business, the loss ratio is a key assumption, and if it is expected to increase, it is assumed that future net income or loss and equity will decrease through increased future cash outflows.

For the life insurance business, the key assumption is primarily the incidence of insured events, and if it is expected to increase, it is assumed that future net income or loss and equity will decrease through higher future cash outflows.

The following table analyzes the net gain (loss) and increase (decrease) in equity if reasonably possible changes in underwriting risk occurred at the reporting date. The following is a sensitivity analysis assuming all other variables remain constant. This analysis shows the sensitivity before deducting the risk ceded to reinsurance.

1) Rakuten General Insurance

(Millions of Yen)

	As of December 31, 2022		As of December 31, 2023	
	Profit or loss	Capital	Profit or loss	Capital
Loss ratio (10% increase)	(8,232)	(8,041)	(5,221)	(5,064)
Loss ratio (10% decrease)	6,052	5,875	5,172	5,015

2) Rakuten Life Insurance

(Millions of Yen)

	As of December 31, 2022		As of December 31, 2023	
	Profit or loss	Capital	Profit or loss	Capital
Insured incident occurrence rate (10% increase)	(2,251)	217	(1,575)	1,519
Insured incident occurrence rate (10% decrease)	1,280	(1,209)	1,311	(1,812)

31. Employee Benefits

The Rakuten Group mainly adopts the defined benefit system as its retirement benefit system. The Rakuten Group has a defined-benefit retirement benefit plan consisting mainly of a lump sum severance payment plan. The Rakuten Group directly assumes payment obligations to the beneficiaries rather having the plan externally funded. There are no legal requirements regarding the funding of the plan. Lump sum severance payments are made in accordance with the retirement benefits provisions of the rules of each company, including the Employment Regulations and on the basis of the employee's salaries, years of service and other factors.

(1) Amounts Recognized in the Consolidated Statement of Financial Position

Amounts recognized in the Consolidated Statement of Financial Position are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Present value of defined benefit obligations	35,041	41,309
Fair value of plan assets	298	260
Net amount of employee retirement benefit liabilities recognized in the Consolidated Statement of Financial Position	34,743	41,049

(2) Changes in Present Value of Defined Benefit Obligations

Details of the changes in present value of defined benefit obligations are as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Present value of defined benefit obligations (at beginning of period)	30,041	35,041
Service cost	8,792	8,106
Interest cost	148	370
Remeasurement of defined benefit obligations		
Actuarial gains and losses arising from changes in demographic assumptions	(332)	(198)
Actuarial gains and losses arising from changes in financial assumptions	(2,289)	(1,131)
Other revisions	118	962
Benefit paid	(1,498)	(1,850)
Others	61	9
Present value of defined benefit obligations (at end of period) (Note)	35,041	41,309

(Note)
The weighted average duration of the defined benefit obligation for the fiscal years ended December 31, 2022 and 2023 is 9.5 years and 8.7 years, respectively.

(3) Actuarial Assumptions

Significant actuarial assumptions (weighted averages) are as follows:

	December 31, 2022	December 31, 2023
Discount rate	1.07%	1.38%

(4) Sensitivity Analysis

The sensitivity analysis of significant actuarial assumptions is as follows.

In the calculation of defined benefit obligations in the sensitivity analysis, the same method of calculation as that used to calculate the defined benefit obligations recognized in the Consolidated Statement of Financial Position was used. Sensitivity analysis is conducted on the reporting date based on changes in the relevant actuarial assumption that were reasonably possible at that date. Additionally, while the sensitivity analysis assumes that all actuarial assumption other than those subject to the sensitivity analysis will remain constant, in actual practice, there is a possibility that it may be affected by changes in other actuarial assumptions.

(Millions of Yen)

		December 31, 2022	December 31, 2023
Discount rate	In the case of 0.5% increase	(1,585)	(1,725)
	In the case of 0.5% decrease	1,715	1,860

32. Income Tax Expense

The deferred tax assets and liabilities include the following:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Deferred tax assets		
Tax losses carried forward	220,968	146,864
Allowance for doubtful accounts	20,759	18,962
Provision for customer points	68,465	75,498
Others	89,557	90,655
Total	399,749	331,979
Deferred tax liabilities		
Intangible assets	(24,909)	(31,271)
Assets arising from contract costs	(28,577)	(28,927)
Others	(60,379)	(60,606)
Total	(113,865)	(120,804)
Net amount of deferred tax assets		
Deferred tax assets	290,013	214,777
Deferred tax liabilities	(4,129)	(3,602)
Net	285,884	211,175

In the years ended December 31, 2022 and 2023, the deferred tax assets recognized for tax losses carried forward were primarily those recognized by the Company's subsidiary, Rakuten Mobile, Inc. Rakuten Mobile, Inc. is expanding its own network ahead of schedule, which has resulted in tax losses carried forward due to an increase in depreciation and other operating expenses.

The Rakuten Group Companies within Japan have adopted the Japanese Group Relief System from January 1, 2023. Therefore, the taxable income of each company in the Japanese Group Relief System can be used to recover a portion of the tax losses carried forward, with the Rakuten Group Companies expected to earn taxable income in the future from voice calling and telecommunications services. Based on these assumptions, deferred tax assets were recognized within the scope of estimated future taxable income based on the business plans approved by management.

The deferred tax assets recognized for tax losses carried forward in companies outside the Japanese Group Relief System were also recognized within the scope of estimated future taxable income based on the business plans approved by management.

The changes in deferred tax assets and liabilities were as follows:
For the year ended December 31, 2022

(Millions of Yen)

	January 1, 2022	Recognized in net income	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2022
Tax losses carried forward	190,739	27,541	2,688	―	―	220,968
Allowance for doubtful accounts	22,585	(1,826)	―	―	―	20,759
Provision for customer points	56,474	11,991	―	―	―	68,465
Intangible assets	(24,303)	2,281	(2,887)	―	―	(24,909)
Assets arising from contract costs	(26,254)	(2,323)	―	―	―	(28,577)
Others	7,562	8,605	9,729	9	3,273	29,178
Total	226,803	46,269	9,530	9	3,273	285,884

For the year ended December 31, 2023

(Millions of Yen)

	January 1, 2023	Recognized in net income	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2023
Tax losses carried forward	220,968	(76,199)	2,095	―	―	146,864
Allowance for doubtful accounts	20,759	(1,797)	―	―	―	18,962
Provision for customer points	68,465	7,033	―	―	―	75,498
Intangible assets	(24,909)	(4,401)	(1,961)	―	―	(31,271)
Assets arising from contract costs	(28,577)	(350)	―	―	―	(28,927)
Others	29,178	2,497	(2,242)	337	279	30,049
Total	285,884	(73,217)	(2,108)	337	279	211,175

The breakdown (tax basis) of deductible temporary differences, tax losses carried forward for which no deferred tax asset is recognized in the Consolidated Statement of Financial Position is as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Deductible temporary differences	172,555	209,429
Unused tax losses carried forward	211,417	395,980
Total	383,972	605,409

(Note)
Deferred tax assets associated with the above are not recognized, as it is unlikely that future taxable income necessary for the Rakuten Group Companies to utilize their benefits would be generated.

Tax losses carried forward for which no deferred tax asset is recognized in the Consolidated Statement of Financial Position, if unutilized, will expire as follows. There are no deductible temporary differences with an expiry date.

(Millions of Yen)

	December 31, 2022	December 31, 2023
One year or less	614	508
Over one year to five years	4,387	6,556
Over five years to 10 years	132,555	312,580
Over 10 years	73,861	76,336
Total	211,417	395,980

In addition to the above the total amount of temporary differences (income basis) relating to investments in subsidiaries, associates and joint ventures that are not recognized as deferred tax assets or deferred tax liabilities were as follows. There will be no significant impact on the Rakuten Group Companies' tax payment, even if the retained earnings of the subsidiaries or associates are remitted to the Rakuten Group Companies in the future.

(Millions of Yen)

	December 31, 2022	December 31, 2023
Deductible temporary differences	1,190,409	1,609,816
Taxable temporary differences	338,654	247,357

Breakdown of income tax expense recognized through net income is as follows:

(Millions of Yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Current tax expense		
Income tax expense for net income	10,901	33,676
Subtotal	10,901	33,676
Deferred tax expense (Note 2)		
Generation and reversal of temporary difference	(18,728)	1,919
Changes in unused tax losses carried forward	(27,541)	76,199
Subtotal	(46,269)	78,118
Total income tax expense	(35,368)	111,794

(Notes)
1. The Company is mainly subject to income taxes, inhabitant tax and business tax treated as deductible expenses, and the statutory tax rate calculated based on these taxes was 30.6% for the previous fiscal year and the current fiscal year.
2. Deferred tax expense includes the deferred tax expense incurred as a result of the write-down of deferred tax assets and the reversal of write-downs recognized in prior years. Deferred tax expense as a result of the above was ¥4,005 million and ¥75,788 million for the previous fiscal year and the current fiscal year, respectively.

Reconciliations between the statutory tax rates in Japan and effective tax rates on income tax expense presented in the Consolidated Statement of Income are as follows:

(%)

	Year ended December 31, 2022	Year ended December 31, 2023
Statutory tax rate in Japan	30.6	30.6
(Reconciliations)		
Permanent non-deductible items	(2.9)	(7.7)
Permanent non-taxable items	5.9	1.8
Effect due to recoverability of deferred tax assets	(31.4)	(87.0)
Differences due to statutory tax rate of subsidiaries (Note)	6.1	9.9
Share of income (loss) of associates and joint ventures	(0.2)	(1.9)
Gain (loss) on sale of shares of subsidiaries	(0.6)	1.9
Others	1.0	1.1
Effective tax rate on income tax expense	8.5	(51.3)

(Note)
The difference is due to difference in the statutory tax rate of Japan, where the Company is resident, and that of the other jurisdictions where certain subsidiaries are resident.

33. Classification of Current and Non-current

As of December 31, 2022

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	4,694,360	—	4,694,360
Accounts receivable — trade	351,197	12,989	364,186
Financial assets for securities business	3,430,544	232	3,430,776
Loans for credit card business	2,198,285	577,759	2,776,044
Investment securities for banking business	66,314	850,337	916,651
Loans for banking business	996,316	2,511,243	3,507,559
Investment securities for insurance business	23,484	246,383	269,867
Derivative assets	57,833	123,273	181,106
Investment securities	3,645	157,426	161,071
Other financial assets	911,924	278,607	1,190,531
Investments in associates and joint ventures	—	77,541	77,541
Property, plant and equipment	—	1,262,115	1,262,115
Intangible assets	—	954,698	954,698
Deferred tax assets	—	290,013	290,013
Other assets	190,775	134,988	325,763
Total assets	12,924,677	7,477,604	20,402,281
Liabilities			
Accounts payable — trade	450,562	—	450,562
Deposits for banking business	8,398,062	21,035	8,419,097
Financial liabilities for securities business	3,494,467	—	3,494,467
Derivative liabilities	24,877	10,850	35,727
Bonds and borrowings	496,795	1,263,986	1,760,781
Borrowings for securities business	139,000	18,542	157,542
Bonds and borrowings for credit card business	457,293	355,445	812,738
Borrowings for banking business	4,289	2,177,400	2,181,689
Other financial liabilities	1,053,199	573,300	1,626,499
Income taxes payable	18,139	—	18,139
Provisions	228,041	14,868	242,909
Insurance contract liabilities	48,978	140,398	189,376
Employee retirement benefit liabilities	—	34,743	34,743
Deferred tax liabilities	—	4,129	4,129
Other liabilities	125,111	61	125,172
Total liabilities	14,938,813	4,614,757	19,553,570

As of December 31, 2023

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	5,127,674	—	5,127,674
Accounts receivable — trade	367,459	10,533	377,992
Financial assets for securities business	4,127,970	275	4,128,245
Loans for credit card business	2,408,919	610,342	3,019,261
Investment securities for banking business	64,982	1,143,545	1,208,527
Loans for banking business	907,456	2,979,432	3,886,888
Investment securities for insurance business	29,808	229,331	259,139
Derivative assets	90,041	143,069	233,110
Investment securities	15,976	166,231	182,207
Other financial assets	935,617	303,387	1,239,004
Investments in associates and joint ventures	—	42,100	42,100
Property, plant and equipment	—	1,267,837	1,267,837
Intangible assets	—	1,024,201	1,024,201
Deferred tax assets	—	214,777	214,777
Other assets	243,387	171,227	414,614
Total assets	14,319,289	8,306,287	22,625,576
Liabilities			
Accounts payable — trade	419,880	—	419,880
Deposits for banking business	9,712,371	20,457	9,732,828
Financial liabilities for securities business	4,236,517	—	4,236,517
Derivative liabilities	22,792	4,471	27,263
Bonds and borrowings	499,220	1,138,760	1,637,980
Borrowings for securities business	106,578	—	106,578
Bonds and borrowings for credit card business	314,218	289,651	603,869
Borrowings for banking business	13,146	2,433,600	2,446,746
Other financial liabilities	1,134,105	512,454	1,646,559
Income taxes payable	30,144	—	30,144
Provisions	249,057	14,829	263,886
Insurance contract liabilities	38,251	125,954	164,205
Employee retirement benefit liabilities	—	41,049	41,049
Deferred tax liabilities	—	3,602	3,602
Other liabilities	176,639	108	176,747
Total liabilities	16,952,918	4,584,935	21,537,853

34. Common Stock and Other Capital Items

(1) Common Stock

Schedule of shares authorized to be issued and total number of shares issued.

(Thousands of Shares)

	Number of authorized shares (Common stock with no par value)	Total number of shares issued (Common stock with no par value)
January 1, 2022	3,941,800	1,581,735
Changes during the period:	—	8,728
December 31, 2022	3,941,800	1,590,463
Changes during the period:	—	551,677
December 31, 2023	3,941,800	2,142,140

(Note)

All shares issued are paid up.

For the fiscal year ended December 31, 2022

Not applicable.

For the fiscal year ended December 31, 2023

With a view to allocating funds for investments and lending to Rakuten Mobile, Inc., a subsidiary of the Company and redemption of bonds and commercial paper, the Company has resolved to issue new shares through a public offering (Japanese domestic public offering and overseas offering) and a third-party allotment to Mikitani Kosan, Inc., Spirit Inc., CyberAgent, Inc. and TOKYU CORPORATION at its board of directors meeting held on May 16, 2023, with payment for 542,306,800 shares received on May 31, 2023.

As a result, for the fiscal year ended December 31, 2023, amounts of common stock and capital surplus increased by ¥148,005 million and ¥146,780 million respectively, for a total increase of ¥294,785 million to equity. Moreover, direct issuance costs (after considering tax effects) of ¥1,225 million associated with the issuance of new shares have been deducted from the capital surplus. Mikitani Kosan, Inc. and Spirit Inc. fall under related parties as they are controlled by executives of the Rakuten Group, major (individual) shareholders and their close relatives. For details, please refer to Note 54. Related Parties.

(2) Capital Surplus

The Companies Act of Japan (hereinafter the "Companies Act") requires that at least 50% of the proceeds of certain issues of common shares be credited to common stock, while the remainder of the proceeds be credited to capital reserve included in capital surplus. The Companies Act permits, upon approval at the General Shareholders' Meeting, the transfer of amounts from capital reserve to common stock.

(3) Other Equity Instruments

During the three months ended June 30, 2021, the Company issued U.S. dollar-denominated non-call 5-year permanent subordinated bonds (with an interest deferral clause), Euro-denominated non-call 6-year permanent subordinated bonds (with an interest deferral clause), and U.S. dollar-denominated non-call 10-year permanent subordinated bonds (with an interest deferral clause) (hereinafter collectively the "Bonds"), for the purpose of diversifying financing methods, expanding the investor base, and further enhancing its financial soundness.

The Bonds are classified as equity instruments under IFRS, due to the fact that they are offered with no fixed maturity, thus redeemable at the Company's own discretion, and that the interest payment is also deferrable at the Company's own discretion without involving any payment obligations.

The payments of interests were completed on the interest payment date of April 22, 2022 and October 22, 2022, as well as April 22, 2023 and October 22, 2023, with "retained earnings" in the Consolidated Statement of Changes in Equity reduced by ¥15,127 million and ¥16,058 million respectively as a "distributions to owners of other equity instruments" for the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023.

As of December 31, 2022 and as of December 31, 2023, accrued interest amounted to ¥6,652 million and ¥7,295 million, which was not yet to be recognized as distribution to the owners of other equity instruments due to undetermined payment schedule.

The Company entered into currency swap agreements involving U.S. dollar, Euro and JPY, with respect to the principal and interest of foreign currency denominated non-call permanent subordinated bonds. As of December 31, 2022 and as of December 31, 2023, gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥2,019 million and ¥2,190 million if JPY depreciates by 1% against the targeted currency, while it is deemed to decrease by ¥2,019 million and ¥2,190 million if JPY appreciates by 1% against the targeted currency, based on the assumption that all risk variables other than the targeted risk variable remain constant. On the other hand, gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥961 million and ¥864 million if the reference JPY rate increases 10 basis points (0.1%), and to decrease by ¥967 million and ¥860 million if the reference JPY rate decreases 10 basis points (0.1%), while they are deemed to decrease by ¥929 million and ¥840 million if the reference foreign currency rate increases by 0.1%, and to increase by ¥934 million and ¥845 million if the reference foreign currency rate decreases by 0.1%. These currency swaps are effective in fixing the amount of distribution to the owners of other equity instruments, as well as the amount of cash expenditure in the event of future redemption at the discretion of the Company.

(4) Retained Earnings

The Companies Act requires that an amount equal to 10% of dividends of surplus be appropriated as capital reserve (within capital surplus) or as legal reserve (within retained earnings) until the aggregate amount of the capital reserve and the legal reserve equals to 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the General Shareholders' Meeting.

Retained earnings available for dividends under the Companies Act are based on the amount recorded in the Company's general accounting records prepared in accordance with JGAAP.

(5) Treasury Stock

Schedule of changes in treasury stock

(Thousands of Shares)

	As of December 31, 2022	As of December 31, 2023
January 1	0	0
Acquisition	0	0
Disposal	—	—
December 31	0	0

(6) Accumulated other comprehensive income

Changes in accumulated other comprehensive income are as follow.

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

	Foreign currency translation adjust-ments	Financial instruments measured at fair value through other compre-hensive income	Cash flow hedges	Remea-surement of insurance business policy reserves based on current market interest rates	Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	Remea-surement of defined benefit plans	Total
As of January 1, 2022	45,325	(4,666)	(257)	(5,243)	—	—	(3,071)	32,088
Cumulative impact from changes in accounting policies	—	—	—	5,243	2,067	(1,589)	—	5,721
Other comprehensive income (attributable to owners of the company)	91,413	(22,838)	(2,787)	—	(121)	39	1,828	67,534
Reclassified from other components of equity to retained earnings	—	1,148	—	—	—	—	—	1,148
Equity transactions with non-controlling interests	—	—	—	—	—	—	—	—
Others	(218)	—	—	—	—	—	—	(218)
As of December 31, 2022	136,520	(26,356)	(3,044)	—	1,946	(1,550)	(1,243)	106,273

For the fiscal year ended December 31, 2023 (January 1 to December 31, 2023)

(Millions of Yen)

	Foreign currency translation adjust-ments	Financial instruments measured at fair value through other compre-hensive income	Cash flow hedges	Remea-surement of insurance business policy reserves based on current market interest rates	Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	Remea-surement of defined benefit plans	Total
As of January 1, 2023	136,520	(26,356)	(3,044)	—	1,946	(1,550)	(1,243)	106,273
Other comprehensive income (attributable to owners of the company)	60,815	6,585	1,633	—	(3,695)	197	183	65,718
Reclassified from other components of equity to retained earnings	—	1,488	—	—	—	—	—	1,488
Equity transactions with non-controlling interests	(2,348)	3,778	(13)	—	—	—	62	1,479
Others	—	—	—	—	—	—	—	—
As of December 31, 2023	194,987	(14,505)	(1,424)	—	(1,749)	(1,353)	(998)	174,958

35. Dividends

	Fiscal Year ended December 31, 2022		Fiscal Year ended December 31, 2023	
	Dividends per share (Yen)	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Amount of dividends (Millions of Yen)
Dividends paid				
Dividends by resolution at the Board of Directors in the previous year	4.50	7,118	4.50	7,157
Dividends paid during the current year	—	—	—	—
Total dividends paid applicable to the year	4.50	7,118	4.50	7,157

Considering the current financial situation of the Company, and with the aim of ensuring its financial soundness and not increasing the amount of interest-bearing debt, we are currently actively promoting various types of capital procurement without relying solely on interest-bearing debt. We have secured funds for investment in growth businesses and have also worked to reduce the balance of interest-bearing debt. Therefore, for the current fiscal year, we believe that controlling the outflow of funds through dividends will lead to stabilizing our financial base and ultimately improve shareholder value, so we decided not to pay dividends at the Board of Directors meeting held on February 14, 2024.

Our basic dividend policy is to pay dividends in a stable and continuous manner, taking into account investment for medium- to long-term growth and the enhancement of internal reserves to stabilize our financial base. There are no changes to this policy. The timing of resuming dividends after the fiscal year ending December 2024 has not been determined at this time, but we will strive to resume dividends in a timely and appropriate manner as we move toward achieving profitability on a consolidated basis as early as possible, along with reducing interest-bearing debt.

(Note) Cash dividends paid with record date during the year ended December 31, 2023 are as follows:

Date of resolution	Total dividends (Millions of Yen)	Dividends per share (Yen)
Resolution at the Board of Directors on February 14, 2024	—	0.00

36. Revenue

(1) The Breakdown of Revenue

1) Revenue Arising from Contracts with Customers and Other Sources

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Revenue arising from contracts with customers	1,593,474	1,705,516
Revenue arising from other sources	327,420	365,799
Total	1,920,894	2,071,315

(Note)

Revenue arising from other sources includes interest and dividend income and other such income recognized in accordance with IFRS 9 and insurance revenues etc. recognized in accordance with IFRS 17. Please refer to Note 37. Insurance Revenue for insurance revenues recognized in accordance with IFRS 17.

2) Relationship between Breakdown of Revenue and Segment Revenue

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

		Segment			
		Internet Services	FinTech	Mobile	Total
Main service lines	Rakuten Ichiba and Rakuten Travel	441,619	—	—	441,619
	Rakuten Rewards	129,230	—	—	129,230
	Rakuten 24	100,160	—	—	100,160
	Rakuten Books	58,594	—	—	58,594
	Rakuten Card	—	194,363	—	194,363
	Rakuten Securities	—	83,291	—	83,291
	Rakuten Bank	—	91,327	—	91,327
	Rakuten Mobile	—	—	188,514	188,514
	Rakuten Energy	—	—	68,465	68,465
	Others (Note 2)	372,875	141,991	50,465	565,331
	Total	1,102,478	510,972	307,444	1,920,894
Revenue arising from contracts with customers		1,102,478	183,552	307,444	1,593,474
Revenue arising from other sources		—	327,420	—	327,420

(Notes)

1. Amounts are after eliminations of intercompany transactions.
   As described in Note 2. Material Accounting Policies, IFRS 17 has been adopted from the beginning of the three months ended March 31, 2023, and the accumulated impact from this change has been reflected as of the beginning of fiscal year ended December 31, 2022, being the date of transition.
2. From the three months ended March 31, 2023, the Rakuten Group has transferred some subsidiaries and businesses engaged in the Media and Entertainment business from the Mobile segment to the Internet Services segment. Accordingly, the amounts of "others" and "total" in the Internet Services segment have increased by ¥12,150 million and decreased by the same amounts in "others" and "total" in the Mobile segment for the year ended December 31, 2022.

For the fiscal year ended December 31, 2023 (January 1 to December 31, 2023)

(Millions of Yen)

		Segment			
		Internet Services	FinTech	Mobile	Total
Main service lines	Rakuten Ichiba and Rakuten Travel	491,426	—	—	491,426
	Rakuten Rewards	140,105	—	—	140,105
	Rakuten 24	108,810	—	—	108,810
	Rakuten Books	67,922	—	—	67,922
	Rakuten Card	—	206,309	—	206,309
	Rakuten Securities	—	103,949	—	103,949
	Rakuten Bank	—	97,866	—	97,866
	Rakuten Mobile	—	—	219,513	219,513
	Rakuten Energy (Note 2)	—	—	50,844	50,844
	Others	385,048	153,347	46,176	584,571
	Total	1,193,311	561,471	316,533	2,071,315
Revenue arising from contracts with customers		1,193,311	195,672	316,533	1,705,516
Revenue arising from other sources		—	365,799	—	365,799

(Notes)
1. Amounts are after eliminations of intercompany transactions.
2. Government grants based on IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" (hereinafter "IAS 20") are included as revenue.

Interest and dividend income and other such income are recorded as revenue in accordance with IFRS 9.

For the fiscal year ended December 31, 2022, Rakuten Card, Rakuten Securities and Rakuten Bank recorded revenue of ¥143,560 million, ¥30,682 million and ¥63,798 million, respectively, in accordance with IFRS 9. For the fiscal year ended December 31, 2023, Rakuten Card, Rakuten Securities and Rakuten Bank recorded revenue of ¥155,565 million, ¥59,138 million and ¥68,612 million, respectively, in accordance with IFRS 9.

The Rakuten Group is a Global Innovation Company engaged in Internet Services, FinTech, and Mobile, operating in multiple businesses including its core EC business. Revenues arising from these businesses are recognized based on contracts with customers. There are no material revenues which are subject to variable consideration. In addition, the amount of promised consideration does not include significant financial elements.

(Internet Services)

With regard to the Internet Services segment, the Rakuten Group engages in EC businesses such as "Rakuten Ichiba", "Rakuten Travel", "Rakuten Rewards", "Rakuten 24", "Rakuten Books" and a variety of other internet businesses. The primary revenues in the Internet Services segment are described below.

Rakuten Ichiba and Rakuten Travel

A fundamental characteristic of marketplace model EC services including "Rakuten Ichiba" and travel booking services such as Rakuten Travel is to provide EC platforms for trading to customers, and the Rakuten Group provides merchants and travel-related businesses with services including EC platform services, transaction related services, advertising related services to promote the expansion of sales through the Rakuten Group, and payment agency services related to settlements between merchants or travel-related businesses and consumers. The nature of the services and the related rights and obligations are stipulated in various agreements with customers. Performance obligations are identified based on whether services are distinct or not, and the pattern of transfer to the customer. Revenues from major performance obligations are recognized as described below.

With regard to EC platform services to "Rakuten Ichiba", the Rakuten Group has obligations to provide services for merchants to open and operate on our EC platform and related consulting services and other similar services for a contracted term. These services are provided over time, and so these performance obligations are satisfied as time passes. Accordingly, the revenue is recognized over the contracted term on a monthly basis based on the amount stipulated in the agreement for each type of shop. Furthermore, consideration for a transaction is received at the time of contract in the form of advance payment for the period of three months, six months or one year, prior to the satisfaction of performance obligations.

The Rakuten Group has obligations based on agreed terms to provide services to match merchants and travel-related businesses with Rakuten users, and to enable the resultant transactions to be processed appropriately. These performance obligations are satisfied when the individual transaction between merchants or travel-related businesses and Rakuten users is completed. Revenues are recognized at the point of satisfaction of these performance obligations, based on the gross amount of merchandise sales (monthly sales of merchants and travel-related businesses) of completed transactions multiplied by the specified ratio stipulated separately for each service, plan, or amount of gross merchandise sales. The related payments are receivable approximately within three months of the completion of the transaction.

With regard to advertising-related services, the Rakuten Group has obligations to provide fixed-term advertisements to customers. The advertising related services are provided by displaying the advertisement over the contracted term, and the progress of providing the service is measured based on the passage of time. Therefore, performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contract term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are, in principle, received by the end of the second subsequent month after the month that includes the advertising commencement date.

With regard to payment agency services, the Rakuten Group has obligations to provide payment agency services based on payment agent agreements with merchants and travel-related businesses. The Rakuten Group has obligations to receive payments for the transactions from credit card companies, etc. and make payments to merchants and travel-related businesses. Commission revenues arising from these transactions are primarily recognized based on the amount stipulated in the agreement when consumers' credit cards etc. transactions occurred, because the performance obligations are satisfied at that point. Commissions are received within one month and a half after the cut-off date for invoices set out for each payment category, following the satisfaction of performance obligations.

Rakuten Rewards

"Rakuten Rewards" provides various services such as services for promoting Rakuten Rewards members' purchase at the websites of the retailers (customers) through offering cash back services, web advertising and targeting mail services for individual consumers. Rakuten Rewards is contractually obligated to promote purchases at the retailers' websites. Thus, such performance obligations are considered to be satisfied at the point of purchase by Rakuten Rewards members. Upon confirmation of the purchase by a Rakuten Rewards member, an amount calculated by multiplying the purchase amount by a certain rate is recorded as commission revenue. Expenses relating to the promotion to the Rakuten Rewards member are recorded as cost of sales at the point of purchase by the Rakuten Rewards member. Revenue and expense arising from the provision of this service are recorded on a gross basis, as "Rakuten Rewards" has the right to enforce discretionary control over the setting of rates for commissions earned from customers and also has separate discretionary control over the setting of prices in relation to promotion services to Rakuten Rewards members in each transaction. Payments of fees are received approximately within three months from the end of the month in which the order is completed and performance obligations are satisfied.

Rakuten 24, Rakuten Books

In the Internet Services segment, the Rakuten Group is the principal in the sales contracts for services including internet shopping sites "Rakuten 24" and "Rakuten Books" where the Rakuten Group offers products to Rakuten users. In these direct selling services, revenue is recognized when goods are delivered to the customer. In addition, payments are received approximately within two months after the delivery of goods when performance obligations are satisfied. For book (Japanese book) sales in Japan through Rakuten Books, revenues are recognized on a net basis after deducting costs of sales, because the role of the Rakuten Group in these transactions has the nature of an agent given the resale price maintenance system in Japan.

(FinTech)

With regard to the FinTech segment, the Rakuten Group engages in financial services businesses such as "Rakuten Card", "Rakuten Securities" and "Rakuten Bank", recognizing revenues primarily as follows:

Rakuten Card

"Rakuten Card" engages in the credit card business, and receives interchange fees for settlement services between credit card users and member merchants as well as, revolving payment commissions, installment commissions, and commissions arising from cash advances. With regard to interchange fees, the performance obligation, which is the provision of settlement services, is satisfied at the time of the sales data transfer from a member merchant to Rakuten Card Co., Ltd. as a result of a credit card purchase. Therefore, commission revenues which are at fixed rates of the settlement amounts are recognized at that point in time. In addition, basic points worth 1% of the settlement amounts are granted to the card members, and the expenses associated with the granting of these points are deducted from the interchange fees. As Rakuten Card Co., Ltd. collects credit card payments from the card members once a month, in principle, on a predetermined date, the payments are in substance received approximately within two months after the satisfaction of the performance obligations. For revolving payment commissions, installment commissions and commissions for cash advances, the respective commissions, which are at fixed rates of the number of payment installments on the balance are recognized as a revenue over the period when the interest accrues in accordance with IFRS 9.

Rakuten Securities

"Rakuten Securities" engages in financial instruments transaction services and other associated services. Sources of revenue include commissions arising from these transactions, net trading gains, and interest, etc. There is a wide range of financial instruments transactions, including domestic stock transactions, foreign stock transactions, sales of investments, and the commission structure for each transaction differs. For these transactions, margin transactions and sales of investment trusts, performance obligations are satisfied when trades are completed on the trade date or other appropriate date, therefore commission revenues arising from brokerage transactions are recognized at that point in time. Commissions from spot transactions of shares are received within two business days in principle after the satisfaction of the performance obligations, while commissions from margin transactions and future transactions are received approximately within the period from six months to one year during which open contracts are settled. Rakuten Securities records net revenue based on fair value of foreign exchange margin transactions, and income received on open contracts of domestic stock margin transactions, in accordance with IFRS 9.

Rakuten Bank

"Rakuten Bank" provides a wide range of services including internet banking (deposits, loans and foreign exchange) and other services. With regard to loans, Rakuten Bank handles loans such as personal loans, "Rakuten Bank Super Loans," and housing loans, "Rakuten Bank home loans (flexible interest rate)" and earns interest income thereon. Interest income is also earned from investing activities such as interest on securities. This income, such as loan interest and interest earned on securities are recognized over the period in accordance with IFRS 9. With regard to foreign exchange, commission revenue is recognized when the foreign exchange transactions are executed because the performance obligation is satisfied at the point of processing the transaction. Payments related to exchange fees, etc. are received on the same day.

(Mobile)

With regard to the Mobile segment, the Rakuten Group engages in businesses such as "Rakuten Mobile" and "Rakuten Energy" recognizing revenues primarily as follows:

Rakuten Mobile

"Rakuten Mobile" is mainly engaged in the provision of voice calling and data transmission services (hereinafter "telephone and telecommunications services") and sales of mobile handsets as a Mobile Network Operator (MNO) and Mobile Virtual Network Operator (MVNO). For telephone and telecommunications services, maintaining utilizable telephone and telecommunications circuits for users at all times and providing the services using such circuits based on contracts are identified as performance obligations. For handset sales, delivery of the handset is identified as a performance obligation. When multiple services are provided in a single package, the consideration received from users is divided by the stand-alone selling price and allocated to each performance obligation. The performance obligation for maintaining utilizable telephone and telecommunications circuits is satisfied over the period, and the performance obligation for providing the telephone and telecommunications services is satisfied when the circuits are utilized. Therefore, revenues arising from providing the circuits are recognized over the contract term. For provision of telephone and telecommunications services, connection fees according to the actual usage of the circuits are recognized on a monthly basis. For handset sales, the performance obligation is satisfied when a mobile handset is delivered to the user and the line is opened, and thus related revenues are recognized at that point. Payments for all performance obligations are received approximately within two months from the billing date.

Rakuten Energy

"Rakuten Energy" provides "Rakuten Denki" services as a retail electricity provider under the Electricity Business Act, and is obligated to sell electricity to subscribers, its customers, based on the contracts. Such performance obligations are considered to be satisfied when the electricity procured is supplied to customers via general transmission and distribution companies, etc. Accordingly, electricity usage fees based on customers' electricity usage are recorded as revenue for each month. An amount mainly calculated by multiplying the amount of electricity used by the regional unit price set for each plan is billed to subscribers on a monthly basis, and such payments are received approximately within two months from the date of billing. The renewable energy generation promotion levy, which is collected from customers and paid to the expense sharing coordinating body under the feed-in tariff system for renewable energy, is excluded from both sales and cost of sales.

Government grants received under the "Electricity and Gas Price Dramatic Change Mitigation Measures Project (effective from January 2023), a policy based on the "Comprehensive Economic Measures for Overcoming Price Increases and Revitalizing the Economy", which the Japanese government is implementing amid COVID-19, are treated in accordance with IAS 20 and included in revenue. In addition, all amounts of the government grants received are reflected appropriately on a retail rate in accordance with the objective of the project.

(2) Accounts arising from contracts

The breakdown of the balance of accounts arising from contracts of the Rakuten Group is as follows:

(Millions of Yen)

	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023
Receivables arising from contracts with customers (Note 1)			
Notes and accounts receivable - trade	307,820	364,186	377,992
Accounts receivable based on installment contracts, etc. (Note 2)	2,225,794	2,599,504	2,817,025
Other financial assets	351,006	146,051	141,890
Total	2,884,620	3,109,741	3,336,907
Contract liabilities (Note 3)	18,564	17,788	39,658

(Notes)

1. The amounts of impairment losses recognized for receivables arising from contracts with customers are accounts receivable of ¥2,027 million and loans for credit card business of ¥10,067 million for the year ended December 31, 2022, and accounts receivable of ¥2,175 million and loans for credit card business of ¥8,316 million for the year ended December 31, 2023.
2. This represents accounts receivable arising from the use of credit cards by customers based on installment contracts, etc., which are recorded under "Loans for credit card business" in the Consolidated Statement of Financial Position. Such accounts receivables include commissions the Rakuten Group receives.
3. Contract liabilities are recognized under "Other liabilities" in the Consolidated Statement of Financial Position.

Contract liabilities involve the receipt of consideration by the Rakuten Group prior to the fulfillment of performance obligations, and are reduced in line with the recognition of revenue as performance obligations are satisfied over the contract period, or the progress of the contract.

Contract liabilities recognized by the Rakuten Group consist mainly of deferred revenues through development and delivery of open RAN based telecommunications infrastructure platform and services etc. at Rakuten Symphony Singapore Pte. Ltd., deferred revenues through EC platform services at Rakuten Ichiba, and deferred annual fee revenues from Rakuten Card holders.

Of the revenues recognized in the current fiscal year, ¥15,666 million was included in the balance of contract liabilities as of the beginning of the fiscal year (¥16,146 million in the previous fiscal year). In addition, the amount of revenues recognized during the previous and current fiscal year from the performance obligations satisfied (or partially satisfied) in the past periods was immaterial.

(3) Transaction Price Allocated to the Remaining Performance Obligations

The Rakuten group applies the practical expedient for disclosing the transaction price allocated to the remaining performance obligations and does not include contracts with an individual expected contract period of one year or less. Unsatisfied performance obligations consist mainly of development and delivery of open RAN based telecommunications infrastructure platform and services etc. The aggregated amount of transaction price allocated to the remaining performance obligations for the year ended December 31, 2022 and 2023 are ¥129,930 million and ¥114,214 million, respectively, and revenue is recognized in line with the progress of the development and delivery of open RAN based telecommunications infrastructure platform and services etc. Such revenue is estimated to be generated over a period of 60 months. Also, revenue related to the development and delivery of open RAN based telecommunications infrastructure platform and services etc. is recorded in "others" in the Mobile segment.

(4) Assets Recognized from the Costs to Obtain or Fulfill Contracts with Customers

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Assets recognized from costs to obtain a contract	86,577	99,221
Assets recognized from costs to fulfill a contract	22,290	23,850
Total	108,867	123,071

The Rakuten Group recognizes the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset (hereinafter "assets arising from contract costs"), if those costs are expected to be recoverable and record them in "Other assets" in the Consolidated Statement of Financial Position. Incremental costs of obtaining contracts are those costs that the Rakuten Group incur to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

Assets arising from contract costs at the Rakuten Group are recognized primarily at "Rakuten Card" and "Rakuten Mobile", and are regularly reviewed for recoverability at the time of recognition and each quarter end.

The estimates and assumptions used in considering the recoverability could have a significant impact on the amount of assets arising from contract costs recorded through the recognition of impairment losses when circumstances change. Therefore, the Rakuten Group considers that these estimates and assumptions are significant.

Rakuten Card

Incremental costs of obtaining contracts recognized as assets are mainly initial costs incurred relating to the new memberships incurred when acquiring customers. Fulfillment costs directly related to contracts consists mainly of costs to issue Rakuten Card. The cost incurred relating to the new memberships in Rakuten Card are incurred by the granting of Rakuten Points to new Rakuten Card holders and would not have been incurred unless the contracts had been entered into. These costs are recognized as an asset to the extent they are considered recoverable based on the estimated active card member ratio.

The related asset is amortized evenly over five to ten years based on the estimated contract terms, during which performance obligations are satisfied through the provision of settlement services following the members' use of their Rakuten cards.

In assessing recoverability, the Rakuten Group considers whether the carrying amounts of such assets exceed the balance of the consideration which the Rakuten Group expects to be entitled in exchange for the relevant credit card related services over the estimated period of the contracts with the card members, less any unrecognized costs directly related to the provision of such services.

Rakuten Mobile

Incremental costs of obtaining contracts recognized as assets consist mainly of agency commissions and costs associated with affiliate programs. The costs incurred in fulfilling contracts directly associated with the contracts comprise costs to deliver mobile handsets/SIM cards and costs to set up an internet connection. The agency commissions and the costs associated with affiliate programs in Rakuten Mobile are paid upon acquiring customers and would not have been incurred unless the contracts had been entered into.

The assets relating to the telephone and telecommunications services are amortized evenly over four to eight years by estimating the service period consumed by a normal user in which the performance obligations are satisfied to provide services. When a telecommunications service and a mobile handset sale are provided in a single package, the incremental costs to obtain a service contract is amortized at once after allocating to each performance obligation by its stand-alone selling price, and the assets relating to sale of mobile handsets are amortized at once when a mobile handset is delivered to the user and the line is opened.

In assessing recoverability, the Rakuten Group considers whether the carrying amounts of such assets exceed the balance of the consideration which the Rakuten Group expects to be entitled in exchange for the relevant telephone and telecommunications over the estimated period of the contracts with the users, less any unrecognized costs directly related to the provision of such services.

For the years ended December 31, 2022 and 2023, amortization associated with the assets arising from contract costs of the Rakuten Group was ¥20,011 million and ¥23,300 million, respectively.

37. Insurance Revenue

Rakuten General Insurance engages in the general insurance business with automobile insurance policies as its primary product. Insurance revenues are in principle recognized by applying the general measurement model to general insurance policy groups.

Rakuten Life Insurance engages in the life insurance business with health insurance policies as its primary product. Insurance revenues are in principle recognized by applying the general measurement model to life insurance policy groups.

(Millions of Yen)

	Fiscal Year ended December 31, 2022		Fiscal Year ended December 31, 2023	
	Rakuten General Insurance	Rakuten Life Insurance	Rakuten General Insurance	Rakuten Life Insurance
Insurance contracts not measured under the PAA				
Changes in amount of liabilities for remaining coverage				
-CSM recognized in net income for services provided	778	6,297	806	8,087
-Risk adjustment for non-financial risk for risk expired	242	606	396	777
-Expected incurred claims and other insurance service expenses	23,318	15,754	22,441	15,474
-Others	747	(1,668)	852	(466)
Recovery of insurance acquisition cash flows	7,964	7,597	7,990	6,456
Total insurance revenue associated with contracts not measured under the PAA	33,049	28,586	32,485	30,328
Total insurance revenue associated with contracts measured under the PAA	562	2,363	564	3,359
Total insurance revenue	33,611	30,949	33,049	33,687

38. Operating Expenses

The breakdown of operating expenses is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Advertising and promotion expenditures	359,261	365,120
Employee benefits expenses	337,722	357,901
Depreciation and amortization	275,611	314,416
Communication and maintenance expenses	72,596	65,818
Consignment and subcontract expenses	177,647	142,472
Allowance for doubtful accounts charged to expenses	36,454	28,517
Cost of sales of merchandise and services rendered	716,778	673,417
Interest expenses for finance business	15,590	20,317
Commission fee expenses for finance business	23,297	25,965
Costs of insurance business	54,062	38,604
Others	185,839	202,412
Total	2,254,857	2,234,959

The breakdown of employee expenses (employee benefits expenses) is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Wages and salaries	269,302	286,457
Retirement benefits	21,281	21,869
Legal welfare expenses	21,814	23,168
Share option expenses relating to directors and employees (Note)	13,183	14,189
Other salaries	12,142	12,218
Total	337,722	357,901

(Note)
Please refer to Note 45. Share-based Payments.

39. Other Income and Other Expenses

The breakdown of other income and other expenses is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Foreign exchange gains	—	220
Others	8,372	10,052
Total other income	8,372	10,272
Foreign exchange losses	4,167	—
Losses on disposal of property, plant and equipment, and intangible assets	3,076	3,416
Losses on valuation of investment securities	9,391	3,883
Impairment losses (Note 1)	10,948	30,631
Others (Note 2)	18,439	21,555
Total other expenses	46,021	59,485

(Notes)
1. Impairment losses of ¥15,922 million related to the online grocery delivery service were recorded for the fiscal year ended December 31, 2023.
2. Estimated expenses of ¥11,996 million related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers were recorded for the fiscal year ended December 31, 2022.

40. Financial Income and Financial Expenses

The breakdown of financial income and financial expenses is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Gains on valuation of investment securities (Note 1)	—	21,099
Gains on valuation of derivatives (Note 2)	114,890	49,615
Others	542	2,703
Total financial income	115,432	73,417
Interest expenses (Note 3)	27,438	47,476
Losses on valuation of investment securities (Note 4)	110,956	—
Losses on valuation of derivatives (Note 5)	169	3,921
Foreign exchange losses (Note 6)	17,141	10,835
Others	1,180	2,338
Total financial expenses	156,884	64,570

(Notes)

1. Gains on valuation of investment securities related to an investment in Lyft, Inc. of ¥21,011 million were recorded for the fiscal year ended December 31, 2023.
2. Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥99,949 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥14,940 million were recorded during the fiscal year ended December 31, 2022. Gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥49,615 million were recorded during the fiscal year ended December 31, 2023. Please refer to Note 34. Common Stock and Other Capital Items for foreign currency denominated permanent subordinated bonds.
3. Interest expenses incurred from financial liabilities measured at amortized cost relating to financing under the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥953 million and of ¥1,024 million were recorded during the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, respectively. For details, please refer to Note 28. Other Financial Liabilities.
4. Losses on valuation of investment securities related to an investment in Lyft, Inc. of ¥109,341 million were recorded for the fiscal year ended December 31, 2022.
5. Losses on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥3,636 million were recorded during the fiscal year ended December 31, 2023.
6. Foreign exchange losses of ¥17,141 million and ¥10,835 million arising from liabilities relating to funds raised from the utilization of shares of Lyft, Inc. were recorded for the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, respectively.

41. Other Comprehensive Income

The amounts arising during the year, reclassification adjustments to profit or loss, and the income tax effect of each item in other comprehensive income are as follows:

For the year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

	Amounts arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to net income					
Changes in equity instruments measured at fair value through other comprehensive income	(8,560)	—	(8,560)	2,556	(6,004)
Remeasurement of defined benefit plans	2,503	—	2,503	(758)	1,745
Other comprehensive income of investments in associates and joint ventures	82	—	82	—	82
Total items that will not be reclassified to net income	(5,975)	—	(5,975)	1,798	(4,177)
Items that may be reclassified to net income					
Foreign currency translation adjustments	90,709	(3,568)	87,141	—	87,141
Changes in debt instruments measured at fair value through other comprehensive income	(23,725)	(6)	(23,731)	6,760	(16,971)
Cash flow hedges	5,039	(8,762)	(3,723)	935	(2,788)
Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	(168)	0	(168)	47	(121)
Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	35	—	35	4	39
Other comprehensive income of investments in associates and joint ventures	4,836	—	4,836	—	4,836
Total items that may be reclassified to net income	76,726	(12,336)	64,390	7,746	72,136
Total other comprehensive income	70,751	(12,336)	58,415	9,544	67,959

For the year ended December 31, 2023 (January 1 to December 31, 2023)

(Millions of Yen)

	Amounts arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to net income					
Changes in equity instruments measured at fair value through other comprehensive income	1,591	—	1,591	(399)	1,192
Remeasurement of defined benefit plans	367	—	367	(182)	185
Other comprehensive income of investments in associates and joint ventures	(31)	—	(31)	—	(31)
Total items that will not be reclassified to net income	1,927	—	1,927	(581)	1,346
Items that may be reclassified to net income					
Foreign currency translation adjustments	62,114	(1,130)	60,984	(289)	60,695
Changes in debt instruments measured at fair value through other comprehensive income	7,457	5	7,462	(2,259)	5,203
Cash flow hedges	16,167	(14,251)	1,916	(255)	1,661
Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	(5,134)	—	(5,134)	1,438	(3,696)
Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	271	—	271	(74)	197
Other comprehensive income of investments in associates and joint ventures	1,929	—	1,929	—	1,929
Total items that may be reclassified to net income	82,804	(15,376)	67,428	(1,439)	65,989
Total other comprehensive income	84,731	(15,376)	69,355	(2,020)	67,335

42. Earnings per Share

The basis for calculating basic and diluted loss per share attributable to owners of the Company are as follows:

	Fiscal Year ended December 31, 2022			Fiscal Year ended December 31, 2023		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net loss attributable to owners of the Company (Millions of Yen) (Note 2)	(377,217)	(251)	(377,468)	(339,473)	(27)	(339,500)
Weighted average number of shares (Thousands of shares) (Note 1)	1,586,752	—	1,586,752	1,914,978	—	1,914,978
Loss per share (Yen)	(237.73)	(0.16)	(237.89)	(177.27)	(0.02)	(177.29)

(Notes)

1. For the fiscal year ended December 31, 2022, share acquisition rights corresponding to 29,734 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects. For the fiscal year ended December 31, 2023, share acquisition rights corresponding to 38,524 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.
2. As described in Note 2. Material Accounting Policies, IFRS 17 has been adopted from the beginning of the three months ended March 31, 2023, and the accumulated impact from this change has been reflected as of the beginning of fiscal year ended December 31, 2022, being the date of transition. Therefore, the amounts for the fiscal year ended December 31, 2022 have been restated.

43. Assets Pledged as Collateral and Assets Received as Collateral

(1) Assets Pledged as Collateral

The Rakuten Group pledges assets mainly to secure debts from borrowing contracts, e-money deposits, margin trading and security lending transactions conducted under normal terms and conditions, and as monetary deposits in derivative transactions.

The carrying amounts of assets pledged as collateral for liabilities and contingent liabilities by the Rakuten Group are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Cash and cash equivalents	181,813	181,766
Loans for credit card business (Note 1)	90,042	84,635
Investment securities for banking business	639,007	791,368
Loans for banking business	1,310,577	1,305,359
Investment securities (Note 2)	45,365	66,376
Other financial assets	—	20,870
Buildings and accompanying facilities	4,084	3,535
Tools, furniture and fixtures	34,058	29,489
Machinery facilities	239,094	212,519
Other property, plant and equipment	14,279	19,805
Software	8,408	3,672
Total	2,566,727	2,719,394

(Notes)

1. Loans for credit card business include securitized receivables.
2. Investment securities as of December 31, 2023 include Lyft, Inc. shares of ¥66,376 million (¥45,365 million as of December 31, 2022), which Liberty Holdco ltd. pledged as collateral for other financial liabilities of ¥155,069 million (¥143,210 million as of December 31, 2022) incurred from the Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc. For details of the transaction under the forward contract, please refer to Note 28. Other Financial Liabilities.

The carrying amounts of assets pledged other than as collateral for liabilities and contingent liabilities by the Rakuten Group are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Financial assets for securities business (Note 1)	200,808	228,840
Investment securities for banking business (Note 2)	1,715	5,736
Investment securities for insurance business (Note 2)	102,186	94,904
Other financial assets (Note 2)	200,332	225,491
Total	505,041	554,971

(Notes)

1. Pledged as collateral for guarantee deposits for margin transactions and future transactions, collateral for borrowing of share certificates in margin transactions in the securities business.
2. Pledged as collateral mainly for exchange settlements, derivative transactions, and commitment lines.

(2) Assets Received as Collateral

The Rakuten Group receives securities pledged as collateral in lieu of guarantee deposits and collateral for other transactions, which are conducted under normal terms and conditions. The Rakuten Group holds the rights to sell or repledge the received assets, provided that the securities are returned at the time the relevant transactions are completed. The fair values of securities received by the Rakuten Group as collateral to which the Rakuten Group held the right to sell or repledge the collateral as of December 31, 2022 and 2023 were ¥1,675,558 million and ¥2,046,344 million, respectively. Within such collateral, fair values of the collateral actually sold or repledged were ¥1,078,533 million and ¥1,346,615 million, respectively.

44. Contingent Liabilities and Commitments

(1) Commitment Line Lending Contracts and Guarantee Obligations

Certain subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these subsidiaries (the loan limit).

Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

Additionally, certain subsidiaries provide credit guarantees to general customers who have received loans from business partners of other subsidiaries.

Furthermore, the Rakuten Group provides credit guarantees for lease liabilities of some associates accounted for using the equity method.

The balances of the unused lending commitment lines and guarantee obligations given in the credit guarantee and other businesses stated above are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Unused balance of lending commitment lines	5,276,582	5,581,062
Financial guarantee contracts	12,709	10,876
Total	5,289,291	5,591,938

(2) Commitment Line Borrowing Contracts

The Company and certain subsidiaries have entered into commitment line borrowing contracts with multiple financial institutions and the balances of the unused portions of such commitment lines available are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Total commitment line borrowings	253,585	257,721
Amounts borrowed	7,785	17,259
Unused commitment lines	245,800	240,462

(3) Commitments (Contracts)

Commitments related to acquisition of property, plant and equipment and intangible assets are as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Commitments related to acquisition of property, plant and equipment and intangible assets	194,666	78,407

45. Share-based Payments

Employee expenses relating to share options recognized by the Group Companies during the years ended December 31, 2022 and 2023 were ¥13,057 million and ¥14,024 million, respectively.

The Group Companies have granted equity-settled share options to executives and employees of the Group Companies and associates.

The Company performed a 100-for-one stock split on July 1, 2012. The balance of outstanding options for each year below has been adjusted to reflect the stock split. Details of the share options granted by the Company are as follows:

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 10th Share Acquisition Rights_01	April 20, 2012	April 19, 2014	0.01	-	From April 20, 2014 To April 20, 2022
The 10th Share Acquisition Rights_02	April 20, 2012	April 19, 2015	0.01	-	From April 20, 2015 To April 20, 2022
The 10th Share Acquisition Rights_03	April 20, 2012	April 19, 2016	0.01	-	From April 20, 2016 To April 20, 2022
The 11th Share Acquisition Rights_01	July 1, 2012	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022
The 12th Share Acquisition Rights_01	August 1, 2012	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022
The 13th Share Acquisition Rights_01	August 20, 2012	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022
The 14th Share Acquisition Rights_01	November 21, 2012	November 20, 2014	0.01	-	From November 21, 2014 To November 21, 2022
The 14th Share Acquisition Rights_02	November 21, 2012	November 20, 2015	0.01	-	From November 21, 2015 To November 21, 2022
The 14th Share Acquisition Rights_03	November 21, 2012	November 20, 2016	0.01	-	From November 21, 2016 To November 21, 2022
The 15th Share Acquisition Rights_01	February 1, 2013	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022
The 16th Share Acquisition Rights_01	March 1, 2013	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022
The 17th Share Acquisition Rights_01	March 1, 2013	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 18th Share Acquisition Rights_01	March 1, 2013	March 29, 2016	0.01	-	From March 30, 2016 To March 28, 2022
The 19th Share Acquisition Rights_01	July 1, 2013	March 28, 2017	0.01	-	From March 29, 2017 To March 27, 2023
The 20th Share Acquisition Rights_01	December 1, 2013	March 28, 2017	0.01	-	From March 29, 2017 To March 27, 2023
The 21st Share Acquisition Rights_01	February 1, 2014	March 28, 2017	0.01	-	From March 29, 2017 To March 27, 2023
The 22nd Share Acquisition Rights_01	March 1, 2014	March 28, 2017	0.01	-	From March 29, 2017 To March 27, 2023
The 23rd Share Acquisition Rights_01	March 19, 2014	March 28, 2017	0.01	-	From March 29, 2017 To March 27, 2023
The 24th Share Acquisition Rights_01	May 1, 2014	March 28, 2018	0.01	5,000	From March 29, 2018 To March 27, 2024
The 25th Share Acquisition Rights_01	July 1, 2014	March 28, 2018	0.01	69,200	From March 29, 2018 To March 27, 2024
The 26th Share Acquisition Rights_01	September 1, 2014	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 27th Share Acquisition Rights_01	September 1, 2014	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 28th Share Acquisition Rights_01	October 1, 2014	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 29th Share Acquisition Rights_01	October 1, 2014	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 30th Share Acquisition Rights_01	November 1, 2014	March 28, 2018	0.01	20,000	From March 29, 2018 To March 27, 2024
The 31st Share Acquisition Rights_01	November 1, 2014	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 32nd Share Acquisition Rights_01	November 1, 2014	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 33rd Share Acquisition Rights_01	February 1, 2015	March 28, 2018	0.01	68,700	From March 29, 2018 To March 27, 2024
The 34th Share Acquisition Rights_01	March 1, 2015	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 35th Share Acquisition Rights_01	March 1, 2015	March 28, 2018	0.01	-	From March 29, 2018 To March 27, 2024
The 36th Share Acquisition Rights_01	March 1, 2015	March 28, 2018	0.01	50,700	From March 29, 2018 To March 27, 2024
The 37th Share Acquisition Rights_01	June 1, 2015	May 31, 2016	0.01	-	From June 1, 2016 To June 1, 2025
The 37th Share Acquisition Rights_02	June 1, 2015	May 31, 2017	0.01	-	From June 1, 2017 To June 1, 2025
The 37th Share Acquisition Rights_03	June 1, 2015	May 31, 2018	0.01	-	From June 1, 2018 To June 1, 2025
The 37th Share Acquisition Rights_04	June 1, 2015	May 31, 2019	0.01	-	From June 1, 2019 To June 1, 2025
The 38th Share Acquisition Rights_01	July 1, 2015	June 30, 2016	0.01	-	From July 1, 2016 To July 1, 2025
The 38th Share Acquisition Rights_02	July 1, 2015	June 30, 2017	0.01	900	From July 1, 2017 To July 1, 2025
The 38th Share Acquisition Rights_03	July 1, 2015	June 30, 2018	0.01	-	From July 1, 2018 To July 1, 2025
The 38th Share Acquisition Rights_04	July 1, 2015	June 30, 2019	0.01	-	From July 1, 2019 To July 1, 2025
The 39th Share Acquisition Rights_01	August 1, 2015	July 31, 2016	0.01	700	From August 1, 2016 To August 1, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 39th Share Acquisition Rights_02	August 1, 2015	July 31, 2017	0.01	5,600	From August 1, 2017 To August 1, 2025
The 39th Share Acquisition Rights_03	August 1, 2015	July 31, 2018	0.01	23,600	From August 1, 2018 To August 1, 2025
The 39th Share Acquisition Rights_04	August 1, 2015	July 31, 2019	0.01	65,900	From August 1, 2019 To August 1, 2025
The 40th Share Acquisition Rights_01	August 1, 2015	March 27, 2019	0.01	-	From March 28, 2019 To March 26, 2025
The 41st Share Acquisition Rights_01	October 1, 2015	September 30, 2016	0.01	-	From October 1, 2016 To October 1, 2025
The 41st Share Acquisition Rights_02	October 1, 2015	September 30, 2017	0.01	-	From October 1, 2017 To October 1, 2025
The 41st Share Acquisition Rights_03	October 1, 2015	September 30, 2018	0.01	-	From October 1, 2018 To October 1, 2025
The 41st Share Acquisition Rights_04	October 1, 2015	September 30, 2019	0.01	-	From October 1, 2019 To October 1, 2025
The 42nd Share Acquisition Rights_01	November 1, 2015	October 31, 2016	0.01	400	From November 1, 2016 To October 31, 2025
The 42nd Share Acquisition Rights_02	November 1, 2015	October 31, 2017	0.01	1,800	From November 1, 2017 To October 31, 2025
The 42nd Share Acquisition Rights_03	November 1, 2015	October 31, 2018	0.01	2,200	From November 1, 2018 To October 31, 2025
The 42nd Share Acquisition Rights_04	November 1, 2015	October 31, 2019	0.01	3,500	From November 1, 2019 To October 31, 2025
The 43rd Share Acquisition Rights_01	November 1, 2015	October 31, 2016	0.01	600	From November 1, 2016 To October 31, 2025
The 43rd Share Acquisition Rights_02	November 1, 2015	October 31, 2017	0.01	800	From November 1, 2017 To October 31, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 43rd Share Acquisition Rights_03	November 1, 2015	October 31, 2018	0.01	1,200	From November 1, 2018 To October 31, 2025
The 43rd Share Acquisition Rights_04	November 1, 2015	October 31, 2019	0.01	1,400	From November 1, 2019 To October 31, 2025
The 44th Share Acquisition Rights_01	February 1, 2016	January 31, 2017	0.01	8,300	From February 1, 2017 To January 30, 2026
The 44th Share Acquisition Rights_02	February 1, 2016	January 31, 2018	0.01	21,200	From February 1, 2018 To January 30, 2026
The 44th Share Acquisition Rights_03	February 1, 2016	January 31, 2019	0.01	54,200	From February 1, 2019 To January 30, 2026
The 44th Share Acquisition Rights_04	February 1, 2016	January 31, 2020	0.01	99,300	From February 1, 2020 To January 30, 2026
The 45th Share Acquisition Rights_01	February 1, 2016	March 27, 2019	0.01	-	From March 28, 2019 To March 26, 2025
The 46th Share Acquisition Rights_01	March 1, 2016	February 28, 2017	0.01	11,800	From March 1, 2017 To February 27, 2026
The 46th Share Acquisition Rights_02	March 1, 2016	February 28, 2018	0.01	16,200	From March 1, 2018 To February 27, 2026
The 46th Share Acquisition Rights_03	March 1, 2016	February 28, 2019	0.01	33,200	From March 1, 2019 To February 27, 2026
The 46th Share Acquisition Rights_04	March 1, 2016	February 29, 2020	0.01	39,400	From March 1, 2020 To February 27, 2026
The 47th Share Acquisition Rights_01	March 1, 2016	March 27, 2019	0.01	-	From March 28, 2019 To March 26, 2025
The 48th Share Acquisition Rights_01	March 1, 2016	March 27, 2019	0.01	1,500	From March 28, 2019 To March 26, 2025
The 49th Share Acquisition Rights_01	May 1, 2016	April 30, 2017	0.01	200	From May 1, 2017 To May 1, 2026

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 49th Share Acquisition Rights_02	May 1, 2016	April 30, 2018	0.01	600	From May 1, 2018 To May 1, 2026
The 49th Share Acquisition Rights_03	May 1, 2016	April 30, 2019	0.01	600	From May 1, 2019 To May 1, 2026
The 49th Share Acquisition Rights_04	May 1, 2016	April 30, 2020	0.01	1,100	From May 1, 2020 To May 1, 2026
The 50th Share Acquisition Rights_01	August 1, 2016	July 31, 2017	0.01	1,100	From August 1, 2017 To July 31, 2026
The 50th Share Acquisition Rights_02	August 1, 2016	July 31, 2018	0.01	27,600	From August 1, 2018 To July 31, 2026
The 50th Share Acquisition Rights_03	August 1, 2016	July 31, 2019	0.01	57,500	From August 1, 2019 To July 31, 2026
The 50th Share Acquisition Rights_04	August 1, 2016	July 31, 2020	0.01	137,900	From August 1, 2020 To July 31, 2026
The 51st Share Acquisition Rights_01	September 1, 2016	March 30, 2020	0.01	-	From March 31, 2020 To March 29, 2026
The 52nd Share Acquisition Rights_01	November 1, 2016	October 31, 2017	0.01	200	From November 1, 2017 To October 30, 2026
The 52nd Share Acquisition Rights_02	November 1, 2016	October 31, 2018	0.01	800	From November 1, 2018 To October 30, 2026
The 52nd Share Acquisition Rights_03	November 1, 2016	October 31, 2019	0.01	2,200	From November 1, 2019 To October 30, 2026
The 52nd Share Acquisition Rights_04	November 1, 2016	October 31, 2020	0.01	2,200	From November 1, 2020 To October 30, 2026
The 53rd Share Acquisition Rights_01	November 1, 2016	October 31, 2017	0.01	-	From November 1, 2017 To October 30, 2026
The 53rd Share Acquisition Rights_02	November 1, 2016	October 31, 2018	0.01	-	From November 1, 2018 To October 30, 2026

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 53rd Share Acquisition Rights_03	November 1, 2016	October 31, 2019	0.01	-	From November 1, 2019 To October 30, 2026
The 53rd Share Acquisition Rights_04	November 1, 2016	October 31, 2020	0.01	-	From November 1, 2020 To October 30, 2026
The 54th Share Acquisition Rights_01	February 1, 2017	March 30, 2020	0.01	700	From March 31, 2020 To March 29, 2026
The 55th Share Acquisition Rights_01	February 1, 2017	January 31, 2018	0.01	3,300	From February 1, 2018 To February 1, 2027
The 55th Share Acquisition Rights_02	February 1, 2017	January 31, 2019	0.01	30,100	From February 1, 2019 To February 1, 2027
The 55th Share Acquisition Rights_03	February 1, 2017	January 31, 2020	0.01	72,900	From February 1, 2020 To February 1, 2027
The 55th Share Acquisition Rights_04	February 1, 2017	January 31, 2021	0.01	149,600	From February 1, 2021 To February 1, 2027
The 56th Share Acquisition Rights_01	March 1, 2017	February 28, 2018	0.01	1,000	From March 1, 2018 To March 1, 2027
The 56th Share Acquisition Rights_02	March 1, 2017	February 28, 2019	0.01	2,000	From March 1, 2019 To March 1, 2027
The 56th Share Acquisition Rights_03	March 1, 2017	February 29, 2020	0.01	3,500	From March 1, 2020 To March 1, 2027
The 56th Share Acquisition Rights_04	March 1, 2017	February 28, 2021	0.01	5,300	From March 1, 2021 To March 1, 2027
The 57th Share Acquisition Rights_01	March 1, 2017	March 30, 2020	0.01	1,800	From March 31, 2020 To March 29, 2026
The 58th Share Acquisition Rights_01	March 1, 2017	March 30, 2020	0.01	3,600	From March 31, 2020 To March 29, 2026
The 59th Share Acquisition Rights_01	March 1, 2017	February 28, 2018	0.01	25,300	From March 1, 2018 To March 1, 2027

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 59th Share Acquisition Rights_02	March 1, 2017	February 28, 2019	0.01	55,800	From March 1, 2019 To March 1, 2027
The 59th Share Acquisition Rights_03	March 1, 2017	February 29, 2020	0.01	85,600	From March 1, 2020 To March 1, 2027
The 59th Share Acquisition Rights_04	March 1, 2017	February 28, 2021	0.01	163,800	From March 1, 2021 To March 1, 2027
The 60th Share Acquisition Rights_01	May 1, 2017	April 30, 2018	0.01	1,300	From May 1, 2018 To April 30, 2027
The 60th Share Acquisition Rights_02	May 1, 2017	April 30, 2019	0.01	2,200	From May 1, 2019 To April 30, 2027
The 60th Share Acquisition Rights_03	May 1, 2017	April 30, 2020	0.01	3,400	From May 1, 2020 To April 30, 2027
The 60th Share Acquisition Rights_04	May 1, 2017	April 30, 2021	0.01	4,200	From May 1, 2021 To April 30, 2027
The 61st Share Acquisition Rights_01	August 1, 2017	March 30, 2021	0.01	700	From March 31, 2021 To March 29, 2027
The 62nd Share Acquisition Rights_01	August 1, 2017	July 31, 2018	0.01	3,700	From August 1, 2018 To July 30, 2027
The 62nd Share Acquisition Rights_02	August 1, 2017	July 31, 2019	0.01	25,900	From August 1, 2019 To July 30, 2027
The 62nd Share Acquisition Rights_03	August 1, 2017	July 31, 2020	0.01	79,700	From August 1, 2020 To July 30, 2027
The 62nd Share Acquisition Rights_04	August 1, 2017	July 31, 2021	0.01	161,000	From August 1, 2021 To July 30, 2027
The 63rd Share Acquisition Rights_01	November 1, 2017	October 31, 2018	0.01	200	From November 1, 2018 To November 1, 2027
The 63rd Share Acquisition Rights_02	November 1, 2017	October 31, 2019	0.01	3,700	From November 1, 2019 To November 1, 2027

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 63rd Share Acquisition Rights_03	November 1, 2017	October 31, 2020	0.01	500	From November 1, 2020 To November 1, 2027
The 63rd Share Acquisition Rights_04	November 1, 2017	October 31, 2021	0.01	3,100	From November 1, 2021 To November 1, 2027
The 64th Share Acquisition Rights_01	November 1, 2017	October 31, 2018	0.01	500	From November 1, 2018 To November 1, 2027
The 64th Share Acquisition Rights_02	November 1, 2017	October 31, 2019	0.01	700	From November 1, 2019 To November 1, 2027
The 64th Share Acquisition Rights_03	November 1, 2017	October 31, 2020	0.01	1,200	From November 1, 2020 To November 1, 2027
The 64th Share Acquisition Rights_04	November 1, 2017	October 31, 2021	0.01	2,600	From November 1, 2021 To November 1, 2027
The 65th Share Acquisition Rights_01	January 1, 2018	December 31, 2018	0.01	-	From January 1, 2019 To December 29, 2027
The 65th Share Acquisition Rights_02	January 1, 2018	December 31, 2019	0.01	200	From January 1, 2020 To December 29, 2027
The 65th Share Acquisition Rights_03	January 1, 2018	December 31, 2020	0.01	1,500	From January 1, 2021 To December 29, 2027
The 65th Share Acquisition Rights_04	January 1, 2018	December 31, 2021	0.01	7,200	From January 1, 2022 To December 29, 2027
The 66th Share Acquisition Rights_01	February 1, 2018	March 30, 2021	0.01	900	From March 31, 2021 To March 29, 2027
The 67th Share Acquisition Rights_01	February 1, 2018	January 31, 2019	0.01	4,900	From February 1, 2019 To February 1, 2028
The 67th Share Acquisition Rights_02	February 1, 2018	January 31, 2020	0.01	60,100	From February 1, 2020 To February 1, 2028
The 67th Share Acquisition Rights_03	February 1, 2018	January 31, 2021	0.01	100,400	From February 1, 2021 To February 1, 2028

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 67th Share Acquisition Rights_04	February 1, 2018	January 31, 2022	0.01	230,600	From February 1, 2022 To February 1, 2028
The 68th Share Acquisition Rights_01	March 1, 2018	February 28, 2019	0.01	2,400	From March 1, 2019 To March 1, 2028
The 68th Share Acquisition Rights_02	March 1, 2018	February 29, 2020	0.01	4,900	From March 1, 2020 To March 1, 2028
The 68th Share Acquisition Rights_03	March 1, 2018	February 28, 2021	0.01	8,500	From March 1, 2021 To March 1, 2028
The 68th Share Acquisition Rights_04	March 1, 2018	February 28, 2022	0.01	15,800	From March 1, 2022 To March 1, 2028
The 69th Share Acquisition Rights_01	March 1, 2018	March 30, 2021	0.01	4,200	From March 31, 2021 To March 29, 2027
The 70th Share Acquisition Rights_01	March 1, 2018	March 30, 2021	0.01	4,200	From March 31, 2021 To March 29, 2027
The 71st Share Acquisition Rights_01	March 1, 2018	February 28, 2019	0.01	61,000	From March 1, 2019 To March 1, 2028
The 71st Share Acquisition Rights_02	March 1, 2018	February 29, 2020	0.01	86,400	From March 1, 2020 To March 1, 2028
The 71st Share Acquisition Rights_03	March 1, 2018	February 28, 2021	0.01	192,100	From March 1, 2021 To March 1, 2028
The 71st Share Acquisition Rights_04	March 1, 2018	February 28, 2022	0.01	262,100	From March 1, 2022 To March 1, 2028
The 72nd Share Acquisition Rights_01	May 1, 2018	April 30, 2019	0.01	24,900	From May 1, 2019 To May 1, 2028
The 72nd Share Acquisition Rights_02	May 1, 2018	April 30, 2020	0.01	36,200	From May 1, 2020 To May 1, 2028
The 72nd Share Acquisition Rights_03	May 1, 2018	April 30, 2021	0.01	79,300	From May 1, 2021 To May 1, 2028

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 72nd Share Acquisition Rights_04	May 1, 2018	April 30, 2022	0.01	110,500	From May 1, 2022 To May 1, 2028
The 73rd Share Acquisition Rights_01	August 1, 2018	July 31, 2019	0.01	16,000	From August 1, 2019 To August 1, 2028
The 73rd Share Acquisition Rights_02	August 1, 2018	July 31, 2020	0.01	147,600	From August 1, 2020 To August 1, 2028
The 73rd Share Acquisition Rights_03	August 1, 2018	July 31, 2021	0.01	128,700	From August 1, 2021 To August 1, 2028
The 73rd Share Acquisition Rights_04	August 1, 2018	July 31, 2022	0.01	380,600	From August 1, 2022 To August 1, 2028
The 74th Share Acquisition Rights_01	November 1, 2018	October 31, 2019	0.01	1,900	From November 1, 2019 To November 1, 2028
The 74th Share Acquisition Rights_02	November 1, 2018	October 31, 2020	0.01	1,800	From November 1, 2020 To November 1, 2028
The 74th Share Acquisition Rights_03	November 1, 2018	October 31, 2021	0.01	3,000	From November 1, 2021 To November 1, 2028
The 74th Share Acquisition Rights_04	November 1, 2018	October 31, 2022	0.01	6,500	From November 1, 2022 To November 1, 2028
The 75th Share Acquisition Rights_01	November 1, 2018	October 31, 2019	0.01	600	From November 1, 2019 To November 1, 2028
The 75th Share Acquisition Rights_02	November 1, 2018	October 31, 2020	0.01	800	From November 1, 2020 To November 1, 2028
The 75th Share Acquisition Rights_03	November 1, 2018	October 31, 2021	0.01	1,200	From November 1, 2021 To November 1, 2028
The 75th Share Acquisition Rights_04	November 1, 2018	October 31, 2022	0.01	7,000	From November 1, 2022 To November 1, 2028
The 76th Share Acquisition Rights_01	February 1, 2019	January 31, 2020	0.01	24,300	From February 1, 2020 To February 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 76th Share Acquisition Rights_02	February 1, 2019	January 31, 2021	0.01	190,800	From February 1, 2021 To February 1, 2029
The 76th Share Acquisition Rights_03	February 1, 2019	January 31, 2022	0.01	207,300	From February 1, 2022 To February 1, 2029
The 76th Share Acquisition Rights_04	February 1, 2019	January 31, 2023	0.01	538,900	From February 1, 2023 To February 1, 2029
The 77th Share Acquisition Rights_01	March 1, 2019	February 29, 2020	0.01	3,100	From March 1, 2020 To March 1, 2029
The 77th Share Acquisition Rights_02	March 1, 2019	February 28, 2021	0.01	7,600	From March 1, 2021 To March 1, 2029
The 77th Share Acquisition Rights_03	March 1, 2019	February 28, 2022	0.01	15,400	From March 1, 2022 To March 1, 2029
The 77th Share Acquisition Rights_04	March 1, 2019	February 28, 2023	0.01	34,300	From March 1, 2023 To March 1, 2029
The 78th Share Acquisition Rights_01	March 1, 2019	February 29, 2020	0.01	-	From March 1, 2020 To March 1, 2029
The 78th Share Acquisition Rights_02	March 1, 2019	February 28, 2021	0.01	-	From March 1, 2021 To March 1, 2029
The 78th Share Acquisition Rights_03	March 1, 2019	February 28, 2022	0.01	3,100	From March 1, 2022 To March 1, 2029
The 78th Share Acquisition Rights_04	March 1, 2019	February 28, 2023	0.01	4,000	From March 1, 2023 To March 1, 2029
The 79th Share Acquisition Rights_01	May 1, 2019	April 30, 2020	0.01	9,500	From May 1, 2020 To May 1, 2029
The 79th Share Acquisition Rights_02	May 1, 2019	April 30, 2021	0.01	20,300	From May 1, 2021 To May 1, 2029
The 79th Share Acquisition Rights_03	May 1, 2019	April 30, 2022	0.01	46,900	From May 1, 2022 To May 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 79th Share Acquisition Rights_04	May 1, 2019	April 30, 2023	0.01	70,600	From May 1, 2023 To May 1, 2029
The 80th Share Acquisition Rights_01	May 1, 2019	April 30, 2020	0.01	-	From May 1, 2020 To May 1, 2029
The 80th Share Acquisition Rights_02	May 1, 2019	April 30, 2021	0.01	-	From May 1, 2021 To May 1, 2029
The 80th Share Acquisition Rights_03	May 1, 2019	April 30, 2022	0.01	-	From May 1, 2022 To May 1, 2029
The 80th Share Acquisition Rights_04	May 1, 2019	April 30, 2023	0.01	12,600	From May 1, 2023 To May 1, 2029
The 81st Share Acquisition Rights_01	May 1, 2019	October 31, 2019	0.01	789,000	From November 1, 2019 To May 1, 2059
The 82nd Share Acquisition Rights_01	August 1, 2019	July 31, 2020	0.01	8,200	From August 1, 2020 To August 1, 2029
The 82nd Share Acquisition Rights_02	August 1, 2019	July 31, 2021	0.01	66,600	From August 1, 2021 To August 1, 2029
The 82nd Share Acquisition Rights_03	August 1, 2019	July 31, 2022	0.01	190,400	From August 1, 2022 To August 1, 2029
The 82nd Share Acquisition Rights_04	August 1, 2019	July 31, 2023	0.01	432,300	From August 1, 2023 To August 1, 2029
The 83rd Share Acquisition Rights_01	November 1, 2019	October 31, 2020	0.01	37,800	From November 1, 2020 To November 1, 2029
The 83rd Share Acquisition Rights_02	November 1, 2019	October 31, 2021	0.01	66,700	From November 1, 2021 To November 1, 2029
The 83rd Share Acquisition Rights_03	November 1, 2019	October 31, 2022	0.01	126,300	From November 1, 2022 To November 1, 2029
The 83rd Share Acquisition Rights_04	November 1, 2019	October 31, 2023	0.01	260,500	From November 1, 2023 To November 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 84th Share Acquisition Rights_01	November 1, 2019	October 31, 2020	0.01	4,800	From November 1, 2020 To November 1, 2029
The 84th Share Acquisition Rights_02	November 1, 2019	October 31, 2021	0.01	6,400	From November 1, 2021 To November 1, 2029
The 84th Share Acquisition Rights_03	November 1, 2019	October 31, 2022	0.01	13,200	From November 1, 2022 To November 1, 2029
The 84th Share Acquisition Rights_04	November 1, 2019	October 31, 2023	0.01	19,600	From November 1, 2023 To November 1, 2029
The 85th Share Acquisition Rights_01	February 1, 2020	January 31, 2021	0.01	27,800	From February 1, 2021 To February 1, 2030
The 85th Share Acquisition Rights_02	February 1, 2020	January 31, 2022	0.01	212,000	From February 1, 2022 To February 1, 2030
The 85th Share Acquisition Rights_03	February 1, 2020	January 31, 2023	0.01	312,500	From February 1, 2023 To February 1, 2030
The 85th Share Acquisition Rights_04	February 1, 2020	January 31, 2024	0.01	1,250,200	From February 1, 2024 To February 1, 2030
The 86th Share Acquisition Rights_01	March 1, 2020	February 28, 2021	0.01	11,500	From March 1, 2021 To March 1, 2030
The 86th Share Acquisition Rights_02	March 1, 2020	February 28, 2022	0.01	17,300	From March 1, 2022 To March 1, 2030
The 86th Share Acquisition Rights_03	March 1, 2020	February 28, 2023	0.01	37,000	From March 1, 2023 To March 1, 2030
The 86th Share Acquisition Rights_04	March 1, 2020	February 29, 2024	0.01	103,500	From March 1, 2024 To March 1, 2030
The 87th Share Acquisition Rights_01	March 1, 2020	March 1, 2020	0.01	666,800	From March 1, 2020 To March 1, 2060
The 88th Share Acquisition Rights_01	May 1, 2020	April 30, 2021	0.01	63,500	From May 1, 2021 To May 1, 2030

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 88th Share Acquisition Rights_02	May 1, 2020	April 30, 2022	0.01	118,600	From May 1, 2022 To May 1, 2030
The 88th Share Acquisition Rights_03	May 1, 2020	April 30, 2023	0.01	231,200	From May 1, 2023 To May 1, 2030
The 88th Share Acquisition Rights_04	May 1, 2020	April 30, 2024	0.01	1,131,900	From May 1, 2024 To May 1, 2030
The 89th Share Acquisition Rights_01	May 1, 2020	May 1, 2020	0.01	171,200	From May 1, 2020 To May 1, 2060
The 90th Share Acquisition Rights_01	August 1, 2020	July 31, 2021	0.01	18,900	From August 1, 2021 To August 1, 2030
The 90th Share Acquisition Rights_02	August 1, 2020	July 31, 2022	0.01	253,100	From August 1, 2022 To August 1, 2030
The 90th Share Acquisition Rights_03	August 1, 2020	July 31, 2023	0.01	374,900	From August 1, 2023 To August 1, 2030
The 90th Share Acquisition Rights_04	August 1, 2020	July 31, 2024	0.01	1,313,200	From August 1, 2024 To August 1, 2030
The 91st Share Acquisition Rights_01	November 1, 2020	October 31, 2021	0.01	15,700	From November 1, 2021 To November 1, 2030
The 91st Share Acquisition Rights_02	November 1, 2020	October 31, 2022	0.01	28,500	From November 1, 2022 To November 1, 2030
The 91st Share Acquisition Rights_03	November 1, 2020	October 31, 2023	0.01	55,600	From November 1, 2023 To November 1, 2030
The 91st Share Acquisition Rights_04	November 1, 2020	October 31, 2024	0.01	129,300	From November 1, 2024 To November 1, 2030
The 92nd Share Acquisition Rights_01	November 1, 2020	October 31, 2021	0.01	13,200	From November 1, 2021 To November 1, 2030
The 92nd Share Acquisition Rights_02	November 1, 2020	October 31, 2022	0.01	28,600	From November 1, 2022 To November 1, 2030

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 92nd Share Acquisition Rights_03	November 1, 2020	October 31, 2023	0.01	50,700	From November 1, 2023 To November 1, 2030
The 92nd Share Acquisition Rights_04	November 1, 2020	October 31, 2024	0.01	85,900	From November 1, 2024 To November 1, 2030
The 93rd Share Acquisition Rights_01	February 1, 2021	January 31, 2022	0.01	34,400	From February 1, 2022 To February 1, 2031
The 93rd Share Acquisition Rights_02	February 1, 2021	January 31, 2023	0.01	306,900	From February 1, 2023 To February 1, 2031
The 93rd Share Acquisition Rights_03	February 1, 2021	January 31, 2024	0.01	717,400	From February 1, 2024 To February 1, 2031
The 93rd Share Acquisition Rights_04	February 1, 2021	January 31, 2025	0.01	1,523,200	From February 1, 2025 To February 1, 2031
The 94th Share Acquisition Rights_01	March 1, 2021	February 28, 2022	0.01	14,800	From March 1, 2022 To March 1, 2031
The 94th Share Acquisition Rights_02	March 1, 2021	February 28, 2023	0.01	29,300	From March 1, 2023 To March 1, 2031
The 94th Share Acquisition Rights_03	March 1, 2021	February 29, 2024	0.01	103,700	From March 1, 2024 To March 1, 2031
The 94th Share Acquisition Rights_04	March 1, 2021	February 28, 2025	0.01	126,700	From March 1, 2025 To March 1, 2031
The 95th Share Acquisition Rights_01	March 1, 2021	March 1, 2021	0.01	559,800	From March 1, 2021 To March 1, 2061
The 96th Share Acquisition Rights_01	May 1, 2021	April 30, 2022	0.01	123,600	From May 1, 2022 To May 1, 2031
The 96th Share Acquisition Rights_02	May 1, 2021	April 30, 2023	0.01	211,600	From May 1, 2023 To May 1, 2031
The 96th Share Acquisition Rights_03	May 1, 2021	April 30, 2024	0.01	1,243,500	From May 1, 2024 To May 1, 2031

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 96th Share Acquisition Rights_04	May 1, 2021	April 30, 2025	0.01	1,523,400	From May 1, 2025 To May 1, 2031
The 97th Share Acquisition Rights_01	May 1, 2021	May 1, 2021	0.01	197,300	From May 1, 2021 To May 1, 2061
The 98th Share Acquisition Rights_01	August 1, 2021	July 31, 2022	0.01	29,100	From August 1, 2022 To August 1, 2031
The 98th Share Acquisition Rights_02	August 1, 2021	July 31, 2023	0.01	187,400	From August 1, 2023 To August 1, 2031
The 98th Share Acquisition Rights_03	August 1, 2021	July 31, 2024	0.01	716,600	From August 1, 2024 To August 1, 2031
The 98th Share Acquisition Rights_04	August 1, 2021	July 31, 2025	0.01	1,328,800	From August 1, 2025 To August 1, 2031
The 99th Share Acquisition Rights_01	November 1, 2021	October 31, 2022	0.01	110,600	From November 1, 2022 To November 1, 2031
The 99th Share Acquisition Rights_02	November 1, 2021	October 31, 2023	0.01	181,800	From November 1, 2023 To November 1, 2031
The 99th Share Acquisition Rights_03	November 1, 2021	October 31, 2024	0.01	372,700	From November 1, 2024 To November 1, 2031
The 99th Share Acquisition Rights_04	November 1, 2021	October 31, 2025	0.01	465,400	From November 1, 2025 To November 1, 2031
The 100th Share Acquisition Rights_01	November 1, 2021	October 31, 2022	0.01	20,600	From November 1, 2022 To November 1, 2031
The 100th Share Acquisition Rights_02	November 1, 2021	October 31, 2023	0.01	36,200	From November 1, 2023 To November 1, 2031
The 100th Share Acquisition Rights_03	November 1, 2021	October 31, 2024	0.01	75,800	From November 1, 2024 To November 1, 2031
The 100th Share Acquisition Rights_04	November 1, 2021	October 31, 2025	0.01	89,300	From November 1, 2025 To November 1, 2031

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 101st Share Acquisition Rights_01	February 1, 2022	January 31, 2023	0.01	72,800	From February 1, 2023 To February 1, 2032
The 101st Share Acquisition Rights_02	February 1, 2022	January 31, 2024	0.01	555,100	From February 1, 2024 To February 1, 2032
The 101st Share Acquisition Rights_03	February 1, 2022	January 31, 2025	0.01	1,026,100	From February 1, 2025 To February 1, 2032
The 101st Share Acquisition Rights_04	February 1, 2022	January 31, 2026	0.01	1,874,000	From February 1, 2026 To February 1, 2032
The 102nd Share Acquisition Rights_01	February 1, 2022	January 31, 2023	0.01	7,500	From February 1, 2023 To February 1, 2032
The 102nd Share Acquisition Rights_02	February 1, 2022	January 31, 2024	0.01	19,400	From February 1, 2024 To February 1, 2032
The 102nd Share Acquisition Rights_03	February 1, 2022	January 31, 2025	0.01	29,200	From February 1, 2025 To February 1, 2032
The 102nd Share Acquisition Rights_04	February 1, 2022	January 31, 2026	0.01	34,700	From February 1, 2026 To February 1, 2032
The 103rd Share Acquisition Rights_01	March 1, 2022	February 28, 2023	0.01	19,600	From March 1, 2023 To March 1, 2032
The 103rd Share Acquisition Rights_02	March 1, 2022	February 29, 2024	0.01	61,500	From March 1, 2024 To March 1, 2032
The 103rd Share Acquisition Rights_03	March 1, 2022	February 28, 2025	0.01	93,200	From March 1, 2025 To March 1, 2032
The 103rd Share Acquisition Rights_04	March 1, 2022	February 28, 2026	0.01	111,200	From March 1, 2026 To March 1, 2032
The 104th Share Acquisition Rights_01	March 1, 2022	March 1, 2022	0.01	507,100	From March 1, 2022 To March 1, 2062
The 105th Share Acquisition Rights_01	May 1, 2022	April 30, 2023	0.01	347,100	From May 1, 2023 To May 1, 2032

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 105th Share Acquisition Rights_02	May 1, 2022	April 30, 2024	0.01	1,650,700	From May 1, 2024 To May 1, 2032
The 105th Share Acquisition Rights_03	May 1, 2022	April 30, 2025	0.01	2,494,300	From May 1, 2025 To May 1, 2032
The 105th Share Acquisition Rights_04	May 1, 2022	April 30, 2026	0.01	3,017,400	From May 1, 2026 To May 1, 2032
The 106th Share Acquisition Rights_01	May 1, 2022	May 1, 2022	0.01	250,700	From May 1, 2022 To May 1, 2062
The 107th Share Acquisition Rights_01	August 1, 2022	July 31, 2023	0.01	128,900	From August 1, 2023 To August 1, 2032
The 107th Share Acquisition Rights_02	August 1, 2022	July 31, 2024	0.01	1,348,000	From August 1, 2024 To August 1, 2032
The 107th Share Acquisition Rights_03	August 1, 2022	July 31, 2025	0.01	1,338,700	From August 1, 2025 To August 1, 2032
The 107th Share Acquisition Rights_04	August 1, 2022	July 31, 2026	0.01	2,842,300	From August 1, 2026 To August 1, 2032
The 108th Share Acquisition Rights_01	August 1, 2022	July 31, 2023	0.01	4,900	From August 1, 2023 To August 1, 2032
The 108th Share Acquisition Rights_02	August 1, 2022	July 31, 2024	0.01	9,000	From August 1, 2024 To August 1, 2032
The 108th Share Acquisition Rights_03	August 1, 2022	July 31, 2025	0.01	13,400	From August 1, 2025 To August 1, 2032
The 108th Share Acquisition Rights_04	August 1, 2022	July 31, 2026	0.01	16,300	From August 1, 2026 To August 1, 2032
The 109th Share Acquisition Rights_01	November 1, 2022	October 31, 2023	0.01	236,500	From November 1, 2023 To November 1, 2032
The 109th Share Acquisition Rights_02	November 1, 2022	October 31, 2024	0.01	729,000	From November 1, 2024 To November 1, 2032

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 109th Share Acquisition Rights_03	November 1, 2022	October 31, 2025	0.01	1,118,200	From November 1, 2025 To November 1, 2032
The 109th Share Acquisition Rights_04	November 1, 2022	October 31, 2026	0.01	1,375,300	From November 1, 2026 To November 1, 2032
The 110th Share Acquisition Rights_01	November 1, 2022	October 31, 2023	0.01	28,800	From November 1, 2023 To November 1, 2032
The 110th Share Acquisition Rights_02	November 1, 2022	October 31, 2024	0.01	44,900	From November 1, 2024 To November 1, 2032
The 110th Share Acquisition Rights_03	November 1, 2022	October 31, 2025	0.01	74,400	From November 1, 2025 To November 1, 2032
The 110th Share Acquisition Rights_04	November 1, 2022	October 31, 2026	0.01	88,700	From November 1, 2026 To November 1, 2032
The 111th Share Acquisition Rights_01	February 1, 2023	January 31, 2024	0.01	304,000	From February 1, 2024 To February 1, 2033
The 111th Share Acquisition Rights_02	February 1, 2023	January 31, 2025	0.01	1,594,500	From February 1, 2025 To February 1, 2033
The 111th Share Acquisition Rights_03	February 1, 2023	January 31, 2026	0.01	1,610,200	From February 1, 2026 To February 1, 2033
The 111th Share Acquisition Rights_04	February 1, 2023	January 31, 2027	0.01	3,288,700	From February 1, 2027 To February 1, 2033
The 112th Share Acquisition Rights_01	March 1, 2023	February 29, 2024	0.01	125,100	From March 1, 2024 To March 1, 2033
The 112th Share Acquisition Rights_02	March 1, 2023	February 28, 2025	0.01	172,300	From March 1, 2025 To March 1, 2033
The 112th Share Acquisition Rights_03	March 1, 2023	February 28, 2026	0.01	257,700	From March 1, 2026 To March 1, 2033
The 112th Share Acquisition Rights_04	March 1, 2023	February 28, 2027	0.01	304,300	From March 1, 2027 To March 1, 2033

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 113th Share Acquisition Rights_01	March 1, 2023	February 29, 2024	0.01	20,400	From March 1, 2024 To March 1, 2033
The 113th Share Acquisition Rights_02	March 1, 2023	February 28, 2025	0.01	27,300	From March 1, 2025 To March 1, 2033
The 113th Share Acquisition Rights_03	March 1, 2023	February 28, 2026	0.01	41,000	From March 1, 2026 To March 1, 2033
The 113th Share Acquisition Rights_04	March 1, 2023	February 28, 2027	0.01	47,800	From March 1, 2027 To March 1, 2033
The 114th Share Acquisition Rights_01	March 1, 2023	March 1, 2023	0.01	897,200	From March 1, 2023 To March 1, 2063
The 115th Share Acquisition Rights_01	May 1, 2023	April 30, 2024	0.01	1,117,000	From May 1, 2024 To May 1, 2033
The 115th Share Acquisition Rights_02	May 1, 2023	April 30, 2025	0.01	1,626,100	From May 1, 2025 To May 1, 2033
The 115th Share Acquisition Rights_03	May 1, 2023	April 30, 2026	0.01	2,476,300	From May 1, 2026 To May 1, 2033
The 115th Share Acquisition Rights_04	May 1, 2023	April 30, 2027	0.01	3,060,000	From May 1, 2027 To May 1, 2033
The 116th Share Acquisition Rights_01	May 1, 2023	April 30, 2024	0.01	67,200	From May 1, 2024 To May 1, 2033
The 116th Share Acquisition Rights_02	May 1, 2023	April 30, 2025	0.01	96,600	From May 1, 2025 To May 1, 2033
The 116th Share Acquisition Rights_03	May 1, 2023	April 30, 2026	0.01	153,500	From May 1, 2026 To May 1, 2033
The 116th Share Acquisition Rights_04	May 1, 2023	April 30, 2027	0.01	182,800	From May 1, 2027 To May 1, 2033
The 117th Share Acquisition Rights_01	May 1, 2023	May 1, 2023	0.01	507,400	From May 1, 2023 To May 1, 2063

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 118th Share Acquisition Rights_01	August 1, 2023	July 31, 2024	0.01	300,800	From August 1, 2024 To August 1, 2033
The 118th Share Acquisition Rights_02	August 1, 2023	July 31, 2025	0.01	1,725,200	From August 1, 2025 To August 1, 2033
The 118th Share Acquisition Rights_03	August 1, 2023	July 31, 2026	0.01	1,996,700	From August 1, 2026 To August 1, 2033
The 118th Share Acquisition Rights_04	August 1, 2023	July 31, 2027	0.01	3,507,700	From August 1, 2027 To August 1, 2033
The 119th Share Acquisition Rights_01	August 1, 2023	July 31, 2024	0.01	1,100	From August 1, 2024 To August 1, 2033
The 119th Share Acquisition Rights_02	August 1, 2023	July 31, 2025	0.01	1,500	From August 1, 2025 To August 1, 2033
The 119th Share Acquisition Rights_03	August 1, 2023	July 31, 2026	0.01	2,700	From August 1, 2026 To August 1, 2033
The 119th Share Acquisition Rights_04	August 1, 2023	July 31, 2027	0.01	3,000	From August 1, 2027 To August 1, 2033
The 120th Share Acquisition Rights_01	November 1, 2023	October 31, 2024	0.01	21,700	From November 1, 2024 To November 1, 2033
The 120th Share Acquisition Rights_02	November 1, 2023	October 31, 2025	0.01	31,800	From November 1, 2025 To November 1, 2033
The 120th Share Acquisition Rights_03	November 1, 2023	October 31, 2026	0.01	49,700	From November 1, 2026 To November 1, 2033
The 120th Share Acquisition Rights_04	November 1, 2023	October 31, 2027	0.01	60,400	From November 1, 2027 To November 1, 2033
The 121st Share Acquisition Rights_01	November 1, 2023	October 31, 2024	0.01	600	From November 1, 2024 To November 1, 2033
The 121st Share Acquisition Rights_02	November 1, 2023	October 31, 2025	0.01	1,000	From November 1, 2025 To November 1, 2033

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 121st Share Acquisition Rights_03	November 1, 2023	October 31, 2026	0.01	1,300	From November 1, 2026 To November 1, 2033
The 121st Share Acquisition Rights_04	November 1, 2023	October 31, 2027	0.01	1,800	From November 1, 2027 To November 1, 2033

(Note)
The balance of outstanding options has been converted into the number of shares.

The number of options and the weighted average exercise price related to share options granted by the Company are as follows:

	Year ended December 31, 2022		Year ended December 31, 2023	
	Number of options (Note)	Weighted average exercise price (Yen)	Number of options (Note)	Weighted average exercise price (Yen)
Balance at the beginning of the year	46,870,500	0.01	60,975,200	0.01
Granted	28,945,200	0.01	28,359,900	0.01
Forfeited	6,050,200	0.01	8,683,600	0.01
Exercised	8,727,900	0.01	9,370,500	0.01
Expired	62,400	0.01	32,500	0.01
Outstanding balance at the end of the year	60,975,200	0.01	71,248,500	0.01
Exercisable amount at the end of the year	11,818,600	0.01	14,703,200	0.01
Weighted average remaining contract years	9.89 years		10.01 years	

(Note)
The number of options has been converted into the number of shares.

The weighted average share prices of the Company as of the exercise date were ¥825 and ¥612 for the years ended December 31, 2022 and 2023, respectively.

The expiration dates and the exercise prices of the outstanding options related to share options granted by the Company are as follows:

	Year ended December 31, 2022		Year ended December 31, 2023	
	Exercise price (Yen)	Number of options (Note)	Exercise price (Yen)	Number of options (Note)
2023	0.01	184,000	—	—
2024	0.01	366,500	0.01	213,600
2025	0.01	158,400	0.01	110,100
2026	0.01	676,900	0.01	521,700
2027	0.01	1,147,000	0.01	911,000
2028	0.01	2,620,000	0.01	1,975,800
2029	0.01	5,583,300	0.01	2,421,500
2030	0.01	8,470,000	0.01	5,884,600
2031	0.01	12,374,100	0.01	9,572,800
2032	0.01	26,009,800	0.01	20,811,100
2033	—	—	0.01	24,279,800
2059	0.01	835,000	0.01	789,000
2060	0.01	907,300	0.01	838,000
2061	0.01	826,400	0.01	757,100
2062	0.01	816,500	0.01	757,800
2063	—	—	0.01	1,404,600
Balance at end of the period	—	60,975,200	—	71,248,500

(Note)
The number of options has been converted into the number of shares.

The Company granted equity-settled share options to executives and employees of the company, its subsidiaries, and associates during the year ended December 31, 2023. The fair value of the options granted has been calculated using the Black-Scholes model adjusted for dividends. The fair value and assumptions used in the calculation are as follows.

Expected volatility of the Company has been calculated as an annual rate based on the historical period of share prices corresponding to the expected remaining period and weekly data (weekly closing price versus volatility of the previous week), assuming 52 weeks in a year.

	Year ended December 31, 2023		
	The Company 2023 111th Share Options_01	The Company 2023 111th Share Options_02	The Company 2023 111th Share Options_03
Weighted average share prices (Yen)	667	667	667
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	31.23	36.81	41.75
Remaining term (Years)	1.00	2.01	3.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	(0.08)	(0.02)	0.01
Fair value per share (Yen)	662	658	654

	Year ended December 31, 2023		
	The Company 2023 111th Share Options_04	The Company 2023 112th Share Options_01	The Company 2023 112th Share Options_02
Weighted average share prices (Yen)	667	680	680
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	38.86	31.31	35.69
Remaining term (Years)	4.01	1.01	2.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.09	(0.08)	(0.03)
Fair value per share (Yen)	649	675	671

	Year ended December 31, 2023		
	The Company 2023 112th Share Options_03	The Company 2023 112th Share Options_04	The Company 2023 113th Share Options_01
Weighted average share prices (Yen)	680	680	680
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	41.12	38.66	31.31
Remaining term (Years)	3.01	4.01	1.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.01	0.10	(0.08)
Fair value per share (Yen)	667	662	675

	Year ended December 31, 2023		
	The Company 2023 113th Share Options_02	The Company 2023 113th Share Options_03	The Company 2023 113th Share Options_04
Weighted average share prices (Yen)	680	680	680
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	35.69	41.12	38.66
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	(0.03)	0.01	0.10
Fair value per share (Yen)	671	667	662

	Year ended December 31, 2023		
	The Company 2023 114th Share Options_01	The Company 2023 115th Share Options_01	The Company 2023 115th Share Options_02
Weighted average share prices (Yen)	680	673	673
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	35.55	31.06	32.18
Remaining term (Years)	6.30	1.01	2.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.32	(0.10)	(0.04)
Fair value per share (Yen)	652	668	664

	Year ended December 31, 2023		
	The Company 2023 115th Share Options_03	The Company 2023 115th Share Options_04	The Company 2023 116th Share Options_01
Weighted average share prices (Yen)	673	673	673
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	36.22	38.07	31.06
Remaining term (Years)	3.01	4.01	1.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	(0.03)	0.02	(0.10)
Fair value per share (Yen)	660	655	668

	Year ended December 31, 2023		
	The Company 2023 116th Share Options_02	The Company 2023 116th Share Options_03	The Company 2023 116th Share Options_04
Weighted average share prices (Yen)	673	673	673
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	32.18	36.22	38.07
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	(0.04)	(0.03)	0.02
Fair value per share (Yen)	664	660	655

	Year ended December 31, 2023		
	The Company 2023 117th Share Options_01	The Company 2023 118th Share Options_01	The Company 2023 118th Share Options_02
Weighted average share prices (Yen)	673	560	560
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	35.46	31.72	35.06
Remaining term (Years)	6.40	1.01	2.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.15	(0.09)	0.00
Fair value per share (Yen)	645	555	551

	Year ended December 31, 2023		
	The Company 2023 118th Share Options_03	The Company 2023 118th Share Options_04	The Company 2023 119th Share Options_01
Weighted average share prices (Yen)	560	560	560
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	37.91	39.01	31.72
Remaining term (Years)	3.01	4.01	1.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.02	0.08	(0.09)
Fair value per share (Yen)	547	542	555

	Year ended December 31, 2023		
	The Company 2023 119th Share Options_02	The Company 2023 119th Share Options_03	The Company 2023 119th Share Options_04
Weighted average share prices (Yen)	560	560	560
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	35.06	37.91	39.01
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.00	0.02	0.08
Fair value per share (Yen)	551	547	542

	Year ended December 31, 2023		
	The Company 2023 120th Share Options_01	The Company 2023 120th Share Options_02	The Company 2023 120th Share Options_03
Weighted average share prices (Yen)	551	551	551
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	31.42	31.93	35.53
Remaining term (Years)	1.01	2.01	3.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	(0.01)	0.16	0.23
Fair value per share (Yen)	547	542	538

	Year ended December 31, 2023		
	The Company 2023 120th Share Options_04	The Company 2023 121st Share Options_01	The Company 2023 121st Share Options_02
Weighted average share prices (Yen)	551	551	551
Exercise price (Yen)	0.01	0.01	0.01
Expected volatility (%)	39.20	31.42	31.93
Remaining term (Years)	4.01	1.01	2.01
Expected dividend (Yen)	4.50	4.50	4.50
Risk-free rate (%)	0.35	(0.01)	0.16
Fair value per share (Yen)	533	547	542

	Year ended December 31, 2023	
	The Company 2023 121st Share Options_03	The Company 2023 121st Share Options_04
Weighted average share prices (Yen)	551	551
Exercise price (Yen)	0.01	0.01
Expected volatility (%)	35.53	39.20
Remaining term (Years)	3.01	4.01
Expected dividend (Yen)	4.50	4.50
Risk-free rate (%)	0.23	0.35
Fair value per share (Yen)	538	533

46. Classification of Financial Instruments

The Group Companies' financial instruments are classified as follows:

As of December 31, 2022

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Cash and cash equivalents	—	—	—	4,694,360	4,694,360
Accounts receivable - trade	—	—	—	364,186	364,186
Financial assets for securities business	1,410	—	—	3,429,366	3,430,776
Loans for credit card business	—	—	—	2,776,044	2,776,044
Investment securities for banking business	940	343,937	1	571,773	916,651
Loans for banking business	—	—	—	3,507,559	3,507,559
Investment securities for insurance business	4,451	100,141	165,275	—	269,867
Derivative assets (Note 1)	181,106	—	—	—	181,106
Investment securities	154,185	—	6,080	806	161,071
Other financial assets (Note 2)	8,194	—	16	1,135,996	1,144,206
Total	350,286	444,078	171,372	16,480,090	17,445,826

(Notes)

1. Derivative assets of ¥17,352 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 12. Derivative Assets and Derivative Liabilities, Hedge Accounting.
2. Insurance contract assets of ¥19,860 million and reinsurance contract assets of ¥26,465 million are excluded.

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable - trade	—	—	450,562	450,562
Deposits for banking business	—	—	8,419,097	8,419,097
Financial liabilities for securities business	—	—	3,494,467	3,494,467
Derivative liabilities (Note 1)	35,727	—	—	35,727
Bonds and borrowings	—	—	1,760,781	1,760,781
Borrowings for securities business	—	—	157,542	157,542
Bonds and borrowings for credit card business	—	—	812,738	812,738
Borrowings for banking business	—	—	2,181,689	2,181,689
Other financial liabilities (Note 2)	1,687	—	1,616,294	1,617,981
Total	37,414	—	18,893,170	18,930,584

(Notes)

1. Derivative liabilities of ¥4,049 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 12. Derivative Assets and Derivative Liabilities, Hedge Accounting.
2. Reinsurance contract liabilities of ¥8,518 million are excluded.

As of December 31, 2023

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Cash and cash equivalents	—	—	—	5,127,674	5,127,674
Accounts receivable - trade	—	—	—	377,992	377,992
Financial assets for securities business	824	—	—	4,127,421	4,128,245
Loans for credit card business	—	—	—	3,019,261	3,019,261
Investment securities for banking business	3,700	487,102	1	717,724	1,208,527
Loans for banking business	—	—	—	3,886,888	3,886,888
Investment securities for insurance business	5,139	90,504	163,496	—	259,139
Derivative assets (Note 1)	233,110	—	—	—	233,110
Investment securities	172,755	—	8,645	807	182,207
Other financial assets (Note 2)	401	—	17	1,196,373	1,196,791
Total	415,929	577,606	172,159	18,454,140	19,619,834

(Notes)
1. Derivative assets of ¥30,466 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 12. Derivative Assets and Derivative Liabilities, Hedge Accounting.
2. Insurance contract assets of ¥18,018 million and reinsurance contract assets of ¥24,195 million are excluded.

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable - trade	—	—	419,880	419,880
Deposits for banking business	—	—	9,732,828	9,732,828
Financial liabilities for securities business	—	—	4,236,517	4,236,517
Derivative liabilities (Note 1)	27,263	—	—	27,263
Bonds and borrowings	—	—	1,637,980	1,637,980
Borrowings for securities business	—	—	106,578	106,578
Bonds and borrowings for credit card business	—	—	603,869	603,869
Borrowings for banking business	—	—	2,446,746	2,446,746
Other financial liabilities (Note 2)	468	—	1,639,099	1,639,567
Total	27,731	—	20,823,497	20,851,228

(Notes)
1. Derivative liabilities of ¥2,401 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 12. Derivative Assets and Derivative Liabilities, Hedge Accounting.

2. Reinsurance contract liabilities of ¥6,992 million are excluded.

(1) Equity Instruments Measured at FVTOCI

Of the shares held by the Group Companies, those held over the long term for the purpose of strengthening business relationships or in anticipation of synergistic effects, etc. in business operations are designated as equity instruments measured at FVTOCI.

Equity instruments measured at FVTOCI as of December 31, 2022 mainly comprise exchange-traded real estate investment trusts, with a fair value of ¥106,445 million. Equity instruments measured at FVTOCI as of December 31, 2023 mainly comprise exchange-traded real estate investment trusts, with a fair value of ¥100,102 million.

During the year ended December 31, 2022, shares of investments from which synergistic effects, etc. could no longer be anticipated were sold. In addition, some shares were sold as part of the companywide financial strategy reconsideration. The fair value of such investments at the time of sales was ¥29,994 million, and cumulative fair value gains within other comprehensive income at the time of sale were ¥698 million. During the year ended December 31, 2023, shares of investments which synergistic effects, etc. could no longer be anticipated were sold. In addition, some shares were sold as part of the companywide financial strategies reconsideration. The fair value of such investments at the time of sales was ¥53,107 million, and cumulative fair value losses within other comprehensive income at the time of sale were ¥1,317 million.

Additionally, during the year ended December 31, 2022, dividend income recognized from shares designated as equity instruments measured at FVTOCI was ¥6,110 million, of which, the amount relating to shares held as of December 31, 2022 was ¥5,563 million. Furthermore, during the year ended December 31, 2023, dividend income recognized from shares designated as equity instruments measured at FVTOCI was ¥5,637 million, of which, the amount relating to shares held as of December 31, 2023 was ¥4,572 million.

During the year ended December 31, 2022, the Group Companies reclassified ¥1,148 million of cumulative losses in equity, related to shares designated as equity instruments measured at FVTOCI, to retained earnings on the sale of such shares, etc. During the year ended December 31, 2023, the Group Companies reclassified ¥1,488 million of cumulative losses in equity, related to shares designated as equity instruments measured at FVTOCI, to retained earnings on the sale of such shares, etc.

47. Gains and Losses on Financial Instruments

The analysis of the gains and losses on financial instruments held by the Group Companies is as follows:

For the fiscal year ended December 31, 2022

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Revenue	21,013	1,071	6,100	(8)	28,176
Operating expenses	—	66	—	36,454	36,520
Other income	1,218	—	—	—	1,218
Other expenses	9,391	—	—	6	9,397
Financial income	14,940	—	10	36	14,986
Financial expenses	111,125	—	—	—	111,125
Amount recognized in other comprehensive income during the year	5,039	(23,740)	(8,560)	—	(27,261)
Amount of reclassification adjustment at the time of derecognition	(8,762)	(6)	—	—	(8,768)

There are no net gains or losses on financial assets designated as being measured at fair value.

Net gains on financial assets measured at FVTPL include interest income, dividend income, commissions received, and valuation gains on investment securities relating to such assets. Please refer to (3) and (4) for interest income and commission revenue from financial assets measured at FVTOCI and financial assets measured at amortized cost, respectively.

(2) Breakdown of Net Gains and Losses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value		
Financial income	99,949	—	—	99,949
Financial expenses	—	—	17,143	17,143

Net gains on financial liabilities subject to mandatory measurement at fair value include gain on derivatives. Please refer to (3) and (4) for interest expenses and commission fee expenses from financial liabilities measured at amortized cost, respectively.

(3) Breakdown of Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
Revenue	3,815	209,539	—
Operating expenses	—	—	14,820
Financial income	—	496	—
Financial expenses	—	—	27,438
Total	3,815	210,035	42,258

(4) Breakdown of Commission Revenue and Commission Fee Expenses from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Trust and other trustee operations
Revenue	—	—	—	—	302
Financial expenses	—	—	—	1,178	—

(5) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Others	—	6

For the fiscal year ended December 31, 2023

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Revenue	29,196	97	5,628	—	34,921
Operating expenses	—	26	—	28,517	28,543
Other income	381	—	—	—	381
Other expenses	3,945	—	—	—	3,945
Financial income	70,714	—	8	1,076	71,798
Financial expenses	285	—	—	—	285
Amount recognized in other comprehensive income during the year	16,166	7,391	1,592	—	25,149
Amount of reclassification adjustment at the time of derecognition	(14,251)	5	—	—	(14,246)

There are no net gains or losses on financial assets designated as being measured at fair value.

Net gains on financial assets measured at FVTPL include interest income, dividend income, commissions received, and valuation gains on investment securities relating to such assets. Please refer to (3) and (4) for interest income and commission revenue from financial assets measured at FVTOCI and financial assets measured at amortized cost, respectively.

(2) Breakdown of Net Gains and Losses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value		
Other expenses	24	—	—	24
Financial income	—	—	342	342
Financial expenses	3,636	—	11,515	15,151

Net gains on financial liabilities subject to mandatory measurement at fair value include gain on derivatives. Please refer to (3) and (4) for interest expenses and commission fee expenses from financial liabilities measured at amortized cost, respectively.

(3) Breakdown of Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
Revenue	7,085	246,413	—
Operating expenses	—	—	18,876
Financial income	—	1,276	—
Financial expenses	—	—	47,476
Total	7,085	247,689	66,352

(4) Breakdown of Commission Revenue and Commission Fee Expenses from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Trust and other trustee operations
Revenue	—	—	—	—	393
Financial expenses	—	—	—	1,658	—

(5) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Others	—	—

48. Fair Value of Financial Instruments

(1) Carrying Amount and Fair Value of Financial Instruments

The following table provides a comparison between carrying amounts and fair values of the financial instruments held by the Rakuten Group.

Cash and cash equivalents, accounts receivable - trade, financial assets for securities business, other financial assets, accounts payable - trade, financial liabilities for securities business, borrowings for securities business, and borrowings for banking business have not been included in the following table.

They are mainly subject to short-term settlement and consist of financial assets or financial liabilities whose fair values approximate their carrying amounts, or financial assets or financial liabilities whose fair values are calculated by discounting future cash flows using the discount rate, considering the period to maturity and credit risk, which approximate their carrying amounts.

In addition, derivative assets and derivative liabilities, investment securities for insurance business, and investment securities consist of financial assets or financial liabilities routinely measured at fair value. Accordingly, they have not been included in the table below.

(Millions of Yen)

	As of December 31, 2022		
	Carrying amount	Fair value	Difference
Financial assets:			
Loans for credit card business	2,776,044	2,830,831	54,787
Investment securities for banking business	916,651	903,509	(13,142)
Loans for banking business	3,507,559	3,510,057	2,498
Total	7,200,254	7,244,397	44,143
Financial liabilities:			
Deposits for banking business	8,419,097	8,419,133	36
Bonds and borrowings	1,760,781	1,771,320	10,539
Bonds and borrowings for credit card business	812,738	815,860	3,122
Other financial liabilities (Note)	1,187,158	1,172,661	(14,497)
Total	12,179,774	12,178,974	(800)

(Note)

Lease liabilities of ¥430,823 million and reinsurance contract liabilities of ¥8,518 million are excluded. In addition, guarantee deposits received for the prepaid variable share forward transactions of Lyft, Inc. shares of ¥143,210 million and ¥129,169 million are included in carrying amount and fair value, respectively. For details of the prepaid variable share forward transactions of Lyft, Inc. shares, please refer to Note 28. Other Financial Liabilities.

(Millions of Yen)

	As of December 31, 2023		
	Carrying amount	Fair value	Difference
Financial assets:			
Loans for credit card business	3,019,261	3,073,526	54,265
Investment securities for banking business	1,208,527	1,199,896	(8,631)
Loans for banking business	3,886,888	3,886,668	(220)
Total	8,114,676	8,160,090	45,414
Financial liabilities:			
Deposits for banking business	9,732,828	9,732,876	48
Bonds and borrowings	1,637,980	1,653,549	15,569
Bonds and borrowings for credit card business	603,869	603,350	(519)
Other financial liabilities (Note)	1,259,200	1,249,482	(9,718)
Total	13,233,877	13,239,257	5,380

(Note)
Lease liabilities of ¥380,367 million and reinsurance contract liabilities of ¥6,992 million are excluded. In addition, guarantee deposits received for the prepaid variable share forward transactions of Lyft, Inc. shares of ¥155,069 million and ¥145,637 million are included in carrying amount and fair value, respectively.

The measurement method of fair values is as follows:

- Loans for credit card business and loans for banking business

The fair value of loans for credit card business and loans for banking business is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.

- Investment securities for banking business, investment securities for insurance business and investment securities

Of investment securities for banking business, investment securities for insurance business and investment securities, fair value of listed shares is measured using the year-end closing market price, while fair value of unlisted shares is measured using an appropriate valuation technique, mainly by comparison with actual similar transactions. The fair value of bonds is based on reasonable valuation methods using available information, including trading statistics and brokers' quotes.

- Other financial liabilities

The fair value of other financial liabilities is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.

- Derivative assets and derivative liabilities

Within derivative assets and derivative liabilities, fair value of forward exchange contracts is measured based on forward exchange rates. Trading derivatives for over-the-counter transactions are measured based on quotations provided by brokers. Fair value of interest rate swaps is based on present value calculated by discounting future cash flows for the remaining maturity using the rate of the interest rate swap at the end of year. Since counterparties of interest rate swap contracts are limited to financial institutions with superior credit ratings, consideration of credit risk is not incorporated in the calculation of fair value as it is determined to be minimal.

- Deposits for banking business

For demand deposits of the deposits for banking business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. Fair value of time deposits is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk. For time deposits with short remaining maturities (one year or less), the carrying amount is deemed as fair value as such fair value approximates the carrying amount.

- Bonds and borrowings, and bonds and borrowings for credit card business

Within bonds and borrowings and bonds and borrowings for credit card business, fair values of those with longer remaining maturities is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk.

(2) Fair Value Hierarchy

The following table shows fair value measurement classified into one of three levels from Level 1 to Level 3 based on the fair value hierarchy.

[Definition of Each Level of Hierarchy]

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value calculated by using inputs that are directly or indirectly observable for assets or liabilities, other than quoted prices included within Level 1

Level 3: Fair value calculated by using the valuation technique including inputs that are unobservable

The Rakuten Group recognizes transfers between each level in hierarchy at the end of the quarter in which the events causing the transfers occur.

Classification by level of assets and liabilities based on fair value in the Consolidated Statement of Financial Position

As of December 31, 2022

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	487	923	—	1,410
Investment securities for banking business	131,763	35,533	177,582	344,878
Investment securities for insurance business	130,414	101,960	37,493	269,867
Investment securities	57,395	18,707	84,163	160,265
Other financial assets	—	—	8,210	8,210
Derivative assets/liabilities	—	145,379	—	145,379

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2022.

As of December 31, 2023

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	118	706	—	824
Investment securities for banking business	133,025	47,089	310,689	490,803
Investment securities for insurance business	123,561	98,912	36,666	259,139
Investment securities	72,135	24,966	84,299	181,400
Other financial assets	—	—	418	418
Derivative assets/liabilities	—	204,064	1,783	205,847

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2023.

Classification by level of assets and liabilities not based on fair value in the Consolidated Statement of Financial Position

As of December 31, 2022

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Loans for credit card business	—	—	2,830,831	2,830,831
Investment securities for banking business	509,370	49,261	—	558,631
Loans for banking business	—	—	3,510,057	3,510,057
Deposits for banking business	—	8,419,133	—	8,419,133
Bonds and borrowings	—	1,771,320	—	1,771,320
Bonds and borrowings for credit card business	—	815,860	—	815,860
Other financial liabilities	—	1,172,661	—	1,172,661

As of December 31, 2023

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Loans for credit card business	—	—	3,073,526	3,073,526
Investment securities for banking business	681,843	27,250	—	709,093
Loans for banking business	—	—	3,886,668	3,886,668
Deposits for banking business	—	9,732,876	—	9,732,876
Bonds and borrowings	—	1,653,549	—	1,653,549
Bonds and borrowings for credit card business	—	603,350	—	603,350
Other financial liabilities	—	1,249,482	—	1,249,482

(3) Reconciliation of Level 3 of the Hierarchy

The following reconciliation table indicates changes in the balances, from the beginning to the end of each year, of the financial instruments classified as Level 3, with one or more significant inputs not supported by observable market data.

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

	Investment securities for banking business	Investment securities for insurance business	Investment securities	Other financial assets	Derivative assets/ (liabilities)	Total
January 1, 2022	159,051	42,661	96,682	5,343	—	303,737
Gains or losses						
Net income (loss) (Note 1)	—	251	2,404	676	—	3,331
Other comprehensive income (Note 2)	(188)	(3,931)	(72)	—	—	(4,191)
Acquisition	408,221	3,381	3,511	2,058	—	417,171
Disposal	—	(296)	(6,147)	—	—	(6,443)
Redemption	(389,134)	(8,914)	(1,433)	—	—	(399,481)
Others	(368)	4,341	5,595	133	—	9,701
Transfer to Level 3	—	—	—	—	—	—
Transfer from Level 3 (Note 3)	—	—	(16,377)	—	—	(16,377)
December 31, 2022	177,582	37,493	84,163	8,210	—	307,448

Total gains or losses recognized in net income (loss) on financial instruments held as of December 31, 2022 (Note 1)	—	251	2,509	676	—	3,436

(Notes)

1. Gains or losses recognized in net income are included in "Revenue", "Other income", "Other expenses", "Financial income", and "Financial expenses".
2. Gains or losses recognized in other comprehensive income are included in "Changes in equity instruments measured at fair value through other comprehensive income" and "Changes in debt instruments measured at fair value through other comprehensive income".
3. For "Investment securities", the transfer resulted from the listing of an investee as quoted share prices are now available.

The fair value of unlisted shares classified in Level 3 is estimated based on the transaction comparison method. Other valuation methods and inputs are as follows:

Valuation method	Significant unobservable inputs	Range of unobservable inputs
Discounted cash flow method	Discount rate	13.0% - 15.0%

With regard to unobservable inputs, the rise in discount rate correlates with the decrease in fair value of shares.

For the fiscal year ended December 31, 2023 (January 1 to December 31, 2023)

(Millions of Yen)

	Investment securities for banking business	Investment securities for insurance business	Investment securities	Other financial assets	Derivative assets/ (liabilities)	Total
January 1, 2023	177,582	37,493	84,163	8,210	—	307,448
Gains or losses						
Net income (loss) (Note 1)	(18)	(97)	(5,565)	1,304	(62)	(4,438)
Other comprehensive income (Note 2)	260	491	73	—	—	824
Acquisition	641,975	1,970	2,732	64	—	646,741
Disposal	—	(3,247)	(3,123)	(6,517)	—	(12,887)
Redemption	(511,035)	(1,465)	—	—	—	(512,500)
Others	1,925	1,521	6,076	(2,643)	1,845	8,724
Transfer to Level 3	—	—	—	—	—	—
Transfer from Level 3 (Note 3)	—	—	(57)	—	—	(57)
December 31, 2023	310,689	36,666	84,299	418	1,783	433,855

Total gains or losses recognized in net income (loss) on financial instruments held as of December 31, 2023 (Note 1)	(18)	(97)	(6,039)	296	(62)	(5,920)

(Notes)

1. Gains or losses recognized in net income are included in "Revenue", "Other income", "Other expenses", "Financial income", and "Financial expenses".
2. Gains or losses recognized in other comprehensive income are included in "Changes in equity instruments measured at fair value through other comprehensive income" and "Changes in debt instruments measured at fair value through other comprehensive income".
3. For "Investment securities", the transfer resulted from the listing of an investee as quoted share prices are now available.

The fair value of unlisted shares classified in Level 3 is estimated based on the transaction comparison method. Other valuation methods and inputs are as follows:

Valuation method	Significant unobservable inputs	Range of unobservable inputs
Discounted cash flow method	Discount rate	13.0% - 15.0%

With regard to unobservable inputs, the rise in discount rate correlates with the decrease in fair value of shares.

The fair values of unlisted shares, etc. are measured in accordance with rules specified by the administrative department independent of the sales department. In measuring fair value, the Group Companies use different valuation models that most appropriately reflects the nature, characteristics, and risks of each asset. The reasons for the use of certain valuation models and fair value measurement processes are reported to the department in charge of risk management to ensure the utilization of appropriate fair value measurement policies and procedures.

The fair values of investment securities for banking business are measured by the Risk Management Department in accordance with the official standard of market value calculation. Prices presented by transacting financial institutions and others are categorized by the type of investment securities. To validate the consistency of changes in these prices, movements in key data that may have an impact on changes in the market value of these categories of investment securities are carefully monitored. Validation results are reported to the Risk Management Committee, Management Meetings, and the Board of Directors on a monthly basis.

Operation and management of investment securities for insurance business are conducted in accordance with "Authorization Matrix Table" and "Regulation for Risk Management concerning Investment of Assets". The major shares are held to enhance relationships with our business partners. To validate the consistency of changes in these prices, the market environment of their business and their financial conditions are monitored.

For investment securities for banking business, investment securities for insurance business, investment securities, and derivative assets and derivative liabilities which are classified as Level 3, if each input were to be changed to reasonable alternative assumptions, any resulting changes in fair value are not expected to be significant. Additionally, for other financial assets classified as Level 3, significant changes in fair value are not anticipated if each input were to be changed to reasonable alternative assumptions.

49. Offsetting of Financial Assets and Financial Liabilities

The Group Companies' gross amount before the offsetting of recognized financial assets and financial liabilities that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, the offset amount and the net balance after offsetting are as follows. Additionally, the potential effect of offsetting legally enforceable master netting arrangements or similar agreements relating to recognized financial assets or financial liabilities are disclosed for amounts that are not presented on a net basis.

As of December 31, 2022

(Financial assets that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the Consolidated Statement of Financial Position	Net amount of financial assets presented in the Consolidated Statement of Financial Position
Derivative assets	Derivatives	106,494	(16,126)	90,368
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	701,632	—	701,632
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	1,036,793	(471,064)	565,729
Other financial assets	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	574,603	(46,336)	528,267

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral received	
Derivatives	90,368	(18,022)	(32,865)	39,481
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	701,632	(698,542)	—	3,090
Accounts receivable, etc. relating to investment securities and other transactions, etc.	565,729	(565,729)	—	—
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	528,267	(521,768)	—	6,499

(Financial liabilities that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the Consolidated Statement of Financial Position	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position
Derivative liabilities	Derivatives	50,856	(16,126)	34,730
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	883,104	—	883,104
	Accounts payable, etc. relating to investment securities and other transactions, etc.	2,399,010	(471,064)	1,927,946
Other financial liabilities	Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	208,082	(46,336)	161,746

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	34,730	(18,022)	(11,796)	4,912
Repurchase agreements, investment securities lending agreements and similar agreements	883,104	(878,979)	—	4,125
Accounts payable, etc. relating to investment securities and other transactions, etc.	1,927,946	(638,451)	(12,947)	1,276,548
Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	161,746	(102,187)	—	59,559

As of December 31, 2023
(Financial assets that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the Consolidated Statement of Financial Position	Net amount of financial assets presented in the Consolidated Statement of Financial Position
Derivative assets	Derivatives	67,715	(6,870)	60,845
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	832,833	—	832,833
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	1,716,205	(796,660)	919,545
Other financial assets	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	587,475	(53,230)	534,245

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral received	
Derivatives	60,845	(9,816)	(32,631)	18,398
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	832,833	(829,609)	—	3,224
Accounts receivable, etc. relating to investment securities and other transactions, etc.	919,545	(919,545)	—	—
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	534,245	(527,587)	—	6,658

(Financial liabilities that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the Consolidated Statement of Financial Position	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position
Derivative liabilities	Derivatives	34,567	(6,870)	27,697
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	905,547	—	905,547
	Accounts payable, etc. relating to investment securities and other transactions, etc.	3,327,404	(796,660)	2,530,744
Other financial liabilities	Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable	216,020	(53,230)	162,790

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	27,697	(9,816)	(14,789)	3,092
Repurchase agreements, investment securities lending agreements and similar agreements	905,547	(903,430)	—	2,117
Accounts payable, etc. relating to investment securities and other transactions, etc.	2,530,744	(1,093,928)	(9,647)	1,427,169
Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	162,790	(94,904)	—	67,886

The right to offset financial assets and liabilities subject to legally enforceable master netting agreements or other similar agreements that are not presented on a net basis after offsetting in the statement of financial position becomes enforceable and affects the realization or settlement of individual financial assets and liabilities only following a default or other specified circumstances not expected to arise in the normal course of business.

50. Financial Risk Management

The objective of the Rakuten Group's investment activities is to protect the principal and ensure the efficient use of funds by fully taking into account various risks including credit risk, market risk and liquidity risk. In addition, in view of factors such as the current economic environment, the Rakuten Group's fund-raising activities are based on the best conceivable choice of the alternative options among direct as well as indirect financing methods.

In the securities business, the Rakuten Group focuses on the brokerage and intermediary services of financial instruments including stocks for individual customers, and under the Financial Instruments and Exchange Act invest the deposits and guarantee deposits received from customers that have been segregated in trusts for customers for separate management. When utilizing funds, importance is placed on the safety of investments, such as bank deposits and financial assets with high liquidity, while fund-raising is conducted mainly by borrowing from financial institutions.

In the credit card business (including the comprehensive credit purchase intermediation business, individual credit purchase intermediation business, credit guarantee business and loan business), the Rakuten Group restricts its investment of funds to short-term deposits. Meanwhile, funding is obtained through borrowings from banks and other financial institutions and through direct financing by issuance of commercial papers, issuance of corporate bonds and securitization of receivables.

In the banking business, the Rakuten Group primarily focuses on deposit-taking, lending and exchange business, and mainly offer ordinary deposits, time deposits and foreign currency deposits. In addition, using such financial liabilities as major resources, the Rakuten Group mainly provides guaranteed unsecured card loans, residential mortgages and business loans, as well as engaging in investment activities through investment securities, monetary claims purchased, monetary trusts and call loans, along with derivative transactions and foreign exchange transactions associated with the sales of financial instruments to customers. In asset management, the Rakuten Group is always aware of the significance of a bank's social responsibility and public mission, which strictly restrains it from entering into investment transactions beyond its management capacity in the undue pursuit of profit, and emphasis is placed on investing deposits entrusted by customers with full consideration of safety. Furthermore, to ensure an optimum asset and liability structure along with appropriate capital adequacy over the entire financial operations from funding to investment, the Rakuten Group engages in Asset and Liability Management (ALM) focused on interest rate sensitivity, funding liquidity and market liquidity.

In the insurance business, the Rakuten Group considers ensuring safety and profitability as their priority mission in asset management, in order to honor their commitment to the reliable payment of insurance claims and benefits over the years to come. Their policy in asset management is to invest mainly in public bonds seeking to disperse risks with an aim to receive consistent investment yields over the medium to long-term, in an effort to develop a safety-first liquidity and profitability-oriented sound investment portfolio.

Under the corporate policy, derivative transactions are handled responsibly, never to be entered into as speculative instruments.

(1) Credit Risk

1) Outline of credit risk associated with financial instruments

Financial assets held by the Rakuten Group mainly comprise accounts receivable — trade, financial assets for securities business, loans for credit card business, investment securities for banking business, loans for banking business, investment securities for insurance business and investment securities.

Accounts receivable — trade mainly include accounts receivable relating to sales revenue from individual customers of the internet service business, merchants, hotels and other clients, and are exposed to the credit risk of these clients.

Financial assets for securities business include cash segregated as deposits for securities business and margin transaction assets. Cash segregated as deposits for securities business are primarily trust segregated for customer's money, which are invested in bank deposits, thus exposed to the credit risk of the deposit-taking financial institutions. Margin transaction assets are exposed to customers' credit risk.

Loans for credit card business include credit card receivables, loan receivables, consumer loans and secured loans held by the subsidiaries engaged in the credit card business. These are exposed to credit risk associated with respective debtors.

Investment securities for banking business mainly include securities in domestic bonds and foreign bonds, as well as trust beneficiary rights. Such securities are exposed to credit risk of the issuers as well as underlying assets.

Loans for banking business include unsecured card loans, residential mortgages, real estate mortgages and business loans for individual customers, which are exposed to credit risk of customers.

Investment securities for insurance business include government bonds, municipal bonds and corporate bonds, and are exposed to credit risk related to the financial position of issuers.

Investment securities include debt instruments, etc., which are exposed to credit risk of issuers.

These financial assets are well diversified both in terms of the investees' types of business and their geographical locations, avoiding particular concentration of credit risk.

2) Management system of credit risks associated with financial instruments

Specific methods and systems to manage various risks within the Rakuten Group are set out under risk management regulations established at each group company. Additionally, with regard to financial assets for securities business and loans for banking business, the Rakuten Group engages in activities to reasonably mitigate the credit risk through collateral and debt guarantees.

Credit risks are managed under the group management regulations, through establishing individual credit limits, understanding the credit status of individual customers, and controlling due dates and loan balances on a regular basis, while efforts are made on early detection and mitigation of the risk of default resulting from deterioration of borrowers' financial conditions and other factors. In addition to the customers' financial information obtained through the course of such credit administration, expected credit loss is recognized and measured by considering macroeconomic factors such as the unemployment rate and the number of corporate bankruptcy cases.

With regard to financial assets for securities business and loans for credit card business and banking business, as a general rule, if the repayment or the settlement of the financial assets becomes more than 30 days overdue, the credit risk of the financial instrument is determined to have significantly increased since initial recognition.

With regard to investment securities which are considered to be debt instruments within the investment securities for banking business, the investment securities for insurance business, and investment securities, if the financial instrument, which had been investment grade at initial recognition, is downgraded to below investment grade, the credit risk of the financial instrument is determined to have significantly increased. Additionally, upon referencing third-party ratings, if the credit risk as of the reporting date is deemed to be small, the credit risk of such financial instrument is presumed not to have significantly increased. Ratings information provided by major rating organizations is used for the determination of credit risk.

With regard to these financial assets, as a general rule, if the repayment or the settlement becomes more than 90 days overdue, the contractual conditions have been modified, or recovery has been deemed to be extremely difficult, it is determined that a default has occurred.

Derivative transactions are managed under hedge transaction management rules. While credit risk is deemed to be minimal because the counterparties are mainly financial institutions with high credit ratings, the derivative transactions are exposed to the risk of financial loss resulting from the counterparty's contractual default.

3) Change analysis of allowance for doubtful accounts

As of December 31, 2022

(Millions of Yen)

	12-months expected credit losses	Lifetime expected credit loss			Total
		Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Financial assets with allowance for doubtful accounts always measured at an amount equal to lifetime expected credit losses	
January 1, 2022	18,967	5,789	79,374	8,500	112,630
Increase for the period (provision)	1,279	4,706	36,183	1,363	43,531
Decrease for the period (intended use)	(42)	(309)	(40,170)	(2,066)	(42,587)
Decrease for the period (reversal)	(2,674)	(26)	(4,619)	(32)	(7,351)
Reclassification for the period	113	(4,046)	3,933	—	—
Other changes for the period	(4)	0	1,116	(215)	897
December 31, 2022	17,639	6,114	75,817	7,550	107,120

(Note)

The above table includes the allowances for doubtful accounts on debt instruments measured at FVTOCI. Such allowance for doubtful accounts is recognized in net income or loss and deducted from losses in other comprehensive income.

As of December 31, 2023

(Millions of Yen)

	12-months expected credit losses	Lifetime expected credit loss			Total
		Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Financial assets with allowance for doubtful accounts always measured at an amount equal to lifetime expected credit losses	
January 1, 2023	17,639	6,114	75,817	7,550	107,120
Increase for the period (provision)	1,075	4,577	32,125	1,176	38,953
Decrease for the period (intended use)	(5)	(278)	(34,620)	(1,547)	(36,450)
Decrease for the period (reversal)	(7,088)	(24)	(3,674)	(59)	(10,845)
Reclassification for the period	238	(3,795)	3,557	—	—
Other changes for the period	(5)	3	30	806	834
December 31, 2023	11,854	6,597	73,235	7,926	99,612

(Note)
The above table includes the allowances for doubtful accounts on debt instruments measured at FVTOCI. Allowance for doubtful accounts is recognized in net income or loss and deducted from losses in other comprehensive income.

4) Exposure to credit risks

The Rakuten Group's maximum exposure to credit risk is as follows:

The maximum credit risk exposure represents the maximum exposure to credit risk without taking into account the collateral held and any other credit enhancement.

The maximum exposure to credit risk associated with financial assets stated as on-balance sheet items recognized in the Statement of Financial Position in the following table, are the same as their carrying amounts. The maximum exposure to credit risk associated with commitment line agreements stated as off-balance sheet items in the following table, is the unused portion of such commitment lines. Meanwhile, the maximum exposure to credit risk associated with financial guarantee agreements is the maximum amount payable in the event that exercise of the guarantee is requested.

Exposure to credit risks of trade receivables, etc.

As of December 31, 2022

(Millions of Yen)

	Classification by creditworthiness		Total	Allowance for doubtful accounts	Maximum credit risk exposure
	Financial assets not impaired	Financial assets impaired			
On-balance sheet Items:					
Accounts receivable - trade (Note)	358,236	14,570	372,806	(8,620)	364,186
Other financial assets (Note)	256,733	8,183	264,916	(5,162)	259,754
Total:	614,969	22,753	637,722	(13,782)	623,940

(Note)
As they do not contain a significant financing component and thus allowance for doubtful accounts are always based on amounts equal to lifetime expected credit loss, there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place.

As of December 31, 2023

(Millions of Yen)

	Classification by creditworthiness		Total	Allowance for doubtful accounts	Maximum credit risk exposure
	Financial assets not impaired	Financial assets impaired			
On-balance sheet Items:					
Accounts receivable - trade (Note)	374,780	12,525	387,305	(9,313)	377,992
Other financial assets (Note)	203,626	3,747	207,373	(5,158)	202,215
Total:	578,406	16,272	594,678	(14,471)	580,207

(Note)
As they do not contain a significant financing component and thus allowance for doubtful accounts are always based on amounts equal to lifetime expected credit loss, there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place.

Exposure to credit risks of receivables other than trade receivables, etc.
As of December 31, 2022

(Millions of Yen)

	Classification by creditworthiness			Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired			
On-balance sheet Items:						
Cash and cash equivalents	4,694,360	—	—	4,694,360	—	4,694,360
Financial assets for securities business	3,429,180	23	1,919	3,431,122	(1,756)	3,429,366
Loans for credit card business	2,724,631	15,167	118,968	2,858,766	(82,722)	2,776,044
Investment securities for banking business	915,710	—	—	915,710	—	915,710
Loans for banking business	3,511,596	786	3,915	3,516,297	(8,738)	3,507,559
Investment securities for insurance business	100,141	—	—	100,141	—	100,141
Investment securities	806	—	—	806	—	806
Other financial assets	875,203	1	1,074	876,278	(36)	876,242
Total of On-balance sheet items:	16,251,627	15,977	125,876	16,393,480	(93,252)	16,300,228
Off-balance sheet items:						
Commitment lines	—	—	—	—	—	5,276,582
Financial guarantee agreements	—	—	—	—	—	12,709
Total of Off-balance sheet items:	—	—	—	—	—	5,289,291
Total	16,251,627	15,977	125,876	16,393,480	(93,252)	21,589,519

(Note)
Expected credit losses for doubtful accounts of debt instruments measured at FVTOCI are not included.

*1 With regard to credit-impaired financial assets, the allowance for doubtful accounts has been reduced by ¥3,002 million in the previous fiscal year as a result of collateral and other credit enhancements.

*2 Regarding the financial assets with terms and conditions modified when customers or clients request modification of payment due dates of financial assets, the Rakuten Group may change the repayment contract terms and modify the initial contractual cash flows so as to facilitate the recovery of the financial assets. In the previous fiscal year, with regard to the financial assets whose allowance for doubtful accounts were based on an amount equivalent to estimated credit loss over the entire period, the amortized cost of the financial asset prior to the modification and net losses recognized as a result of the contractual cash flow modification were ¥31,407 million and ¥7,723 million, respectively.

As of December 31, 2023

(Millions of Yen)

	Classification by creditworthiness			Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired			
On-balance sheet Items:						
Cash and cash equivalents	5,127,661	—	13	5,127,674	—	5,127,674
Financial assets for securities business	4,127,183	24	1,860	4,129,067	(1,646)	4,127,421
Loans for credit card business	2,952,573	16,574	126,423	3,095,570	(76,309)	3,019,261
Investment securities for banking business	1,204,828	—	—	1,204,828	(2)	1,204,826
Loans for banking business	3,887,608	977	5,323	3,893,908	(7,020)	3,886,888
Investment securities for insurance business	90,504	—	—	90,504	—	90,504
Investment securities	807	—	—	807	—	807
Other financial assets	992,598	29	1,542	994,169	(11)	994,158
Total of On-balance sheet items:	18,383,762	17,604	135,161	18,536,527	(84,988)	18,451,539
Off-balance sheet items:						
Commitment lines	—	—	—	—	—	5,581,062
Financial guarantee agreements	—	—	—	—	—	10,876
Total of Off-balance sheet items:	—	—	—	—	—	5,591,938
Total	18,383,762	17,604	135,161	18,536,527	(84,988)	24,043,477

(Note)
Expected credit losses for doubtful accounts of debt instruments measured at FVTOCI are not included.

*1 With regard to credit-impaired financial assets, the allowance for doubtful accounts has been reduced by ¥3,327 million in the current fiscal year as a result of collateral and other credit enhancements.

*2 Regarding the financial assets which terms and conditions are modified when customers or clients request modification of payment due dates of financial assets, the Rakuten Group may change the repayment contract terms and modify the initial contractual cash flows so as to facilitate the recovery of the financial assets. In the current fiscal year, with regard to the financial assets with allowance for doubtful accounts based on an amount equivalent to estimated credit loss over the entire period, the amortized cost of the financial asset prior to the modification and net losses recognized as a result of the contractual cash flow modification were ¥32,567 million and ¥8,248 million, respectively.

5) Past due information of financial assets

Aging analysis of past due financial assets is as follows:

In the following aging analysis, amounts of financial assets, for which payment has been delayed or payment has not been made since the contractual due dates, are classified according to the length of the overdue period from the respective due dates for each fiscal year.

Past due information of trade receivables, etc.
As of December 31, 2022

(Millions of Yen)

	Three months or less	Over three months to one year	Over one year
Accounts receivable - trade	23,704	4,869	9,701
Other financial assets	635	4,825	3,358
Total	24,339	9,694	13,059

As of December 31, 2023

(Millions of Yen)

	Three months or less	Over three months to one year	Over one year
Accounts receivable - trade	22,440	3,347	9,179
Other financial assets	1,320	89	3,657
Total	23,760	3,436	12,836

Past due information of those other than trade receivables, etc.
As of December 31, 2022

(Millions of Yen)

	30 days or less	Over 30 days to 90 days	Over 90 days
Financial assets for securities business	47	23	1,919
Loans for credit card business	173,375	19,697	34,841
Investment securities for banking business	—	—	—
Loans for banking business	8,232	786	3,864
Other financial assets	—	22	48
Total	181,654	20,528	40,672

As of December 31, 2023

(Millions of Yen)

	30 days or less	Over 30 days to 90 days	Over 90 days
Financial assets for securities business	60	24	1,860
Loans for credit card business	185,930	20,789	38,906
Investment securities for banking business	—	—	—
Loans for banking business	3,024	977	5,325
Other financial assets	—	407	40
Total	189,014	22,197	46,131

(2) Liquidity Risk

1) Outline of liquidity risk associated with financial instruments

Within financial liabilities held by the Rakuten Group, bonds and borrowings, borrowings for securities business, bonds and borrowings for credit card business, borrowings for banking business, and deposits for banking business are mainly exposed to liquidity risks. Bonds and borrowings, borrowings for securities business, bonds and borrowings for credit card business, and borrowings for banking business are exposed to the risk of deteriorating funding conditions as a result of changes in the creditworthiness of the Rakuten Group against the transacting financial institutions and changes in the market environment.

In addition, certain borrowings of the Rakuten Group require compliance with covenants clauses such as maintaining equity and earnings.

2) Management of liquidity risk associated with financial instruments

Methods to control liquidity risk associated with funding include a cash management plan to ensure adequate liquidity on hand in accordance with regulations established by each group company.

3) Analysis of maturity of financial liabilities

The balances by maturity of financial liabilities (including derivatives) are as follows:

As of December 31, 2022

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable - trade	450,562	—	—	—	—	—
Deposits for banking business (Note 1)	8,297,562	10,444	4,403	1,705	2,865	1,618
Financial liabilities for securities business	3,494,467	—	—	—	—	—
Bonds and borrowings	507,190	407,046	341,776	147,802	69,175	311,825
Borrowings for securities business	139,473	18,646	—	—	—	—
Bonds and borrowings for credit card business	461,058	160,246	81,555	48,541	56,011	16,835
Borrowings for banking business	4,291	87,800	265,800	1,823,800	—	—
Lease liabilities	63,358	64,347	59,552	52,063	45,919	156,219
Other financial liabilities excluding lease liabilities (Note 2)	883,420	133,737	108,319	56,449	6,939	1,027
Derivative liabilities	31,160	3,358	(117)	(64)	7,688	—
Off-balance sheet items						
Commitment lines	5,276,582	—	—	—	—	—
Financial guarantee agreements	12,709	—	—	—	—	—

(Note)

1. Financial liabilities payable on demand are classified as "One year or less". "Deposits for banking business" include ¥7,748,834 million of demand deposits.
2. Reinsurance contract liabilities of ¥8,518 million are excluded.

As of December 31, 2023

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable - trade	419,880	—	—	—	—	—
Deposits for banking business (Note 1)	9,579,042	9,291	4,153	2,497	2,773	1,775
Financial liabilities for securities business	4,236,517	—	—	—	—	—
Bonds and borrowings	509,246	598,218	154,166	76,002	42,866	274,410
Borrowings for securities business	107,037	—	—	—	—	—
Bonds and borrowings for credit card business	315,971	122,410	78,157	67,594	16,534	11,345
Borrowings for banking business	13,148	—	1,210,200	1,223,400	—	—
Lease liabilities	58,903	65,079	53,482	49,261	46,546	140,461
Other financial liabilities excluding lease liabilities (Note 2)	968,970	215,591	60,833	7,604	1,143	6,975
Derivative liabilities	23,815	2,097	(12)	2,379	(3)	—
Off-balance sheet items						
Commitment lines	5,581,062	—	—	—	—	—
Financial guarantee agreements	10,876	—	—	—	—	—

(Note)

1. Financial liabilities payable on demand are classified as "One year or less". "Deposits for banking business" include ¥8,811,693 million of demand deposits.
2. Reinsurance contract liabilities of ¥6,992 million are excluded.

(3) Market Risk

1) Outline of market risk associated with financial instruments

The Rakuten Group's activities are exposed mainly to risks associated with changes in the economic environment and the financial market environment. Risks associated with changes in the financial market environment are specifically, exchange rate risk, interest rate risk and price fluctuation risk.

Financial assets held by the Rakuten Group exposed to market risks are mainly financial assets for securities business, investment securities for banking business, investment securities for insurance business, and investment securities.

Financial assets for securities business include foreign exchange margin transactions in the securities business. However, the exposure to exchange rate risk is minimal, in principle, as the Rakuten Group enters into cover deals with counterparties to mitigate market risks associated with these transactions with customers.

Investment securities for banking business mainly include securities in domestic bonds and foreign bonds, as well as trust beneficiary rights. Such securities are exposed to interest rate risk and exchange rate risk. Exchange rate risks of foreign bonds are hedged by entering into corresponding currency swap transaction. Furthermore, exposure to price fluctuation risk is minimal, as listed shares are not included.

Investment securities for insurance business mainly include government bonds, municipal bonds, corporate bonds, shares and investment trust funds, which are exposed to exchange rate risk, interest rate risk, and price fluctuation risk.

Investment securities include shares that are exposed to price fluctuation risk.

Within the financial liabilities held by the Rakuten Group, those exposed to market risks are mainly bonds and borrowings and banking business-related liabilities, which are exposed primarily to interest rate risk and exchange rate risk. Risks of bonds and borrowings are hedged by entering into corresponding interest rate swap transactions and currency swap transactions. Banking business-related liabilities include ordinary deposits, general time deposits and new types of time deposits for individual and corporate customers, as well as foreign currency ordinary deposits and foreign currency time deposits. Although new types of time deposits are exposed to interest rate risk, such risk is hedged by entering into corresponding interest rate swap transactions. Although foreign currency ordinary deposits and foreign currency time deposits are exposed to exchange rate risk, such risk is hedged by entering into corresponding forward exchange contracts.

2) Control system of market risks associated with financial instruments

To control market risks, investment securities are subject to investment decisions based on discussion upon the Board of Directors, and it is ensured that such investment securities are appropriately evaluated according to internal regulations. With regard to foreign currency-denominated financial instruments, exchange markets are continuously monitored and the Rakuten Group's own positions are regulated by establishing position limits and maximum allowable losses for the prevention of any loss in excess of certain levels.

With regard to financial assets and liabilities held by certain subsidiaries engaged in the banking business, such financial assets and liabilities are based on fair value assuming certain fluctuations in interest rates and exchange rates, and the effects on the net balance after offsetting such financial assets and liabilities (hereinafter referred to as the "present value") are used in a quantitative analysis to manage interest rate risk and exchange rate risk.

Market risk exposure associated with the financial assets held by certain subsidiaries of the Group operating insurance business is measured and managed through stress testing assuming market fluctuations beyond normal volatility, and reported periodically to the Board of Directors through the Risk Management Committee.

3) Interest rate risk (excluding the subsidiaries engaged in banking business)

The Rakuten Group's main financial liabilities are borrowings from financial institutions, of which borrowings at floating interest rates are exposed to interest rate risk.

Exposures associated with the Rakuten Group's financial liabilities are as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Bonds and borrowings	1,760,781	1,637,980
Floating interest rate	344,989	177,726
Fixed interest rate	1,415,792	1,460,254
Borrowings for securities business	157,542	106,578
Floating interest rate	18,542	18,578
Fixed interest rate	139,000	88,000
Bonds and borrowings for credit card business	812,738	603,869
Floating interest rate	165,774	196,155
Fixed interest rate	646,964	407,714

In respect of the above exposures, given all the risk variables remaining constant, except for interest rate risk, if all the key interest rates increased or decreased by 10 basis points (0.1%) for the years ended December 31, 2022 and 2023, loss (income) would be impacted as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Income before income tax		
In the event an increase of 0.1%	(529)	(392)
In the event a decrease of 0.1%	529	392

(Note)

Within bonds and borrowings with floating interest rates for credit card business, the Rakuten Group has implemented interest rate swap transactions to reduce interest rate fluctuation risk, and the balances of bonds and borrowings subject to the interest rate swap were ¥139,810 million and ¥119,765 million as of December 31, 2022 and 2023, respectively.

4) Price fluctuation risk

Of the equity instruments held by the Rakuten Group, marketable equity instruments are exposed to share price fluctuation risk. The Rakuten Group regularly checks the market prices of their equity instruments and financial conditions of their issuers.

The Rakuten Group carried out a sensitivity analysis as follows, based on the price risk of equity instruments at the end of the year.

The impact on income (loss) and equity (before tax effect) for the years ended December 31, 2022 and 2023 in the event of a 5% rise or fall in share prices due to changes in fair value, excluding Lyft, Inc. shares, are as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Income before income tax		
In the event a 5% rise	242	26
In the event a 5% fall	(242)	(26)
Accumulated other comprehensive income (before tax effect)		
In the event a 5% rise	199	262
In the event a 5% fall	(199)	(262)

The Company has concluded a derivative contract related to Lyft, Inc. shares in accordance with the Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc. The fair value of this derivative transaction is impacted by the share price of Lyft, Inc. shares. Given all other variables remaining constant, in the event of a 10% rise or fall in the share price of Lyft, Inc. shares, the impact on income (loss) is as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Income before income tax		
In the event a 10% rise	(3,795)	(5,486)
In the event a 10% fall	3,792	5,513

As for the fair value of Lyft, Inc. shares, in the event of a 10% rise or fall in the share price, the impact on income (loss) is as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Income before income tax		
In the event a 10% rise	4,528	6,598
In the event a 10% fall	(4,569)	(6,642)

(Note)
For details of the transactions, please refer to Note 28. Other Financial Liabilities.

5) Management of market risks for subsidiaries engaged in banking business

(Management of Interest Rate Risk)

At the Rakuten Group's certain subsidiaries engaged in the banking business, financial assets exposed to interest rate risk, which is a significant risk variable, are mainly investment securities for banking business and loans for banking business. Financial liabilities exposed to the impact of interest rate risk include ordinary deposits, general time deposits and new types of time deposits for individual and corporate customers, as well as foreign currency ordinary deposits, foreign currency time deposits and interest rate swap transactions as part of derivative transactions.

For these subsidiaries, the effect of present value of these financial assets and liabilities, given certain fluctuations in interest rates, is used in quantitative analysis as part of the process to manage interest rate risk.

In calculating the effect of present value, the corresponding financial assets and financial liabilities are classified into a fixed rate group and a floating rate group, and then the balance of each group is allocated to an appropriate period based on due date of interest paid with a fluctuation range of the interest rate for the period. Specifically, given all the other risk variables remaining constant, except for the interest rate risk, when all the key interest rates increase or decrease by 10 basis points (0.1%) for the years ended December 31, 2022 and 2023, the impact on present value is as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Income before income tax		
In the event a 0.1% increase	4,679	4,394
In the event a 0.1% decrease	(4,679)	(4,394)

(Note)
These effects do not take into account correlations between interest rates and other risk variables, further foreign currency-denominated assets and liabilities are calculated in Japanese yen as translated by the exchange rates on December 31, 2022 and 2023. Additionally, the effects of a 10 basis point decline leading to negative interest rates in certain periods have not been excluded.

6) Management of market risks for subsidiaries engaged in insurance business

(Management of Market Risk)

At the Rakuten Group's subsidiaries engaged in the insurance business, financial assets exposed to exchange rate risk, interest rate risk and price fluctuation risk are mainly the investment securities for the insurance business. To manage these market risks, these subsidiaries engage in measurement and management of total risk exposure through stress testing, along with monitoring of the balance as well as unrealized gains/losses of the assets under management.

Such stress testing involves estimation of the risk exposure assuming market fluctuations beyond normal volatility.

51. Capital Management

The Group Companies' capital structure is as follows:

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Total liabilities	19,553,570	21,537,853
Less: Cash and cash equivalents	4,694,360	5,127,674
Net liabilities	14,859,210	16,410,179
Total equity	848,711	1,087,723

Certain subsidiaries of the Group Companies are required to maintain their capital-to-risk ratio and net assets, etc. above a certain level in accordance with the Japanese Financial Instruments and Exchange Act and other laws and regulations of a similar nature in foreign jurisdictions. Please refer to the chart below for principal laws and regulations in each country and region applicable to the major subsidiaries.

Country/Region	Company name	Laws and regulations	Requirements
Japan	Rakuten Bank, Ltd.	Banking Law	Maintenance of minimum required equity ratio, etc.
	Rakuten Securities, Inc.	Financial Instruments and Exchange Act	Maintenance of minimum required capital-to-risk ratio, etc.
	Rakuten Life Insurance Co., Ltd.	Insurance Business Act	Maintenance of solvency margin ratio
	Rakuten General Insurance Co., Ltd.	Insurance Business Act	Maintenance of solvency margin ratio
Hong Kong	Rakuten Securities Hong Kong Limited	Securities and Futures Ordinance (Cap. 571)	Maintenance of minimum required capital, etc.
Europe	Rakuten Europe Bank S.A.	Capital Requirements Regulation (EU) No 575/2013	Maintenance of minimum required capital, etc.
Taiwan	Rakuten International Commercial Bank Co., Ltd.	Regulations Governing the Capital Adequacy and Capital Category of Banks	Maintenance of minimum required capital, etc.

Each subsidiary adequately meets the capital requirements under the laws and regulations of each country and region.

52. Major Subsidiaries

(1) Major Subsidiaries

Major subsidiaries of the Rakuten Group are as follows:

Name	Location	Capital	December 31, 2022		December 31, 2023	
			Voting rights ratio	Ownership ratio	Voting rights ratio	Ownership ratio
Internet Services Segment:						
Ebates Inc.	U.S.	0.1 U.S. dollar	100%	100%	100%	100%
Rakuten Kobo Inc.	Canada	973 million Canadian dollars	100%	100%	100%	100%
Viber Media S.a.r.l.	Luxembourg	217 thousand U.S. dollars	100%	100%	100%	100%
FinTech Segment:						
Rakuten Card Co., Ltd.	Tokyo	¥19,324 million	100%	100%	100%	100%
Rakuten Bank, Ltd. (Note)	Tokyo	¥32,616 million	100%	100%	49.27%	49.27%
Rakuten Securities, Inc.	Tokyo	¥19,496 million	80.01%	80.01%	51.00%	51.00%
Rakuten Payment, Inc.	Tokyo	¥100 million	100%	100%	97.61%	97.61%
Rakuten General Insurance Co., Ltd.	Tokyo	¥20,153 million	100%	100%	100%	100%
Rakuten Life Insurance Co., Ltd.	Tokyo	¥7,500 million	100%	100%	100%	100%
Mobile Segment:						
Rakuten Mobile, Inc.	Tokyo	¥100 million	100%	100%	100%	100%
Rakuten Energy, Inc.	Tokyo	¥31 million	100%	100%	100%	100%
Rakuten Symphony Singapore Pte. Ltd.	Singapore	353 million Singapore dollars	100%	100%	100%	100%

(Note)

The Rakuten Group does not own a majority of the voting rights in Rakuten Bank, Ltd., but the Rakuten Group owns 49.27% of the voting rights. Taking into consideration the dispersed ownership of the voting rights, the Rakuten Group has determined that the Rakuten Group effectively controls Rakuten Bank, Ltd. and considers it as a consolidated subsidiary.

(2) Changes in Ownership

Fiscal year ended December 31, 2022

The Rakuten Group sold some of their shares in Rakuten Securities, Inc. held by Rakuten Securities Holdings, Inc., one of the Company's consolidated subsidiaries, to Mizuho Securities Co., Ltd. during the three months ended December 31, 2022.

As a result, the Rakuten Group's voting rights ratio and ownership ratio in Rakuten Securities, Inc. changed from 100% to 80.01%. The Rakuten Group continues to control Rakuten Securities, Inc. after the sale.

A summary of the transaction with non-controlling interests is as follows:

(Millions of Yen)

	Amount
Consideration for the share sale	80,000
Increase in non-controlling interests	(31,686)
Changes in equity attributable to owners of the Company	
Increase in capital surplus	48,378
Decrease in foreign currency translation adjustments	(35)
Decrease in financial assets measured at FVTOCI	(53)
Increase in remeasurement of retirement benefit plan	24

Fiscal year ended December 31, 2023

1) Rakuten Bank, Ltd.,

Rakuten Bank, Ltd., a consolidated subsidiary of the Company, was listed on the Tokyo Stock Exchange Prime Market during the three months ended June 30, 2023. At the time of listing, Rakuten Bank, Ltd. issued new shares through a public offering and the Company sold a portion of Rakuten Bank, Ltd. shares owned by the Company.

Also, with regard to the offering through overallotment, Rakuten Bank, Ltd. issued new shares through a third-party allotment to Daiwa Securities Co. Ltd.

In addition, the Rakuten Group conducted the overseas secondary offering of Rakuten Bank, Ltd. shares owned by the Company during the three months ended December 31, 2023.

As a result, the Rakuten Group's voting rights ratio and ownership ratio in Rakuten Bank, Ltd. decreased from 100% to 49.27% as of December 31, 2023.

The Rakuten Group does not own a majority of the voting rights in Rakuten Bank, Ltd., but the Rakuten Group owns 49.27% of the voting rights. Taking into consideration the dispersed ownership of the voting rights, the Rakuten Group has determined that the Rakuten Group effectively controls Rakuten Bank, Ltd. and considers it as a consolidated subsidiary.

A summary of the transaction with non-controlling interests is as follows:

(Millions of Yen)

	Amount
Consideration for the share sale	145,718
Increase in non-controlling interests	(132,195)
Changes in equity attributable to owners of the Company	
Increase in capital surplus	7,090
Decrease in foreign currency translation adjustments	(2,099)
Increase in financial assets measured at FVTOCI	3,792
Decrease in cash flow hedge	(13)
Increase in remeasurement of retirement benefit plan	45

2) Rakuten Securities, Inc.

The Rakuten Group sold an additional amount, equivalent to 29.01% of the outstanding shares of Rakuten Securities, Inc. from common shares held by Rakuten Securities Holdings, Inc., one of the Company's consolidated subsidiaries, to Mizuho Securities Co., Ltd., during the three months ended December 31,2023.

As a result, the Rakuten Group's voting rights ratio and ownership ratio in Rakuten Securities, Inc. changed from 80.01% to 51.00%. The Rakuten Group continues to control Rakuten Securities, Inc. after the sale.

A summary of the transaction with non-controlling interests is as follows:

(Millions of Yen)

	Amount
Consideration for the share sale	87,002
Increase in non-controlling interests	(52,384)
Changes in equity attributable to owners of the Company	
Increase in capital surplus	24,202
Decrease in foreign currency translation adjustments	(249)
Decrease in financial assets measured at FVTOCI	(14)
Increase in remeasurement of retirement benefit plan	16

53. Structured Entities

(1) Consolidated Structured Entities

The Group Companies securitize receivables using trusts, conduct investments through investment funds, and consolidate such structured entities.

These trusts and investment funds, etc. for securitization and other funds are structured entities, which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these entities and it is determined that the Group Companies have control over these structured entities.

In accordance with the contractual arrangements with the structured entities, use of assets and settlement of liabilities of these consolidated structured entities are restricted to the purposes for which they are structured.

The carrying amounts of assets and liabilities of the consolidated structured entities are as follows:

Carrying amounts of assets and liabilities of the consolidated structured entities

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Cash and cash equivalents	3,159	4,383
Loans for credit card business	38,082	32,684
Investment securities	104,684	105,368
Investments in associates and joint ventures	9,692	—
Property, plant and equipment	30,968	45,103
Others (Note)	15,803	38,433
Total assets	202,388	225,971
Liabilities		
Bonds and borrowings	—	2,997
Bonds and borrowings for credit card business	24,531	24,429
Others	2,225	7,322
Total liabilities	26,756	34,748

(Note)
"Other financial assets" of ¥968 million recorded for the fiscal year ended December 31, 2022 are included as "Others" for the fiscal year ended December 31, 2023 due to a decrease in financial materiality.

(2) Unconsolidated Structured Entities

The Group Companies engage in investment activities involving structured entities as part of their fund management in the banking business and insurance business. These structured entities handle securitized products that are set up by third parties and collateralized assets including monetary claims such as auto loans, consumer loans and bonds, various real estates, derivatives, and other bonds. The Group Companies have interests in these structured entities through trust beneficiary interests, etc. The risks of these products are managed regularly on an individual basis under the group management regulations for the banking business and insurance business, for early recognition and mitigation of the risk of default resulting from deterioration of the debtors' financial conditions and other factors.

The Group Companies do not provide any guarantees or commitments to these structured entities. As a result, the maximum exposure to loss associated with the Group Companies' interests in these unconsolidated structured entities is limited to the carrying amount of the trust beneficiary interests, etc. held therein. The maximum exposure to loss represents the potential maximum loss the Group Companies could incur and does not reflect the likelihood of such a loss being incurred.

The following table shows the summary of the Group Companies' maximum exposure to loss from its interests in these structured entities by class of asset held therein.

Carrying amount of unconsolidated structured entities and maximum exposure to loss from interests in such entities

(Millions of Yen)

Consolidated Statement of Financial Position	Class of asset held by structured entities	As of December 31, 2022	As of December 31, 2023
Investment securities for banking business	Securitization products set up by third parties		
	Monetary claims for individual customers	84,128	145,638
	Lease receivables	37,740	52,788
	Public bonds	7,334	15,254
	Real estate	36,766	30,105
	Others	7,542	63,318
Loans for banking business	Securitization products set up by third parties		
	Monetary claims for individual customers	122,672	114,369
	Real estate	145,177	336,988
	Public bonds	534,241	537,248
Investment securities for insurance business	Securitization products set up by third parties		
	Monetary claims for individual customers	3,853	3,534
	Real estate	117,134	110,743
	Others	10,198	10,105
Other financial assets	Securitization products set up by third parties		
	Real estate	390	—
Total		1,107,175	1,420,090

54. Related Parties

Related party transactions and their corresponding outstanding balances of receivables and payables between the Group Companies the other related parties are as follows. Although the subsidiaries are related parties of the Company, such transactions and the corresponding outstanding balances with subsidiaries are not subject to disclosure as they are eliminated for the purpose of Consolidated Financial Statements.

(1) Related Party Transactions

(Millions of Yen)

	Fiscal Year ended December 31, 2022			Fiscal Year ended December 31, 2023		
	Associates	Executives	Total	Associates	Executives	Total
Revenue	5,272	—	5,272	7,383	—	7,383
Operating expenses	17,793	—	17,793	59,720	—	59,720
Accounts receivable - trade	998	—	998	980	—	980
Other financial assets (Note 1)	5,595	99	5,694	3,463	—	3,463
Investments in associates and joint ventures (Note 2)	5,742	—	5,742	1,750	—	1,750
Other assets	1,768	—	1,768	85	—	85
Accounts payable - trade	7,014	—	7,014	7,491	—	7,491
Deposits for banking business	2,855	580	3,435	2,999	1,817	4,816
Financial liabilities for securities business	—	13	13	—	56	56
Other financial liabilities	13,126	—	13,126	21,348	—	21,348
Other liabilities	86,605	—	86,605	230	—	230
Common stock	—	—	—	—	54	54
Capital surplus	—	—	—	—	54	54
Guarantee obligations (Note 3)	9,211	—	9,211	7,915	—	7,915
Commitment (Note 4)	4,085	—	4,085	1,700	—	1,700

(Notes)

1. Allowance for doubtful accounts of ¥687 million has been recorded against other financial assets for the years ended 2022.
2. The investments in associates and joint ventures for the years ended 2022 and 2023 are mainly due to undertaking capital increases carried out by associate companies.
3. Guarantee obligations in the fiscal year ended December 31, 2022 and 2023 comprises the balance of guarantee obligations due to the lease liabilities of associates.
4. Commitments for the fiscal year ended December 31, 2022 and 2023 comprise unused credit balance related to loan commitment lines with associates.

(2) Transactions with Companies in which Majority of Voting Rights are Held by the Group Companies' Executives, Principal Shareholders (Individuals) and their Close Relatives

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Revenue	20	17
Operating expenses (Note 1)	412	519
Other expenses	30	107
Deposits for banking business (Note 2)	1,663	5,541
Other financial liabilities	67	52
Other liabilities	38	—
Issuance of new shares through third-party allotment (Note 3)	—	30,000
Capital surplus (Note 4)	—	(50)

(Notes)

1. Operating expenses for the years ended December 31, 2022 and 2023 are primarily attorneys' fees and expenses paid to Nishimura & Asahi (Gaikokuho Kyodo Jigyo) etc., which are determined in the same manner as general terms of transactions.
2. Deposits for banking business for the years ended December 31, 2022 and 2023 are deposits received from Crimson Group, LLC etc.
3. In the fiscal year ended December 31, 2023, based on the resolution at the Board of Directors meeting held on May 16, 2023, the Company issued new shares through a third-party allotment comprising 26,501,700 shares each to Mikitani Kosan, Inc., and Spirit Inc, at ¥566 per share. This issue price per share is calculated by multiplying the price on the base date of calculation, May 24, 2023, by the discount rate.
4. Capital surplus in the fiscal year ended December 31, 2023 consists of attorneys' fees and expenses paid to Nishimura & Asahi (Gaikokuho Kyodo Jigyo) with respect to the issuance of new shares through a third-party allotment, based on terms and conditions similar to those of arm's length transactions. The amount after tax effect has been deducted from capital surplus, with the amount before tax effect being ¥72 million.

(3) Executive Compensation

Executive compensation is as follows:

(Millions of Yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Short-term employee benefits (Note)	963	1,236
Share-based payments	581	650
Total	1,544	1,886

(Note)

Executive compensation comprises compensation to the officers of Rakuten Group, Inc. and other executives. Short-term employee benefits include bonuses for those employees who serve concurrently as employees and Directors.

55. Business Combinations

During the year ended December 31, 2022

Business Combination with Robin Systems, Inc.

(1) An overview of the business combination is as follows:

i) Name of the acquiree and business description

Name of the acquiree: Robin Systems, Inc.

Business description: Provision of cloud-native functions that automate deployment, scaling, and life cycle management of enterprises and 5G applications on "Kubernetes"

ii) Reason for the business combination

To make Robin Systems, Inc. a wholly-owned subsidiary for the purpose of strengthening the collaborative relationship with Rakuten Symphony, to provide telecommunication carriers with end-to-end, fully automated cloud service.

iii) Date of the business combination: April 1, 2022

iv) Legal form of the business combination: Acquisition of shares

v) The Company's share of voting rights after the acquisition: 100%

vi) Basis for determining the acquirer

The Company is the acquirer, because it acquired shares in exchange for cash through Rakuten Mobile USA LLC, a wholly-owned subsidiary of the Company.

(2) Consideration for the acquisition and its breakdown

(Millions of Yen)

Consideration for acquisition:	
Cash	31,243
Total consideration for acquisition	31,243

In addition to the above, retention bonuses paid of USD 40 million was recognized separately from the business combination, and this will be recorded under "Operating expenses" over four years.

(3) Cost for the acquisition

USD 7 million is stated as cost for the acquisition under "Operating expenses".

(4) Assets and liabilities assumed on the date of the business combination were as follows:

(Millions of Yen)

	Fair value
Assets	
Cash and cash equivalents	2,554
Other financial assets	1,844
Intangible assets	4,053
Others	787
Total assets	9,238
Liabilities	
Other financial liabilities	2,675
Deferred tax liabilities	1,094
Others	510
Total liabilities	4,279
Total equity	4,959

(5) The amount of goodwill derived and its underlying factor are as follows:

i) The amount of goodwill derived: ¥29,082 million

The amount of goodwill was finalized as allocation of purchase price when fair value measurement was completed in the fiscal year ended December 31, 2022.

ii) Underlying factor

Goodwill derived based on a reasonable estimation of excess earning power expected from future business development.

(6) Impact on the Group Companies

Assuming the business combination was affected at the beginning of the fiscal year ended December 31, 2022, its impact on the Group Companies' revenue and net income is immaterial, and therefore statement is omitted. The information on income (loss) assuming the business combination was affected at the beginning of the fiscal year ended December 31, 2022 was not audited by the Independent Auditor.

During the year ended December 31, 2023

Not applicable

56. Subsequent Events

(1) Issuance of Bonds

The Company issued the following USD-denominated bonds on February 6, 2024.

Type	USD-denominated senior bonds maturing in 2027
Total issuance amount	USD 1,800 million
Issuance price	97.830% of face value
Interest rate	11.250% per year
Coupon rate after currency swap (Note)	7.21457% per year
Maturity date	February 15, 2027
Payment date	February 6, 2024
Purpose of use	1. Tender Offers for USD-denominated senior bonds maturing in 2024 (including commissions and expenses for the offer) 2. Purchase of JPY-denominated senior bonds maturing in and after 2024 3. Repayment of existing bonds

(Note)

Weighted average of coupon rates of multiple currency swaps entered into by the Company.

(2) Tender Offers of Bonds

The Company conducted cash tender offers for USD-denominated senior bonds maturing in 2024 (hereinafter the "offers") as follows.

i) Reason for the Offers

The offers are to be implemented with the aim of levelling the maturity profile of bonds.

ii) Description for the Offers

1) Bonds subject to the Offers

a) 10.250% USD-denominated senior bonds maturing in 2024 (Rule 144A- CUSIP: 75102W AD0; ISIN: US75102WAD02; Common Code: 254337714; Reg.S- CUSIP: J64264 AC8; ISIN: USJ64264AC82; Common Code: 254635782) (hereinafter "10.250% Bonds")

b) 3.546% USD-denominated senior bonds maturing in 2024 (Reg.S- CUSIP: n/a; ISIN: XS2080765154; Common Code: 208076515) (hereinafter "3.546% Bonds" and, together with the 10.250% Bonds, the "foreign bonds")

2) Principal Amount Outstanding

a) 10.250% Bonds: USD 950,000,000

b) 3.546% Bonds: USD 800,000,000

3) Tender Offers Consideration

a) 10.250% Bonds: USD 1,006.76 (Notes 1,2,3)

b) 3.546% Bonds: USD 956.75 (Notes 1,2,3)

(Notes)

1: Per principal amount of USD 1,000.

2: Excludes accrued interest.

3: Excludes an early tender premium (USD 30.00 per USD 1,000 principal of foreign bonds).

4) Tender Offer Period

January 25, 2024 - February 23, 2024 at 5:00 p.m. (US Eastern Time)

(Note)

The early tender offer period closed on February 7, 2024 at 5:00 p.m.

5) Funding

Cash on hand and net proceeds from the issuance of USD-denominated senior bonds maturing in 2027.

iii) Result of Early Tender Offer

1) Principal Amount of the Tender Offer

a) 10.250% Bonds: USD 600 million

b) 3.546% Bonds: USD 366 million

2) Impact on the Rakuten Group

The Company has paid USD 983.2 million as a purchase amount for the foreign bonds (excluding accrued interest, including early tender premium). The bond redemption loss and swap cancellation settlement etc. amounting to a total loss of approximately JPY 4.1 billion, will along with other related gains and losses, be recorded in "Financial income" and "Financial expenses" in the Condensed Quarterly Consolidated Statement of Income for the three months ended March 31, 2024.

(2) Others

Quarterly Information for the current fiscal year

(Millions of Yen, unless otherwise stated)

(Cumulative period)	3 months ended March 31, 2023	6 months ended June 30, 2023	9 months ended September 30, 2023	Year ended December 31, 2023
Revenue	475,635	972,800	1,491,239	2,071,315
Loss before income tax	(79,403)	(122,625)	(180,444)	(217,741)
Net loss attributable to owners of the Company	(82,567)	(139,985)	(208,447)	(339,473)
Basic losses per share (Yen)	(51.88)	(83.04)	(113.37)	(177.27)

(Quarterly period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic losses per share (Yen)	(51.88)	(32.27)	(32.00)	(61.19)

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

1) Non-Consolidated Balance Sheet

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	92,605	207,975
Accounts receivable - trade	*1 203,068	*1 206,079
Merchandise	14,240	15,861
Supplies	548	219
Prepaid expenses	9,624	11,881
Accounts receivable - other	*1 480,563	*1 431,878
Income taxes refund receivable	5,736	2,816
Short-term loans receivable from subsidiaries and associates	*2 648,056	*2 669,834
Other	*1 157,735	*1 128,922
Allowance for doubtful accounts	(571)	(4,092)
Total current assets	1,611,606	1,671,379
Non-current assets		
Property, plant and equipment		
Buildings	*4 18,944	*4 22,792
Machinery, equipment and vehicles	236	4,311
Tools, furniture and fixtures	*4 19,463	*4 18,377
Land	*4 3,682	*4 8,344
Construction in progress	12,372	6,582
Other	*4 16,869	*4 16,446
Total property, plant and equipment	71,568	76,854
Intangible assets		
Goodwill	4,393	2,022
Patent right	446	491
Trademark right	371	347
Software	60,369	64,256
Software in progress	11,782	14,661
Other	10,931	7,448
Total intangible assets	88,294	89,227
Investments and other assets		
Investment securities	*6 67,518	*6 91,689
Investments in shares of subsidiaries and associates	1,702,619	2,105,672
Investments in capital of subsidiaries and associates	10,402	14,501
Long-term loans receivable from subsidiaries and associates	*2 6,339	*2 5,369
Distressed receivables	6,047	6,626
Long-term prepaid expenses	955	2,522
Leasehold and guarantee deposits	10,578	10,573
Deferred tax assets	109,708	114,936
Other	26,925	25,735
Allowance for doubtful accounts	(7,182)	(7,093)
Total investments and other assets	1,933,914	2,370,533
Total non-current assets	2,093,777	2,536,615
Total assets	3,705,384	4,207,994

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	*1 34,899	*1 33,696
Commercial papers	174,000	30,500
Short-term borrowings	*3 168,334	*3,*4 48,251
Current portion of bonds payable	*1 10,000	*1 319,146
Accounts payable - other	*1 532,491	*1 481,493
Accrued expenses	*1 26,439	*1 28,435
Income taxes payable	—	4,457
Advances received	4,796	4,835
Deposits received	*1 248,875	*1 289,065
Provision for customer points	223,024	245,961
Provision for bonuses	6,077	6,294
Suspense receipt	1,778	930
Other	4,275	4,443
Total current liabilities	1,434,992	1,497,513
Non-current liabilities		
Bonds payable	*1 1,252,397	*1 1,174,959
Long-term borrowings	*1,*3,*4 180,501	*1,*3,*4 148,400
Provision for retirement benefits	19,666	23,749
Asset retirement obligations	11,349	11,818
Other	24,216	24,123
Total non-current liabilities	1,488,131	1,383,052
Total liabilities	2,923,123	2,880,566
Net assets		
Shareholders' equity		
Share capital	294,061	446,768
Capital surplus		
Capital reserve	261,597	414,305
Other capital surplus	365	365
Total capital surplus	261,963	414,670
Retained earnings		
Other retained earnings		
Retained earnings brought forward	192,735	411,618
Total retained earnings	192,735	411,618
Treasury shares	(0)	(0)
Total shareholders' equity	748,759	1,273,057
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	469	16,843
Total valuation and translation adjustments	469	16,843
Share acquisition rights	33,032	37,527
Total net assets	782,261	1,327,428
Total liabilities and net assets	3,705,384	4,207,994

2) Non-Consolidated Statement of Income

(Millions of Yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Net sales	*2 749,420	*2 860,578
Cost of sales	*2 220,841	*2 240,206
Gross profit	528,578	620,372
Selling, general and administrative expenses	*1,*2 510,721	*1,*2 612,882
Operating profit	17,857	7,489
Non-operating income		
Interest income	*2 6,317	*2 14,595
Dividend income	*2 139,097	*2 171,209
Other	*2 2,828	*2 2,367
Total non-operating income	148,244	188,172
Non-operating expenses		
Interest expenses	*2 28,058	*2 44,107
Foreign exchange loss	*2 12,577	*2 6,995
Share issuance costs	—	1,766
Commission fee	*2 4,943	*2 6,259
Loss on debt forgiveness for subsidiaries and associates	*2 4,242	*2 1,682
Other	*2 2,801	*2 1,697
Total non-operating expenses	52,623	62,510
Ordinary profit	113,477	133,151
Extraordinary income		
Gain on sale of non-current assets	*2,*3 175	*2,*3 1,284
Gain on sale of investment securities	9	259
Gain on sale of shares of subsidiaries and associates	—	131,666
Gain on liquidation of subsidiaries and associates	25	—
Other	0	9
Total extraordinary income	210	133,219
Extraordinary losses		
Loss on disposal of non-current assets	*4 1,184	*4 596
Impairment losses	554	12,170
Loss on valuation of investment securities	200,539	—
Loss on valuation of shares of subsidiaries and associates	1,086	20,364
Other	108	78
Total extraordinary losses	203,473	33,209
Profit (loss) before income taxes	(89,785)	233,161
Income taxes - current	13,330	19,575
Income taxes - deferred	(15,903)	(12,454)
Income tax expenses (benefits)	(2,573)	7,121
Profit (loss)	(87,211)	226,040

[Detailed Statement of Cost of Sales]

		Year ended December 31, 2022		Year ended December 31, 2023	
Classification	Note	Amount (Millions of Yen)	Composition Ratio (%)	Amount (Millions of Yen)	Composition Ratio (%)
I Cost of goods sold	*2	139,504	63.2	149,393	62.2
1.Beginning merchandise inventory		14,673		14,240	
2.Cost of purchased goods		139,071		151,014	
Total		153,744		165,254	
3.Ending merchandise inventory		14,240		15,861	
II Advertising media expenses	*2	1,562	0.7	2,286	1.0
III Cost of logistics business	*2	76,273	34.5	85,162	35.5
IV Cost of contents	*2	3,501	1.6	3,363	1.4
Total		220,841	100.0	240,206	100.0

3) Non-Consolidated Statement of Change in Equity

Year Ended December 31, 2022

(Millions of Yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance on January 1, 2022	289,673	257,210	365	257,575	288,649	288,649	(0)	835,899
Cumulative effects of changes in accounting policies					(155)	(155)		(155)
Restated balance	289,673	257,210	365	257,575	288,494	288,494	(0)	835,743
Changes during period								
Issuance of new shares	4,387	4,387		4,387				8,774
Dividends of surplus					(7,117)	(7,117)		(7,117)
Profit (loss)					(87,211)	(87,211)		(87,211)
Purchase of treasury shares							(0)	(0)
Decrease by corporate division-split-off type					(1,430)	(1,430)		(1,430)
Net changes in items other than shareholders' equity								
Total changes during period	4,387	4,387	—	4,387	(95,759)	(95,759)	(0)	(86,984)
Balance on December 31,2022	294,061	261,597	365	261,963	192,735	192,735	(0)	748,759

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance on January 1, 2022	(61,340)	(61,340)	28,634	803,192
Cumulative effects of changes in accounting policies				(155)
Restated balance	(61,340)	(61,340)	28,634	803,037
Changes during period				
Issuance of shares				8,774
Dividends of surplus				(7,117)
Profit (loss)				(87,211)
Purchase of treasury shares				(0)
Decrease by corporate division-split-off type				(1,430)
Net changes in items other than shareholders' equity	61,810	61,810	4,397	66,208
Total changes during period	61,810	61,810	4,397	(20,776)
Balance on December 31,2022	469	469	33,032	782,261

Year Ended December 31, 2023

(Millions of Yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance on January 1, 2023	294,061	261,597	365	261,963	192,735	192,735	(0)	748,759
Cumulative effects of changes in accounting policies					—	—		—
Restated balance	294,061	261,597	365	261,963	192,735	192,735	(0)	748,759
Changes during period								
Issuance of shares	152,707	152,707		152,707				305,415
Dividends of surplus					(7,157)	(7,157)		(7,157)
Profit (loss)					226,040	226,040		226,040
Purchase of treasury shares							(0)	(0)
Decrease by corporate division-split-off type					—	—		—
Net changes in items other than shareholders' equity								
Total changes during period	152,707	152,707	—	152,707	218,883	218,883	(0)	524,298
Balance on December 31,2023	446,768	414,305	365	414,670	411,618	411,618	(0)	1,273,057

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance on January 1, 2023	469	469	33,032	782,261
Cumulative effects of changes in accounting policies				—
Restated balance	469	469	33,032	782,261
Changes of items during the period				
Issuance of shares				305,415
Dividends of surplus				(7,157)
Profit (loss)				226,040
Purchase of treasury shares				(0)
Decrease by corporate division-split-off type				—
Net changes in items other than shareholders' equity	16,373	16,373	4,495	20,869
Total changes during period	16,373	16,373	4,495	545,167
Balance on December 31,2023	16,843	16,843	37,527	1,327,428

[Notes to Non-consolidated Financial Statements]

(Significant Accounting Policies)

1. Basis and method of valuation of securities

(1) Investments in shares of subsidiaries and associates	Measured at cost determined by the moving-average method
(2) Available-for-sale securities	
Securities other than shares, etc. that do not have a market price	Market value method (any valuation differences are directly charged or credited to net assets and cost of securities sold is calculated by the moving-average method)
Shares, etc. that do not have a market price	Measured at cost determined by the moving-average method

2. Basis and method of valuation of inventories

(1) Merchandise and supplies	
Home life direct business, etc.	Moving-average method (balance sheet values are measured with the method of devaluing the carrying amount based on declining profitability)
Other businesses	First-in first-out method (balance sheet values are measured with the method of devaluing the carrying amount based on declining profitability)

3. Method of depreciation and amortization of non-current assets

(1) Property, plant and equipment	Depreciated using the straight-line method
(excluding leased assets)	Useful lives and residual values are calculated in accordance with the method prescribed in the Corporate Tax Act.
(2) Intangible Assets	Amortized using the straight-line method
(excluding leased assets)	Useful lives are calculated in accordance with the method prescribed in the Corporate Tax Act. Software for internal use is amortized using the straight-line method over the expected useful life in the Company (five years). Goodwill is amortized during the period in which is expected to remain effective (within 20 years). However, when the amount is immaterial, the whole amount is amortized in the relevant year that it was incurred.
(3) Leased assets	Leased assets related to finance leases that do not transfer ownership Amortized using the straight-line method assuming the lease period as the useful life and no residual value

4. Method of treatment for deferred assets

Share issuance and bond issuance costs	The full amount of expenses is accounted for when incurred.

5. Basis for recording provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible losses arising from bad debts at an amount determined based on the historical loan loss ratios for general receivables, and an individual estimate of uncollectible amounts for specific receivables, including doubtful receivables.

(2) Provision for bonuses

Provision for bonuses is recorded at an estimated amount attributable to the current fiscal year mainly to provide for future bonus payments to employees.

(3) Provision for customer points

An estimated amount that is anticipated to be used in the future is recorded at the end of the current fiscal year to provide for expenses to be incurred from the use of such points.

(4) Provision for retirement benefits

Provision for retirement benefits is recorded based on the projected retirement benefit obligations at the end of the current fiscal year to provide for employee retirement benefits.

1) Method of attributing projected retirement benefits to periods

Retirement benefit obligations are calculated by attributing projected retirement benefits to periods up to the end of the current fiscal year on a benefit formula basis.

2) Method of amortizing actuarial gains and losses

Actuarial gains and losses are amortized using the straight-line method over a specified period (five years) within the average remaining employee service period at the time of their incurrence in each fiscal year from the fiscal year following their incurrence.

6. *Basis for recording revenue and expenses*

The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

Rakuten Ichiba and Rakuten Travel

A fundamental characteristic of marketplace model EC services including "Rakuten Ichiba" and travel booking services such as "Rakuten Travel" is to provide EC platforms for trading to customers, and the Company provides merchants and travel-related businesses with services including EC platform services, transaction related services, advertising related services to promote the expansion of sales through the Company, and payment agency services related to settlements between merchants or travel-related businesses and consumers. The nature of the services and the related rights and obligations are stipulated in various agreements with customers. Performance obligations are identified based on whether services are distinct or not, and the pattern of transfer to the customer. Revenues from major performance obligations are recognized as described below.

With regard to EC platform services to "Rakuten Ichiba", the Company has obligations to provide services for merchants to open and operate on our EC platform and related consulting services and other similar services for a contracted term. These services are provided over time, and so these performance obligations are satisfied as time passes. Accordingly, the revenue is recognized over the contracted term on a monthly basis based on the amount stipulated in the agreement for each type of shop. Furthermore, consideration for a transaction is received at the time of contract in the form of advance payment for the period of three months, six months or one year, prior to the satisfaction of performance obligations.

The Company has obligations based on agreed terms to provide services to match merchants and travel-related businesses with Rakuten users, and to enable the resultant transactions to be processed appropriately. These performance obligations are satisfied when the individual transaction between merchants or travel-related businesses and Rakuten users is completed. Revenues are recognized at the point of satisfaction of these performance obligations, based on the gross amount of merchandise sales (monthly sales of merchants and travel-related businesses) of completed transactions multiplied by the specified ratio stipulated separately for each service, plan, or amount of gross merchandise sales. The related payments are receivable approximately within three months of the completion of the transaction.

With regard to advertising-related services, the Company has obligations to provide fixed-term advertisements to customers. The advertising related services are provided by displaying the advertisement over the contracted term, and the progress of providing the service is measured based on the passage of time. Therefore, performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contract term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are, in principle, received by the end of the second subsequent month after the month that includes the advertising commencement date.

With regard to payment agency services, the Company has obligations to provide payment agency services based on payment agent agreements with merchants and travel-related businesses. The company has obligations to receive payments for the transactions from credit card companies, etc. and make payments to merchants and travel-related businesses. Commission revenues arising from these transactions are primarily recognized based on the amount stipulated in the agreement when consumers' credit cards etc. transactions occurred, because the performance obligations are satisfied at that point. Commissions are received within one month and a half after the cut-off date for invoices set out for each payment category, following the satisfaction of performance obligations.

Rakuten 24, Rakuten Books

In the Internet Services segment, the Company is the principal in the sales contracts for services including internet shopping sites "Rakuten 24" and "Rakuten Books" where the Company offers products to Rakuten users. In these direct selling services, revenue is recognized when goods are delivered to the customer. In addition, payments are received approximately within two months after the delivery of goods when performance obligations are satisfied. For book (Japanese book) sales in Japan through Rakuten Books, revenues are recognized on a net basis after deducting costs of sales, because the role of the Company in these transactions has the nature of an agent given the resale price maintenance system in Japan.

7. Method of hedge accounting

(1) Method of hedge accounting

Calculated based on deferred hedge treatment. However, special treatments are applied in cases that qualify for special treatment.

(2) Hedging instruments and hedged items

Hedging instruments

Foreign exchange contracts and currency swaps

Hedged Items

Interest expenses on foreign currency-denominated receivables and payables and foreign currency-denominated bond

(3) Hedge Policy

The Company engages in foreign exchange contracts and currency swaps in accordance with the hedge transaction management rules of Rakuten Group, Inc. to avoid exchange rate risks associated with receivables and payables denominated in foreign currencies and interest rates.

(4) Methods for evaluating hedge effectiveness

The effectiveness of hedges is evaluated for conformity with the hedging transaction in relation to currency units, transaction amounts and settlement dates in accordance with internal management documents. The evaluation of effectiveness is omitted in cases that qualify for special treatment.

8. Other significant matters forming the basis of preparation of financial statements

(Borrowing cost)

Borrowing costs directly attributed to the acquisition, construction and manufacturing of an asset that requires a substantial period of time to be ready for its intended use or sales are recognized as assets.

(Significant Accounting Estimates)

(Valuation of shares of subsidiaries and associates)

(1) Amount recorded in the financial statements

(Millions of Yen)

	Previous fiscal year	Current fiscal year
Investments in shares of subsidiaries and associates	1,702,619	2,105,672
Loss on valuation of shares of subsidiaries and associates	1,086	20,364

(2) Information on details of the significant accounting estimates for the identified items

1) Calculation method

In the valuation of shares of subsidiaries and associates, if there is a marked drop in the actual value as a result of the worsening of the financial positions of the subsidiaries and associates, except when the recoverability is substantiated by sufficient proof, the value of the shares is reduced to an appropriate extent and the valuation differences are treated as losses for the year. In the current fiscal year, no impairment was performed in relation to the shares of Rakuten Mobile, Inc.

2) Key assumptions

Actual values are estimated using the business plans of each subsidiary and associate approved by the Board of Directors, and the key assumptions used include estimates of future cash flows and the sales growth rate, etc.

Key assumptions in the business plan of Rakuten Mobile, Inc include ARPU, the number of new users, and churn rate, etc.

3) Impact on financial statements for the following fiscal year

Key assumptions may be exposed to the effects of changes from uncertain economic conditions in the future, and it could have a significant impact on the financial statements for the following fiscal year if these assumptions require revision.

(Non-Consolidated Balance Sheet)

*1 Monetary claims and liabilities to subsidiaries and associates (excluding information listed in balance sheet)

(Millions of Yen)

	December 31, 2022	December 31, 2023
Monetary claims	651,359	710,541
Monetary liabilities	417,324	482,860

*2 Commitment line lending contracts

The Group has implemented a cash management system, and the balances of the unused lending commitment lines associated with this system are as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Total commitment line lending	8,370	8,450
Amounts lend	—	—
Unused balance	8,370	8,450

*3 Commitment line borrowing contracts

The Company has entered into commitment line borrowing contracts with major financial institutions in Japan. The balances of the unused portions of such commitment lines available are as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Total commitment line borrowings	150,000	150,000
Amounts borrowed	—	—
Unused balance	150,000	150,000

*4 Pledged assets and secured liabilities

Pledged assets

(Millions of Yen)

	December 31, 2022	December 31, 2023
Buildings	433	8,447
Tools, furniture and fixtures	28	435
Land	1,741	7,133
Other	117	469
Total	2,320	16,486

Secured liabilities

(Millions of Yen)

	December 31, 2022	December 31, 2023
Short-term borrowings	—	4,103
Long-term borrowings	1,168	13,179
Total	1,168	17,283

The Company transferred Buildings, etc. to Goudou Kaisha in which the Company has invested and treated the transaction according to the "Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special Purpose Companies" (the Accounting System Committee Statement No. 15 of the Japanese Institute of Certified Public Accountants, November 4, 2014).

Accordingly, the figures above include such pledged assets and secured liabilities as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
Buildings	—	2,938
Tools, furniture and fixtures	—	191
Land	—	648
Other	—	174
Short-term borrowings	—	783
Long-term borrowings	—	4,315

*5 Balances of guarantee obligations, etc.

The Company provides credit guarantees to the following companies who are subsidiaries and associates of the Company for borrowings and other payment obligations. The balances of guarantee obligations are as follows:

(Millions of Yen)

December 31, 2022		December 31, 2023	
Rakuten Mobile, Inc.	310,156	Rakuten Mobile, Inc.	258,963
Rakuten Energy, Inc.	23,815	Rakuten Energy, Inc.	34,704
JP Rakuten Logistics, Inc.	9,210	JP Rakuten Logistics, Inc.	7,915
Rakuten USA, Inc.	1,444 ($11,017 thousand)	Rakuten USA, Inc.	881 ($6,250 thousand)
WORLD TRAVEL SYSTEM INC.	100	Rakuten Symphony Singapore Pte. Ltd.	836 ($5,932 thousand)
Rakuten Books Network Co., Ltd.	21	WORLD TRAVEL SYSTEM INC.	100
Rakuten Europe S.a.r.l.	4 (€30 thousand)	Rakuten Symphony Deutschland GmbH	80 (€518 thousand)
		RAKUTEN ASIA PTE. LTD.	48
		Rakuten Books Network Co., Ltd.	22
		Rakuten Europe S.a.r.l.	4 (€30 thousand)

(Millions of Yen)

	December 31, 2022	December 31, 2023
Balance of obligations from the cumulative assumption of debts	582	—

*6 The balance sheet values of investment securities lent through contracts of loans for consumption are as follows:

(Millions of Yen)

	December 31, 2022	December 31, 2023
	45,365	66,376

(Non-Consolidated Statement of Income)

*1 Major components and amounts of selling, general and administrative expenses are as follows:

(Millions of Yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Point expenses	145,929	159,065
Advertising and promotion expenses	69,652	72,552
Personnel expenses	76,789	98,518
Provision for bonuses	6,077	6,294
Depreciation	33,750	39,166
Communication expenses	3,450	5,598
Maintenance expenses	3,230	3,464
Consignment and subcontract expenses	106,022	155,912
Rent expenses on land and buildings	13,098	13,234
Commission expenses	77,027	87,011
Packing and freight expenses	1,905	1,672
Provision of allowance for doubtful accounts	333	3,656
Expenses of subsidiaries and associates	(73,434)	(87,936)
Other	46,888	54,670
Total	510,721	612,882

Expenses of subsidiaries and associates are costs involved in the provision of services and administrative operations, etc. to subsidiaries and associates, and are a deduction from personnel expenses and expenditures.

Approximate ratio

	Year ended December 31, 2022	Year ended December 31, 2023
Selling expenses	37%	33%
General and administrative expenses	63%	67%

*2 Amounts of transactions with subsidiaries and associates included in each account are as follows:

(Millions of Yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Amount of operating transactions	100,397	235,666
Net sales	61,485	57,922
Operating expenses	(38,911)	(177,743)
Amount of transactions other than operating transactions	159,239	196,295
Amount of transactions other than operating transactions (proceeds)	149,380	188,332
Amount of transactions other than operating transactions (payments)	9,859	7,963

Loss on debt forgiveness for subsidiaries and associates are all items involved in debt forgiveness in relation to subsidiaries and associates and are included in the amount of transactions other than operating transactions (payments).

*3 The breakdown of gain on sale of non-current assets is as follows:

(Millions of Yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Buildings	—	1,007
Tools, furniture and fixtures	—	(37)
Land	—	390
Other (Property, plant and equipment)	—	(74)
Trademark right	3	—
Software	171	—
Other (Intangible assets)	—	(1)
Total	175	1,284

*4 The breakdown of loss on disposal of non-current assets is as follows:

(Millions of Yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Buildings	3	29
Tools, furniture and fixtures	73	28
Construction in progress	—	19
Software	883	505
Software in progress	219	13
Trademark right	2	—
Other	2	—
Total	1,184	596

(Securities)

Investments in shares of subsidiaries and associates
As of December 31, 2022

(Millions of Yen)

Category	Amount recorded in balance sheet	Market price	Difference
Investments in shares of subsidiaries	—	—	—
Investments in shares of associates	9,835	9,037	(798)
Total	9,835	9,037	(798)

(Notes)
1.The measurement method of market prices is based on the prices of shares on exchanges.
2. Amount recorded in balance sheet of shares, etc. that do not have a market price:

(Millions of Yen)

Classification	December 31, 2022
Investments in shares of subsidiaries	1,653,631
Investments in capital of subsidiaries	10,402
Investments in shares of associates	39,152
Total	1,703,186

As of December 31, 2023

(Millions of Yen)

Classification	Amount recorded in balance sheet	Market price	Difference
Investments in shares of subsidiaries	796	181,552	180,756
Investments in shares of associates	6,756	6,791	34
Total	7,553	188,344	180,791

(Notes)
1.The measurement method of market prices is based on the prices of shares on exchanges.
2. Amount recorded in balance sheet of shares, etc. that do not have a market price:

(Millions of Yen)

Classification	December 31, 2023
Investments in shares of subsidiaries	2,056,783
Investments in capital of subsidiaries	14,501
Investments in shares of associates	41,335
Total	2,112,620

(Tax Effect Accounting)

1. Breakdown of major reasons for occurrences of deferred tax assets and liabilities

(Millions of Yen)

	December 31, 2022	December 31, 2023
Deferred tax assets		
Allowance for doubtful accounts	2,374	3,425
Provision for customer points	68,290	75,313
Provision for bonuses	1,831	1,880
Provision for retirement benefits	6,021	7,272
Loss on valuation of shares of subsidiaries and associates	75,944	95,088
Uncertain obligations	8,705	8,786
Asset retirement obligations	3,489	3,618
Share based compensation expenses	3,597	4,105
Tax losses carried forward	16,367	15,062
Investment securities	61,580	61,580
Other	2,232	6,481
Deferred tax assets (subtotal)	250,435	282,616
Valuation allowance for tax losses carried forward	(154)	(268)
Valuation allowance for deductible temporary differences, etc.	(137,545)	(157,339)
Valuation allowance (subtotal)	(137,700)	(157,608)
Total deferred tax assets	112,734	125,007
Deferred tax liabilities		
Valuation difference on available-for-sale securities	144	7,433
Property, Plant and Equipment	2,523	2,249
Other	358	388
Total deferred tax liabilities	3,025	10,071
Net deferred tax assets	109,708	114,936

2. Breakdown of major reasons for differences between the statutory tax rates and the effective tax rates after application of tax-effect accounting

	December 31, 2022	December 31, 2023
Statutory tax rate	30.62%	30.62%
(Reconciliations)		
Increase (decrease) in valuation allowance	(86.45)%	(12.81)%
Combined income of specified foreign subsidiaries, etc.	(5.76)%	4.91%
Extinguishment of tax losses carried forward	(0.05)%	0.07%
Impact of change in tax rates	(0.16)%	0.00%
Dividends and other non-taxable income	65.60%	(20.44)%
Temporary differences additionally incurred upon filing for merged company, etc.	0.00%	0.00%
Other	(0.93)%	0.71%
Subtotal	(27.76)%	(27.57)%
Effective tax rates after application of tax-effect accounting	2.86%	3.05%

3. Accounting for income tax and local income tax or accounting for tax-effect accounting related to these taxes

The Company has adopted the group tax sharing system from the current fiscal year. Furthermore, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), the Company conducts accounting treatment or tax-effect accounting treatment and disclosure related to income tax and local income tax.

(Revenue Recognition)

Information is as presented in "Notes to the Consolidated Financial Statements, 36. Revenue" and is therefore omitted.

(Significant Subsequent Events)

Information is as presented in "Notes to the Consolidated Financial Statements, 56. Subsequent Events" and is therefore omitted.

4) Supplementary Schedules

Supplementary Schedule of Property, Plant and Equipment, etc.

(Millions of Yen)

Classification	Class of assets	Balance on January 1, 2023	Increase during the year	Decrease during the year	Depreciation during the year	Balance on December 31, 2023	Accumulated depreciation
Property, plant and equipment	Buildings	18,944	12,299	5,626 (1,249)	2,825	22,792	11,559
	Machinery, equipment and vehicles	236	7,095	2,958 (2,958)	61	4,311	92
	Tools, furniture and fixtures	19,463	4,857	187 (2)	5,755	18,377	22,498
	Land	3,682	6,085	1,422	—	8,344	—
	Construction in progress	12,372	22,260	28,050 (127)	—	6,582	—
	Other	16,869	9,998	7,766 (7,263)	2,655	16,446	5,045
	Total	71,568	62,596	46,012 (11,600)	11,298	76,854	39,195
Intangible assets	Goodwill	4,393	—	—	2,370	2,022	—
	Patent right	446	187	—	143	491	—
	Trademark right	371	34	—	58	347	—
	Software	60,369	29,189	1,837 (569)	23,465	64,256	—
	Software in progress	11,782	34,024	31,145	—	14,661	—
	Other	10,931	875	295	4,062	7,448	—
	Total	88,294	64,312	33,278 (569)	30,100	89,227	—

(Notes)

1.Figures in brackets under "decrease during the year" indicate the recorded amount of impairment losses in the year.

2.The increase during the year in software indicates the recorded amount of software utilized mainly in operations related to Rakuten Ichiba.

3.The increase during the year in software in progress indicated the recorded amount of in-process software scheduled for utilization mainly in operations related to Rakuten Ichiba.

Supplementary Schedule of Provisions

(Millions of Yen)

Classification	Balance on January 1, 2023	Increase during the year	Decrease during the year	Balance on December 31, 2023
Allowance for doubtful accounts	7,754	11,185	7,754	11,185
Provision for bonuses	6,077	6,294	6,077	6,294
Provision for customer points	223,024	245,961	223,024	245,961

(2) Major assets and liabilities

This information is omitted as the consolidated financial statements are prepared.

(3) Other

Not applicable.

English Translation
Independent Auditor's Report

March 28, 2024

The Board of Directors
Rakuten Group, Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Takeshi Saida
Designated Engagement Partner
Certified Public Accountant

Isamu Ando
Designated Engagement Partner
Certified Public Accountant

Mitsutaka Kumagai
Designated Engagement Partner
Certified Public Accountant

<*Consolidated Financial Statements Audit*>

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Rakuten Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as provided for in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Assessment of indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc.</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>As of December 31, 2023, the Group recorded property, plant and equipment and intangible assets of ¥2,292,038 million in its consolidated statement of financial position, which represents 10.1% of consolidated total assets. This included ¥1,137,737 million recorded by Rakuten Mobile, Inc., which corresponds to approximately 5% of consolidated total assets.

As a result of activities such as construction of base stations for the mobile network operator business, which launched its business on a full-scale in April 2020, as well as sales promotion for acquiring new customers, Rakuten Mobile, Inc. has recorded operating losses consecutively since the launch of the business.

The Group assesses whether there are indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc. in accordance with IAS 36, and determined that there were no indications of impairment in the current fiscal year. The Group uses the business plan and results for the current fiscal year in assessing</td><td>We assessed whether there is an indication of impairment of the property, plant and equipment and intangible assets of Rakuten Mobile, Inc. by involving its audit team to assist us in performing primarily the following audit procedures:

・ We obtained an understanding of the process for the development of business plans and evaluated the effectiveness of internal controls related to the assessment of whether there are indications of impairment of property, plant and equipment and intangible assets.

・ We assessed the key assumptions used in assessing whether there is an indication of impairment, namely average revenue per user, number of new users and churn rate used in the business plan, by holding discussions with management on the actual trends and the future feasibility of the business plan in consideration of the operating environment, comparing the key assumptions with market forecasts and available external information, and</td></tr>
</table>

indications of impairment. The business plan is sensitive to changes in key assumptions, namely average revenue per user, number of new users, and churn rate, and these assumptions are affected by the future market environment and competition with peers. Accordingly, given that the assessment of indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc. requires management to exercise judgment, we have determined that this is as a key audit matter.	performing historical trend analysis. ・ We compared the key assumptions that were used in formulating business plans in prior fiscal years with actual results, analyzed factors resulting in divergence, and evaluated the impact on management's judgment at the end of the current fiscal year. ・ We considered whether the business plan that is used for assessing indications of impairment of property, plant and equipment and intangible assets is consistent with the business plan that was approved and reported at the meeting of the Board of Directors, as well as with the business plan that is used for assessing the recoverability of deferred tax assets.

Estimation of taxable income based on the future profitability of Rakuten Mobile, Inc. in considering the recoverability of deferred tax assets	
Description of Key Audit Matter	**Auditor's Response**
As of December 31, 2023, the Group recorded deferred tax assets of ¥214,777 million in its consolidated statement of financial position. As stated in the Notes to the Consolidated Financial Statements, "Income Tax Expense", the Group adopts the Group Relief System in Japan. Additionally, the Group recorded deferred tax assets of ¥146,864 million on tax losses carried forward, and most of these deferred tax assets were recorded for Rakuten Mobile, Inc. The Group determines the recoverability of deferred tax assets for deductible temporary differences and tax losses carried forward attributable to Rakuten Mobile, Inc. by estimating taxable income based on the future profitability of Rakuten Mobile, Inc. and companies in the Japanese Group Relief System. The estimation of taxable income based on the future profitability of Rakuten Mobile,	We assessed the estimation of taxable income based on the future profitability of Rakuten Mobile, Inc. by involving its audit team to assist us in performing primarily the following audit procedures: ・ We obtained an understanding of the process for the development of business plans and evaluated the effectiveness of the relevant internal controls. ・ Regarding the balance of deductible temporary differences and tax losses carried forward, we examined the schedule of the fiscal years in which they are expected to be reversed. ・ We assessed the key assumptions, namely average revenue per user, number of new users and churn rate used in the business plan, by holding discussions with management on the actual trends and the future feasibility of the business plan in consideration of the

Inc. is important in determining the recoverability of deferred tax assets in the group. Such estimation is based on the business plan and results for the current fiscal year, and the key assumptions used in the plan are mainly average revenue per user, number of new users, and churn rate, which are most sensitive and impacted by the future market environment and competition with peers. Given that key assumptions used in the business plan are subject to uncertainty and that the assessment of the recoverability of deferred tax assets, including comparison with actual results, requires management to exercise judgment, we have determined that the estimation of taxable income based on the future profitability of Rakuten Mobile, Inc. is a key audit matter.	operating environment, comparing the key assumptions with market forecasts and available external information, and performing historical trend analysis. · We compared the key assumptions that were used in formulating business plans in prior fiscal years with actual results, analyzed factors resulting in divergence, and evaluated the impact of the key assumptions on management's judgment at the end of the current fiscal year. · We considered whether the business plan that is used for assessing the recoverability of deferred tax assets is consistent with the business plan that was approved and reported at the meeting of the Board of Directors, as well as with the business plan that is used for assessing indications of impairment of property, plant and equipment and intangible assets held by Rakuten Mobile, Inc.

Other Information

The other information comprises the information included in the Annual Securities Report (Yukashoken-Hokokusho) that contains audited consolidated and non-consolidated financial statements but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regar

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-related Information>

The fees for the audits of the financial statements of the Group and other services provided by us and other EY member firms for the year ended December 31, 2023 are presented in paragraph (3) titled "Audits" in Section 4 "Corporate Governance" included in Item IV "Information on the Company Submitting Financial Reports" in Part 1 of the Annual Securities Report (Yukashoken-Hokokusho) for the year ended December 31, 2023 of the Group.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Note to the Readers of Independent Auditor's Report:
This is extracted and translated from the Independent Auditor's Report as required by Financial Instruments and Exchange Act for the conveniences of the readers.

English Translation

Independent Auditor's Report

March 28, 2024

The Board of Directors
Rakuten Group, Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Takeshi Saida
Designated Engagement Partner
Certified Public Accountant

Isamu Ando
Designated Engagement Partner
Certified Public Accountant

Mitsutaka Kumagai
Designated Engagement Partner
Certified Public Accountant

<Non-Consolidated Financial Statements Audit>

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements of Rakuten Group, Inc. (the Company), which comprise the non-consolidated balance sheet as at December 31, 2023, and the non-consolidated statements of income, changes in equity for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of shares of Rakuten Mobile, Inc.</td></tr>
<tr><th>Key Audit Matters</th><th>Auditor's Response</th></tr>
<tr><td>As stated in the Notes to the Non-Consolidated Financial Statements, "Securities", shares of subsidiaries with no market price recorded on the balance sheet were ¥2,056,783 million as of December 31, 2023. The carrying amount of the investment in Rakuten Mobile, Inc. accounts for over 70% of this amount.

The net asset-based value of Rakuten Mobile, Inc.'s shares declined significantly as of December 31, 2023. This decline resulted from activities such as constructing base stations and implementing sales promotions to acquire new customers for the mobile network operator business, which was launched in April 2020.

In the valuation of shares of the subsidiary, the Company determined that the value of the shares is recoverable. This conclusion is supported by sufficient evidence based on the business plan and current period results; therefore, the carrying amount of the shares was not written down.

The recoverability of the value of the shares is highly sensitive to changes in key assumptions, namely average revenue per user, number of new users, and churn rate, which are affected by the future market environment and competition with peers.

Given that the business plan used in the valuation of the shares of the subsidiary is subject to uncertainty and the evaluation of the recoverability of the shares, including comparisons with actual results, requires management to exercise judgment, we have determined that the valuation of shares of Rakuten Mobile, Inc. is a key audit matter.</td><td>We assessed the valuation of shares of Rakuten Mobile, Inc. by involving a component team to assist us in performing primarily the following audit procedures:

・We obtained an understanding of the process for the development of business plans and evaluated the design and operation of internal controls related to the valuation of shares of the subsidiary.

・We compared the key assumptions used in formulating business plans in the prior fiscal year—namely, average revenue per user, number of new users, and churn rate—to actual results. We analyzed the factors that resulted in divergence and evaluated the impact of these key assumptions on management's judgment at the end of the current fiscal year.

・We assessed the key assumptions in the business plans by holding discussions with management on the actual trends and the future feasibility of the business plan in consideration of the operating environment, comparing the key assumptions with market forecasts and available external information, and performing historical trend analysis

・We considered whether the business plan that is used for assessing the recoverability of the value of the shares, is consistent with the business plan that was approved and reported at the meeting of the Board of Directors.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Securities Report (Yukashoken-Hokokusho) that contains audited consolidated and non-consolidated financial statements but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the non-consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-related Information>

Fee-related Information is described in the Independent Auditor's Report on the consolidated financial statements.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Note to the Readers of Independent Auditor's Report:
This is extracted and translated from the Independent Auditor's Report as required by Financial Instruments and Exchange Act for the conveniences of the readers.